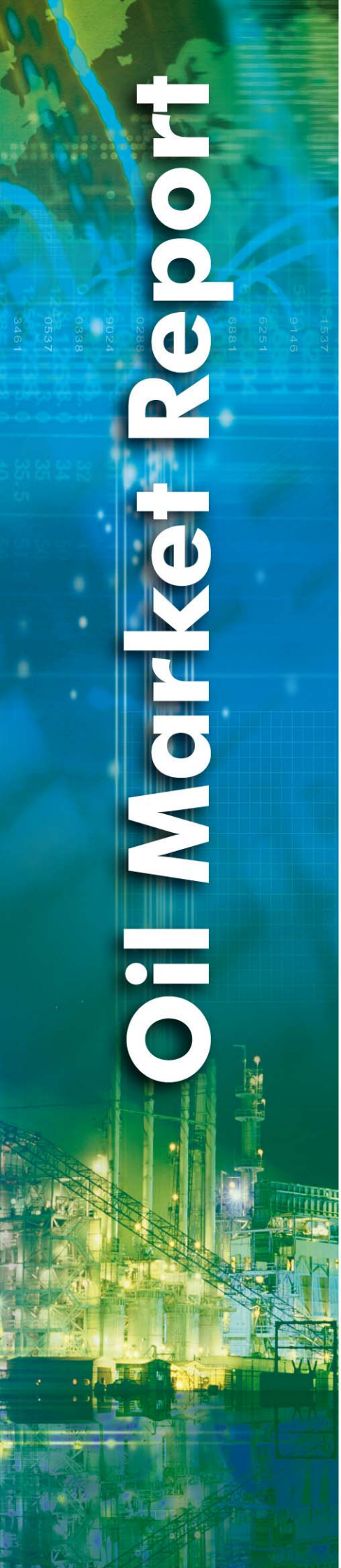

International Energy Agency

15 January 2010

HIGHLIGHTS

- **Crude oil prices surged to 15-month highs in early January** on very cold winter weather in much of the northern hemisphere and escalating geopolitical tensions in key oil producing countries. At their peak, prices had jumped by around $10-12/bbl from December lows. Prices have since eased, last trading in a $78-80/bbl range.
- **Global supply rose 270 kb/d in December to 86.2 mb/d**, on both higher OPEC and non-OPEC output. A reappraisal of Azerbaijan's crude production outlook leads to a -150 kb/d revision for 2010 non-OPEC supply, to 51.5 mb/d. Non-OPEC output this year will grow 0.2 mb/d from a modestly-revised 51.3 mb/d in 2009, driven by biofuels and rising crude supply in Brazil, the FSU, Australia, Colombia and India.
- **OPEC-12 crude output rose 75 kb/d to 29.1 mb/d in December**, resulting in effective spare capacity of 5.4 mb/d. OPEC ministers left output targets unchanged at their 22 December meeting, but called for better compliance. The 'call on OPEC crude and stock change' stands at 28.7 mb/d for 1Q10 and 29.1 mb/d for 2010. OPEC NGLs are forecast to increase sharply by 885 kb/d to 5.7 mb/d in 2010.
- **Forecast global oil demand remains virtually unchanged** at 84.9 mb/d in 2009 (-1.5% or -1.3 mb/d year-on-year) and 86.3 mb/d in 2010 (+1.7% or +1.4 mb/d versus the previous year). Growth is driven by non-OECD countries, most notably in Asia. Oil demand recovery in the OECD will likely remain sluggish, despite the recent cold weather.
- **OECD industry stocks rose 12.6 mb in November to 2 747 mb**, 2.0% above 2008's level. Yet preliminary data point to product draws, onshore and offshore, due to colder winter temperatures in December and early January. End-November days of forward demand cover fell to 59.1 days, 1.9 days higher than a year ago.
- **Global 1Q10 refinery crude throughput** is forecast at a slightly lower 72.7 mb/d, while global 4Q09 crude throughput is assessed at an unchanged 72.3 mb/d. With OECD stocks still high and global demand recovery as yet anaemic, the refining industry outlook for 1Q10 is not promising, suggesting further weakness in throughputs.

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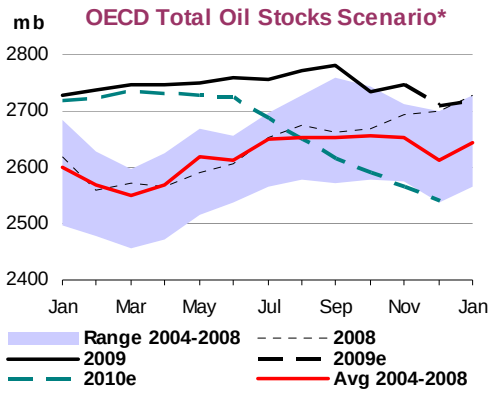
DICHOTOMOUS TRENDS

The start of a new decade provides a welcome opportunity to stand back from the short-term maelstrom of see-sawing prices and reflect. This report already tries to do that on a monthly basis, even if, arguably, oil markets are becoming more difficult to interpret and predict as each year goes by. One recurring theme in recent months however is a certain polarisation - between regional growth prospects, between the roles of various market players and between the relative influence of different market drivers.

Firstly, there are several paths market fundamentals could follow in 2010. Demand growth predictions range from +0.8 mb/d to +2.0 mb/d. This report stands somewhere in between, envisaging 1.4 mb/d of growth if economic recovery remains on track (albeit downside risks persist). Growth from OPEC gas liquids and, to a lesser extent, non-OPEC supply should account for most of this increase, leaving OPEC production as a key unknown. The Organisation's decision to hold targets unchanged in December was logical in terms of market stability and economic recovery. But what producers will collectively do henceforward remains uncertain. Assuming major changes in output are unlikely before the Organisation's next meeting in March, were OPEC nonetheless to regain existing target output levels by mid-year and hold steady thereafter, this could result in a sharp tightening in OECD stocks, as shown on the right. Of course uncertainties persist regarding whether such OPEC-wide discipline is feasible, or whether key producers are willing to continually shoulder most of the burden by themselves. Moreover, OPEC actions will likely be influenced by a desire not to risk driving prices sharply higher and undermining economic recovery.



*OPEC crude production at 29 mb/d in 1Q10, 28.2 mb/d in 2Q10, 27.3 mbd in 3Q-4Q10

Key figures in the Organisation have also recognised that overly focusing on OECD markets is itself rather myopic. Demand growth in 2010 derives entirely from outside the OECD (+0.4 mb/d combined from the FSU and Latin America and +0.9 mb/d from east of Suez markets). This report and the recent *MTOMR* update identify the growth in Asian refining and the weak outlook for OECD utilisation rates. In addition we note the related attempts by producers (notably Saudi Arabia and Russia) to divert supplies to lucrative eastern growth markets and away from North America and Europe (an East versus West shift). It remains a key task for the IEA and JODI partners to encourage improved data coverage for these more opaque markets.

The polarised debate on fundamental versus financial drivers of commodity prices continues to rage, though a number of recent studies continue to struggle to discern a direct causal link between speculative trades on the oil futures markets and prices, in anything other than the very short term. That said, visibility of OTC derivatives trades remains obscure at best. Regulators on both sides of the Atlantic continue to mull position limits for energy futures exchanges and the migration of derivatives trades towards mandatory clearing. However, international regulator consensus on the best way to improve transparency, reduce the risk of market manipulation but sustain liquidity remains some way off. We will report further on proposed regulatory developments in coming issues of the *OMR* and we are pleased to be holding an expert workshop on oil price formation in Tokyo on 25 February 2010 in collaboration with IEEJ (Japan's Institute for Energy Economics) and METI.

Finally, this month's report may provide food for thought in the optimists-versus-pessimists debate about supply prospects, even if a growing body of opinion sees peak demand potentially preceding peak supply if a combination of sub-trend economic growth, high prices and efficiency gains continues. The IEA believes physical oil resources are plentiful. But there are valid concerns about the ability of the industry to expand the supply base quickly enough (not least because of above-ground opportunity constraints) if unfettered annual demand growth of 1 mb/d-plus re-emerges post-recession. For that reason, indications that upstream spending is likely to rebound in 2010, and with it an uptick in exploration, are very welcome.

DEMAND

Summary

- **Forecast global oil demand** remains virtually unchanged for both 2009 and 2010, as weaker preliminary data for the OECD offset more buoyant readings in non-OECD countries. Global oil demand is expected to average 84.9 mb/d in 2009 (-1.5% or -1.3 mb/d year-on-year) and 86.3 mb/d in 2010 (+1.7% or +1.4 mb/d versus the previous year). Growth continues to be driven by non-OECD countries, most notably in Asia. Oil demand recovery in the OECD is likely to remain sluggish, despite a bout of recent cold weather.

- **The OECD oil demand projection** is adjusted down by 50 kb/d on average in both 2009 and 2010 given weaker-than-expected preliminary data for Europe and North America. The fall in oil demand in 2009 is estimated at 4.4% year-on-year (-2.1 mb/d), with demand averaging 45.5 mb/d and remaining flat in 2010. However, the forecast faces downside risks for this year, with the largest OECD economies (the US, Japan and Germany) featuring a sluggish recovery and persistently weak oil demand.

Global Oil Demand (2008-2010)

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.4	3.3
Americas	30.5	30.4	29.6	29.9	30.1	29.3	28.9	29.3	29.4	29.2	29.4	29.3	29.8	29.7	29.6
Asia/Pacific	26.7	25.7	25.0	25.1	25.6	25.7	26.0	25.8	26.6	26.0	26.6	26.5	26.1	26.7	26.5
Europe	16.0	15.8	16.2	16.2	16.1	15.6	15.0	15.2	15.4	15.3	15.5	15.0	15.3	15.5	15.3
FSU	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	4.0	3.9	4.1	4.0	4.2	4.1	4.1
Middle East	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.1	7.4	7.5
World	**87.4**	**86.3**	**85.8**	**85.4**	**86.2**	**84.5**	**84.1**	**85.3**	**85.7**	**84.9**	**86.0**	**85.7**	**86.8**	**86.9**	**86.3**
Annual Chg (%)	1.1	0.9	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.4	-1.5	1.8	1.8	1.8	1.4	1.7
Annual Chg (mb/d)	1.0	0.8	-0.5	-2.4	-0.3	-2.9	-2.2	-0.6	0.4	-1.3	1.5	1.6	1.5	1.2	1.4
Changes from last OMR (mb/d)	-0.03	0.01	0.01	0.02	0.00	-0.01	-0.01	-0.05	0.18	0.03	-0.11	0.02	0.06	0.05	0.00

- **Forecast non-OECD oil demand** has been revised up by roughly 70 kb/d for both 2009 and 2010, largely due to higher-than-expected Chinese data. Assuming that the impact of China's government stimulus programme continues to be felt during most of this year, non-OECD demand is expected to reach 40.9 mb/d (+3.7% or +1.4 mb/d on a yearly basis), after growing by 2.0% (+0.8 mb/d) in 2009.

- **The cold wave that hit the northern hemisphere in the past few weeks** has led many observers to predict a surge in oil demand, driven by heating and power generation needs, and an erosion of OECD distillate stocks. However, such reasoning overlooks the fact that the already relatively small share of oil for heating and power generation is shrinking in the OECD, as oil is gradually replaced by other energy sources, most notably natural gas. Moreover, it remains to be seen whether this winter overall will be much colder on average than last year's, which was particularly cold. As such, it would be premature to boost our 1Q10 forecast, which assumes similar weather conditions to those that prevailed last year.

OECD

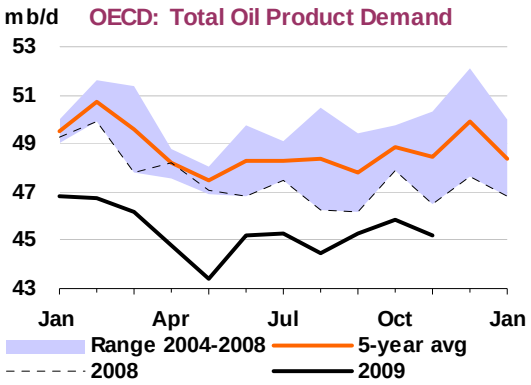
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 2.7% year-on-year in November. In **OECD Europe**, oil product demand shrank by 3.8% year-on-year, despite gains in naphtha and middle distillates. In **OECD North America** (which includes US Territories), demand declined by 2.5% as the rebound in gasoline and jet fuel/kerosene deliveries failed to offset declines in other product categories. In **OECD Pacific**, demand resumed a declining trend (-1.4%) after modest growth in the previous month.

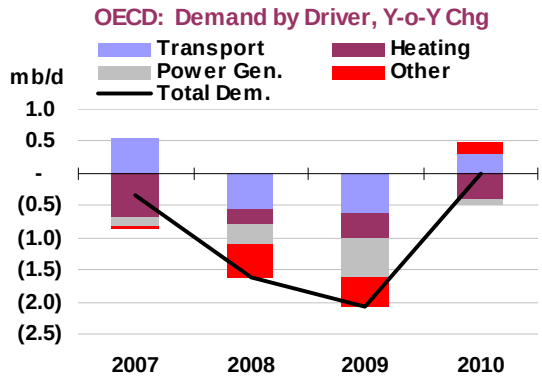
OECD Demand based on Adjusted Preliminary Submissions - November 2009
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.49**	**0.8**	**1.74**	**5.2**	**3.67**	**-6.4**	**0.94**	**-7.3**	**0.92**	**-3.5**	**5.28**	**-6.85**	**23.03**	**-2.5**
US50	8.96	0.7	1.50	2.5	3.13	-8.0	0.45	-4.2	0.44	-14.7	3.87	-10.0	18.35	-3.7
Canada	0.72	1.0	0.15	47.8	0.20	-4.7	0.35	-0.5	0.13	-17.0	0.72	-1.8	2.28	0.1
Mexico	0.74	1.4	0.05	0.5	0.28	-4.4	0.12	-4.4	0.26	37.3	0.64	9.0	2.09	5.8
OECD Europe	**2.24**	**-0.8**	**1.19**	**0.7**	**4.32**	**2.9**	**1.78**	**-19.4**	**1.44**	**-15.3**	**3.52**	**0.0**	**14.49**	**-3.8**
Germany	0.47	0.1	0.19	4.5	0.70	5.5	0.29	-52.1	0.13	-29.0	0.56	6.7	2.34	-10.9
United Kingdom	0.40	-2.0	0.32	-4.8	0.43	1.7	0.13	-7.3	0.09	0.6	0.34	1.1	1.70	-1.3
France	0.18	0.8	0.13	-3.7	0.67	8.6	0.26	-18.5	0.08	-29.9	0.50	-6.5	1.83	-4.2
Italy	0.23	-3.6	0.08	3.6	0.54	1.9	0.12	-3.6	0.16	-37.8	0.34	1.8	1.47	-6.0
Spain	0.13	-5.9	0.10	6.5	0.45	-4.9	0.22	-14.5	0.20	-3.7	0.33	-4.7	1.44	-5.7
OECD Pacific	**1.52**	**-0.5**	**0.91**	**-6.8**	**1.19**	**-2.1**	**0.43**	**-7.2**	**0.72**	**-18.6**	**2.91**	**6.8**	**7.68**	**-1.4**
Japan	0.97	-1.3	0.58	-11.2	0.55	-3.6	0.29	-11.7	0.34	-35.2	1.56	1.4	4.30	-6.7
Korea	0.17	-3.2	0.19	4.0	0.26	-6.0	0.13	5.0	0.34	7.3	1.17	16.3	2.26	8.5
Australia	0.33	3.6	0.11	-0.2	0.33	0.2	0.00	-2.2	0.04	0.3	0.17	0.1	0.98	1.3
OECD Total	**14.25**	**0.4**	**3.83**	**0.7**	**9.19**	**-1.6**	**3.15**	**-14.5**	**3.08**	**-13.0**	**11.72**	**-1.7**	**45.21**	**-2.7**

* Including US territories

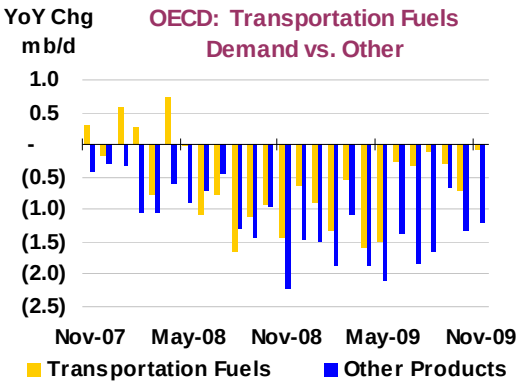
Revisions to October preliminary data were relatively small (-80 kb/d), mostly concentrated in North America. As such, October demand contracted by 4.2% year-on-year, roughly unchanged from the previous estimate (-4.1%). On a yearly basis, OECD oil demand is revised down marginally (-40 kb/d in 2009 and -60 kb/d for 2010) when compared with last month's report. Demand is thus expected to contract by 4.4% in 2009 to 45.5 mb/d and remain flat in 2010.

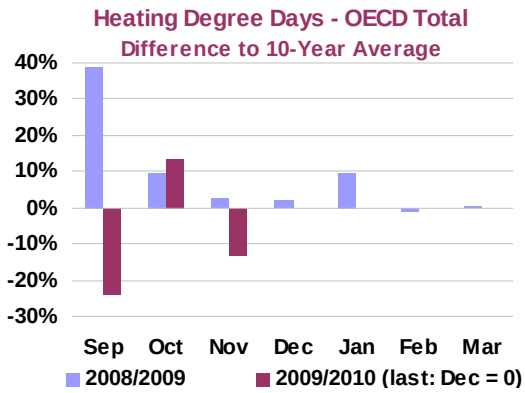




These revisions, notably for 2010, may appear somewhat surprising in the light of the cold wave that has hit the northern hemisphere in the past few weeks. Many observers have been quick in predicting a surge in oil demand driven by heating and power generation needs, which would also erode distillate stocks. However, such reasoning overlooks the fact that, in the OECD, the relatively small contribution of oil to heating and power generation is still shrinking, gradually being replaced by natural gas, renewables and, in some cases, by rising nuclear power generation as idle plants come back on line.

Oil-based heating and power generation only remains significant for a handful of OECD countries – for example, heating oil in the US, Germany and France; kerosene in the Pacific; residual fuel oil in Italy; and direct crude in Japan. Furthermore, oil's contribution in these countries can fluctuate in the short term due to a multitude of other factors (for example, levels of German consumer heating oil stocks, hydro and nuclear capacity availability in Europe and the Pacific, the reliable delivery of natural gas supplies from Russia, or the relative price of natural gas versus other fuels). Finally, it remains to be seen whether this winter will be much colder on average than last year's, when heating-degree days in the OECD were higher than normal, notably between September and January. Therefore, we retain an assumption of similar weather conditions to those that prevailed last year, believing it premature to boost our 1Q10 forecast because of the recent cold spell.

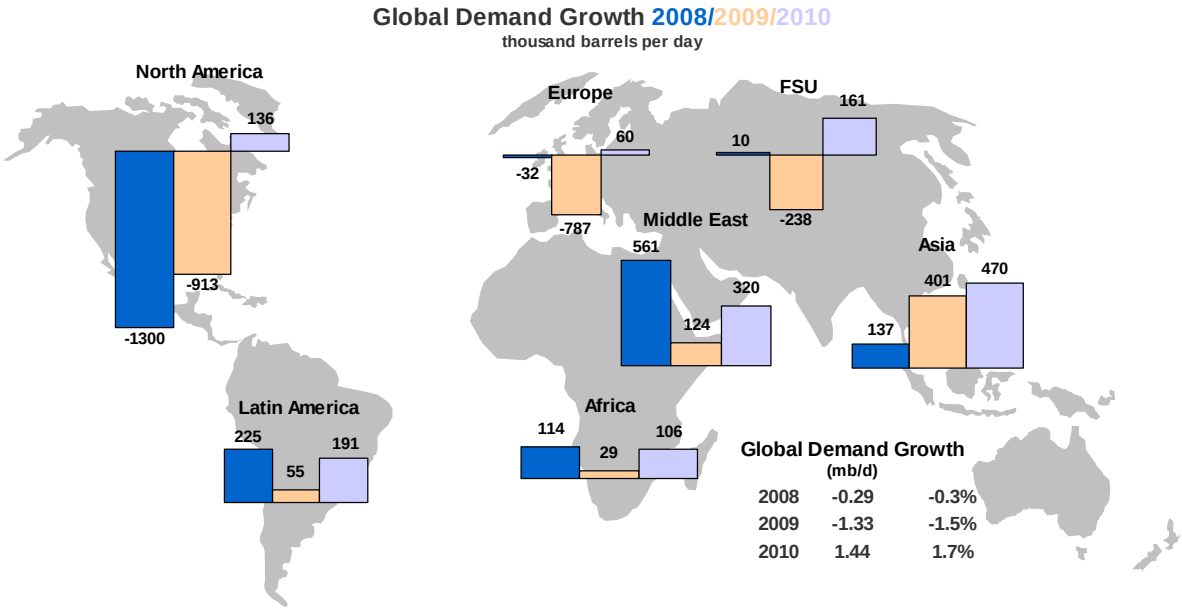




Total OECD Demand by Product
(million barrels per day)

	2008	2009	4Q08	1Q09	2Q09	3Q09	Aug 09	Sep 09	Oct 09*	Latest month vs. Sep 09	Latest month vs. Oct 08
LPG & Ethane	4.66	4.54	4.55	4.83	4.36	4.37	4.26	4.37	4.66	0.30	0.27
Naphtha	3.06	2.96	2.86	2.96	2.86	2.96	2.90	3.06	3.01	-0.05	0.08
Motor Gasoline	14.41	14.41	14.37	14.00	14.55	14.74	14.88	14.38	14.37	-0.01	-0.04
Jet & Kerosene	3.97	3.77	3.89	3.99	3.53	3.63	3.69	3.57	3.69	0.12	0.01
Gas/Diesel Oil	13.02	12.28	13.43	13.09	11.78	11.74	11.21	12.19	12.75	0.56	-1.19
Residual Fuel Oil	3.66	3.19	3.63	3.61	3.07	2.90	2.98	2.87	3.13	0.27	-0.44
Other Products	4.78	4.33	4.62	4.08	4.30	4.66	4.56	4.82	4.27	-0.55	-0.73
Total Products	**47.57**	**45.48**	**47.34**	**46.57**	**44.44**	**45.00**	**44.48**	**45.24**	**45.88**	**0.63**	**-2.03**

* Latest official OECD submissions (MOS)

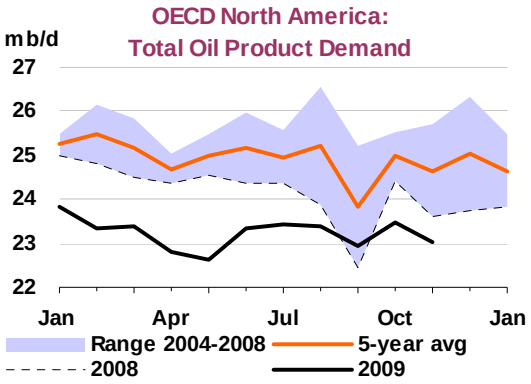


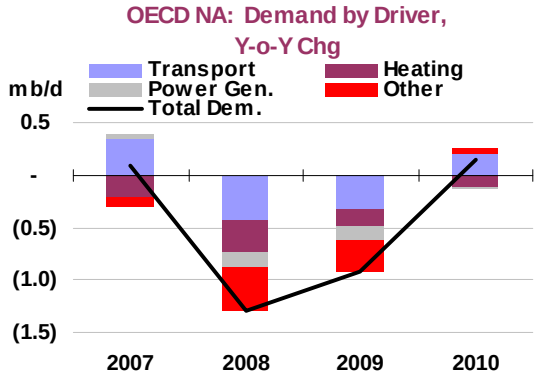
North America

Preliminary data show that oil product demand in North America (including US Territories) contracted by 2.5% year-on-year in November. Demand in the region has fallen uninterruptedly on a yearly basis since the summer of 2007 (excepting September 2009). The current weakness is entirely due to the United States (-3.6% year-on-year), as both Mexico and Canada are now posting growth (+5.8% and +0.1%, respectively).

The revisions to October preliminary data were minor (-60 kb/d), almost entirely related to the US. Thus, total demand in North America actually plummeted by 4.0% year-on-year in that month, slightly more than previously estimated (-3.7%). On an annual basis, North American oil product demand is estimated

at 23.3 mb/d in 2009 (-3.8% or -0.9 mb/d versus 2008 and -20 kb/d versus our last report), while demand in 2010 should rise slightly to 23.4 mb/d (+0.6% or +0.1 mb/d year-on-year and some 50 kb/d lower than previously thought) on the basis of modest recovery in transportation fuel use.



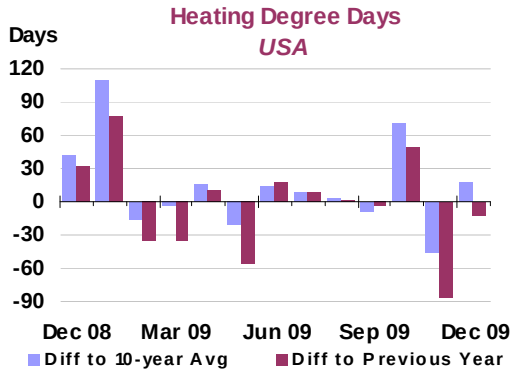


OECD North America Demand by Product
(million barrels per day)

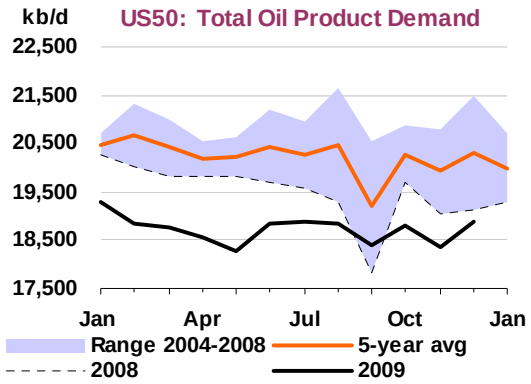
	2008	2009	4Q08	1Q09	2Q09	3Q09	Aug 09	Sep 09	Oct 09*	Latest month vs. Sep 09	Latest month vs. Oct 08
LPG & Ethane	2.72	2.70	2.66	2.88	2.51	2.62	2.60	2.62	2.91	0.29	0.35
Naphtha	0.36	0.30	0.33	0.29	0.33	0.31	0.30	0.29	0.26	-0.03	-0.07
Motor Gasoline	10.51	10.55	10.50	10.30	10.63	10.74	10.84	10.45	10.55	0.10	-0.03
Jet & Kerosene	1.77	1.66	1.64	1.66	1.62	1.68	1.70	1.59	1.60	0.00	-0.04
Gas/Diesel Oil	5.01	4.60	5.03	4.94	4.41	4.40	4.34	4.43	4.73	0.30	-0.62
Residual Fuel Oil	1.10	0.97	1.06	1.08	0.98	0.87	1.00	0.83	1.03	0.21	0.00
Other Products	2.69	2.48	2.71	2.38	2.43	2.64	2.59	2.73	2.38	-0.34	-0.57
Total Products	**24.17**	**23.26**	**23.93**	**23.52**	**22.91**	**23.26**	**23.37**	**22.94**	**23.45**	**0.51**	**-0.97**

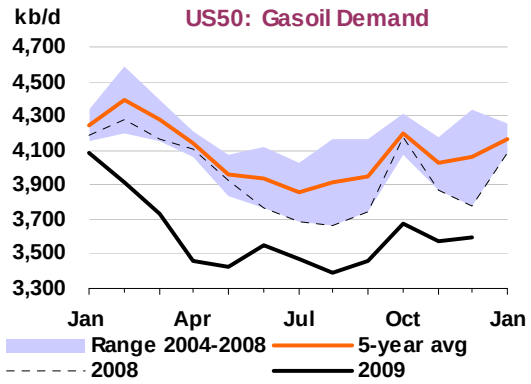
* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data in the continental **United States** indicate that inland deliveries – a proxy of oil product demand – contracted by 1.4% year-on-year in December, following a fall of 3.7% in November and of 4.5% in October. The December figure suggests an easing of the rate of contraction. Yet the fact that demand continues to fall relative to a very weak baseline hardly supports the contention of a demand rebound. Moreover, cold temperatures in December failed to provide the demand boost that many observers had been hoping for, with heating oil deliveries about a third lower than in the same month of the previous year (the number of heating degree days in December 2009 was indeed lower than in December 2008, albeit slightly higher than the ten-year average).



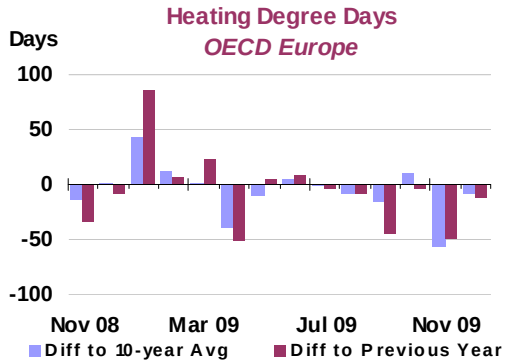
More generally, the US economy remains fragile. The preliminary 3Q09 GDP growth estimate was sharply revised down in early December (from +3.5% year-on-year to only +2.2%), amid continued credit and consumer spending weakness, as well as ongoing job losses. Other indicators more closely related to oil demand, such as freight, continue to show year-on-year declines despite monthly improvements, painting the picture of an anaemic economic recovery. Our US oil product demand outlook remains largely unchanged, with demand expected to average 18.7 mb/d in 2009 (-4.0% year-on-year or -780 kb/d) and 18.8 mb/d in 2010 (+0.5% or +100 kb/d), with growth centred on gasoline, diesel and jet fuel/kerosene.

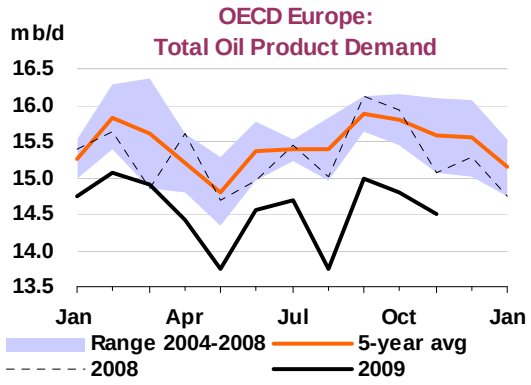


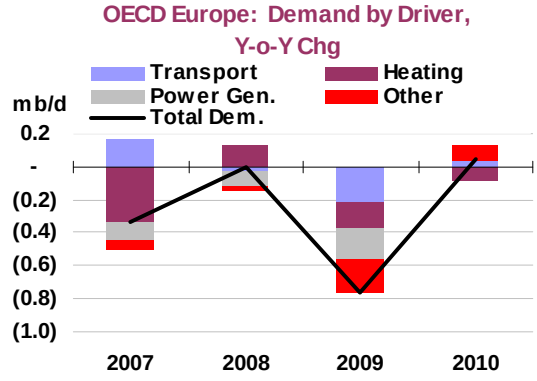


Europe

Oil product demand in Europe fell by 3.8% year-on-year in November, according to preliminary inland data, with all product categories bar naphtha, jet fuel/kerosene and diesel posting losses. As in the last few months, the fall was driven by weak deliveries of heating oil (-19.4%) and residual fuel oil (-15.3%), either because of earlier restocking (heating oil during 1H09), cheaper energy alternatives (natural gas) or warmer temperatures. Indeed, despite colder temperatures in much of Europe during December, overall heating-degree days remained below the ten-year average last month.







OECD Europe Demand by Product

(million barrels per day)

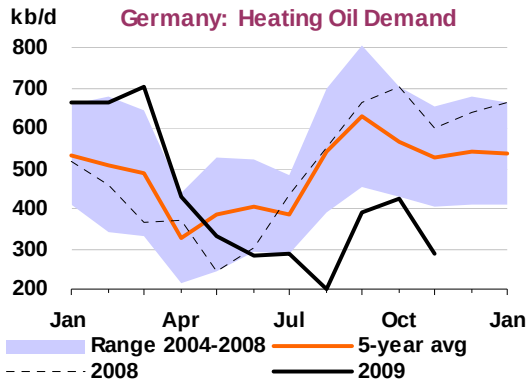
	2008	2009	4Q08	1Q09	2Q09	3Q09	Aug 09	Sep 09	Oct 09*	Latest month vs. Sep 09	Latest month vs. Oct 08
LPG & Ethane	1.03	0.97	1.00	1.05	0.99	0.89	0.86	0.86	0.91	0.05	-0.02
Naphtha	1.06	0.99	0.96	1.03	0.89	0.99	0.93	1.04	1.04	0.00	0.02
Motor Gasoline	2.36	2.31	2.31	2.19	2.39	2.41	2.36	2.39	2.27	-0.12	-0.09
Jet & Kerosene	1.31	1.26	1.26	1.19	1.26	1.34	1.36	1.35	1.28	-0.06	-0.05
Gas/Diesel Oil	6.33	6.10	6.69	6.51	5.81	5.84	5.36	6.25	6.35	0.10	-0.61
Residual Fuel Oil	1.65	1.46	1.71	1.61	1.36	1.38	1.32	1.44	1.46	0.02	-0.27
Other Products	1.58	1.48	1.50	1.33	1.53	1.63	1.58	1.65	1.49	-0.16	-0.11
Total Products	**15.33**	**14.57**	**15.43**	**14.91**	**14.23**	**14.47**	**13.76**	**14.98**	**14.81**	**-0.17**	**-1.14**

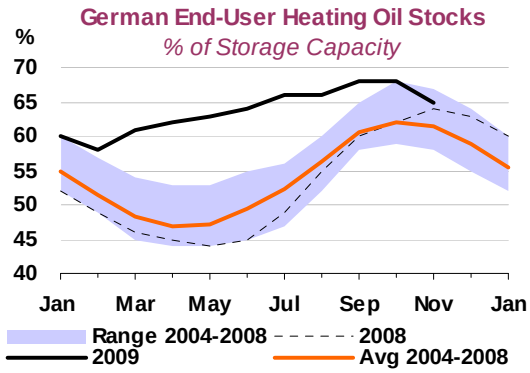
* Latest official OECD submissions (MOS)

The marginal revisions to October preliminary demand data (-20 kb/d) were mostly due to weaker-than-expected distillate deliveries. Thus, OECD Europe oil demand actually shrank during that month as much as anticipated (-7.1% year-on-year). Forecast oil product demand remains broadly unchanged at

14.6 mb/d in 2009 (-5.0% or -0.8 mb/d versus 2008), barely increasing in 2010 (+0.3%), as gains in naphtha, diesel and 'other products' are offset by declines in other categories, notably gasoline, heating oil and residual fuel oil.

Preliminary data suggest that **German** oil product demand contracted by as much as 10.9% year-on-year in November – the fourth consecutive month of double-digit decline – on the back of weak heating oil deliveries (-52.1%) and residual fuel oil (-29.0%). However, consumer heating oil stocks fell to 65% of capacity by end-November, at the upper bound of the five-year range. In **France**, total oil product deliveries (-4.2% year-on-year in November) also reflected lower deliveries of both heating oil (-18.5%) and residual fuel oil (-29.9%).

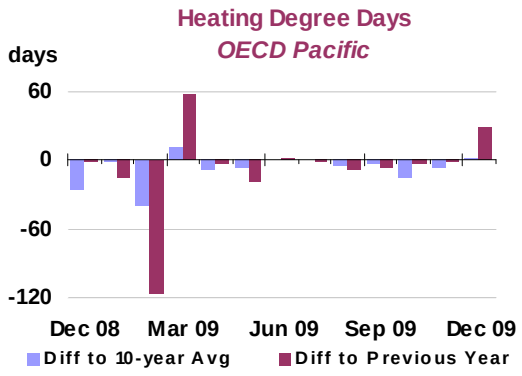




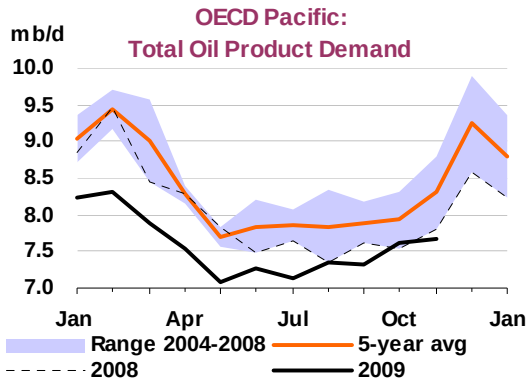
The French government's plans to introduce a carbon tax on 1 January 2010, which would have entailed an average €0.05/litre rise to gasoline and diesel retail prices, were thrown into disarray in late December. The country's Constitutional Council rejected the legislation because of its many exemptions (for example, some 1,000 of the biggest industrial emitters had been exempted, being already covered by the European Union's Emission Trading System, thus reportedly violating the principle of equality). Although the government has vowed to redraft the legislation to implement the carbon tax later in the year, it is unclear whether there will be sufficient political momentum. Indeed, not only will there be regional elections in March, rendering progress before then unlikely, but also the exemptions included in the original law were themselves the result of a political compromise to win support for the initiative.

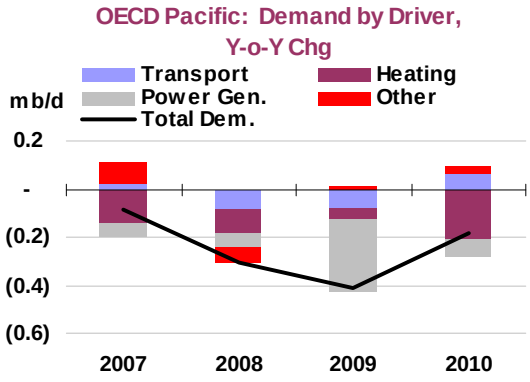
Pacific

Oil product demand in the Pacific fell again in November (-1.4% year-on-year), resuming a decline that had begun in June 2008 and was only briefly interrupted last October. According to preliminary data, even though naphtha demand posted a strong recovery (+14.2%), all other product categories posted losses, despite somewhat colder temperatures. Interestingly, the region continues to be dragged down by Japan; by contrast, oil demand in Australia, Korea and New Zealand appears to have resumed growth.



October revisions were negligible (+3 kb/d). Forecast OECD Pacific demand thus remains virtually unchanged at 7.7 mb/d in 2009 (-5.1% or -0.4 mb/d on a yearly basis) and 7.5 mb/d in 2010 (down by 2.4% or 0.2 mb/d when compared to the previous year). Despite an assumption of average winter temperatures for 2010, continued inroads by gas and rising nuclear power use will constrain oil use.





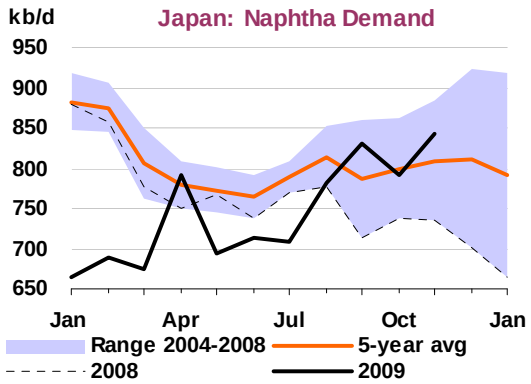
OECD Pacific Demand by Product

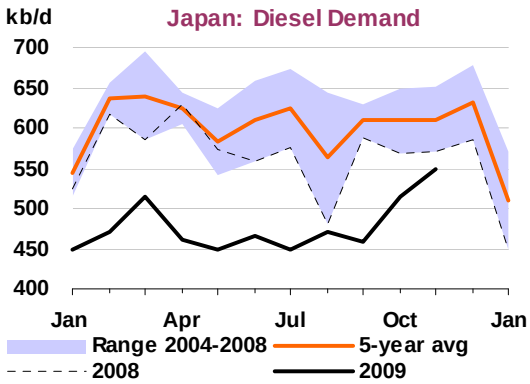
(million barrels per day)

	2008	2009	4Q08	1Q09	2Q09	3Q09	Aug 09	Sep 09	Oct 09*	Latest month vs. Sep 09	Latest month vs. Oct 08
LPG & Ethane	0.90	0.87	0.90	0.90	0.85	0.86	0.80	0.88	0.84	-0.04	-0.06
Naphtha	1.64	1.67	1.56	1.64	1.64	1.66	1.67	1.73	1.71	-0.02	0.13
Motor Gasoline	1.54	1.55	1.56	1.51	1.52	1.60	1.68	1.54	1.55	0.01	0.07
Jet & Kerosene	0.89	0.85	0.99	1.15	0.66	0.60	0.64	0.63	0.81	0.18	0.11
Gas/Diesel Oil	1.68	1.59	1.70	1.64	1.56	1.49	1.52	1.51	1.67	0.16	0.04
Residual Fuel Oil	0.91	0.76	0.86	0.92	0.73	0.65	0.65	0.60	0.64	0.04	-0.17
Other Products	0.50	0.37	0.40	0.38	0.33	0.39	0.39	0.44	0.40	-0.04	-0.04
Total Products	**8.07**	**7.66**	**7.97**	**8.14**	**7.30**	**7.27**	**7.35**	**7.33**	**7.61**	**0.29**	**0.08**

* Latest official OECD submissions (MOS)

According to preliminary data, **Japanese** oil demand plummeted by 6.7% year-on-year in November, with all product categories bar naphtha posting losses. Although the resilience of naphtha deliveries (+14.6%) reflects rising industrial and petrochemical exports, particularly to Asia, the economy remains very weak. As in the US, preliminary 3Q09 GDP figures were sharply revised down. Similarly, diesel demand, which has been reported as growing strongly in October, was actually adjusted down to reflect a sharp contraction (-9.7%), which continued in November, albeit at a lower pace (-3.6%). Moreover, nuclear generation has been steadily rising, weighing on November's demand for residual fuel oil (-35.2%) and 'other products' (-16.5%), which include direct crude burning.



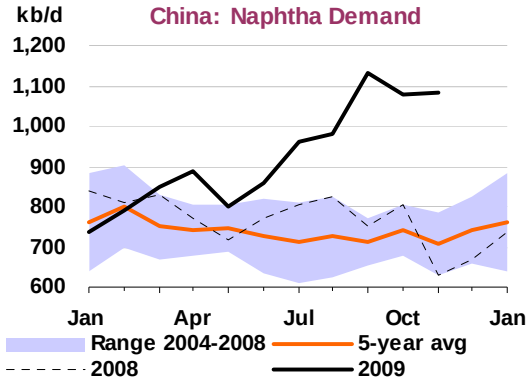


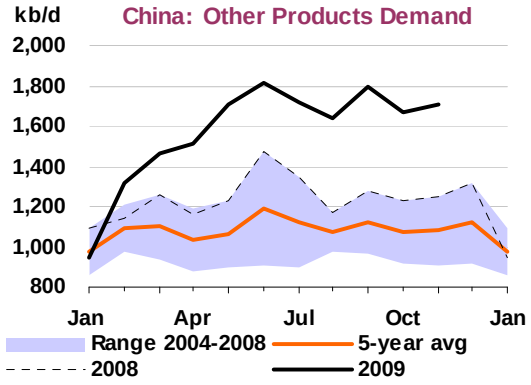
In mid-December, the Japanese government announced it will maintain the provisional tax on gasoline in fiscal 2010-2011 (April-March), rather than replacing it by an environmental tax. The ¥25.1/litre 'provisional' tax (introduced in 1974 to fund road construction) was set to expire next March. The decision to reverse an earlier election campaign pledge is probably related to the government's weak fiscal position, with revenues declining amid the economic slowdown. Nonetheless, the government has indicated it may suspend the provisional tax if oil prices were to soar, without clarifying at what price.

Non-OECD

China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) rose by an astonishing 16.4% year-on-year in November, with all product categories bar gasoline and residual fuel oil posting gains. This was the third consecutive month of double-digit growth, underpinned by buoyant demand for naphtha (+71.9%), jet fuel/kerosene (+70.8%) and 'other products' (+36.6%).





It appears that the severe snowstorms and cold snap that hit China in early November, severely disrupting energy supplies and transportation infrastructure, notably in northern and north-western areas, did not translate into weaker-than-expected demand. As in recent months, oil demand is supported both by government spending and by product hoarding ahead of likely domestic price increases. In the case of naphtha, though, demand has been also driven by the expansion of ethylene and BTX capacity (olefins and aromatics) and by the conversion of old ethylene crackers from gasoil and other feedstocks to naphtha.

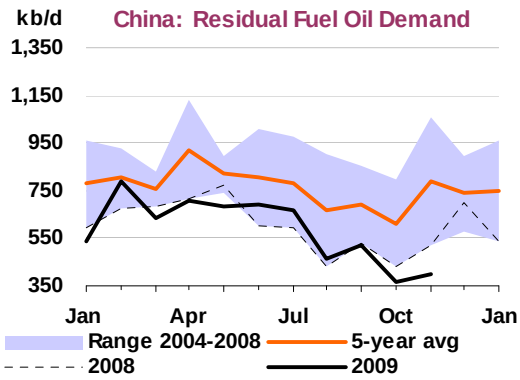
This pattern of ever rising demand – excepting, oddly, gasoline amid booming vehicle sales, a mismatch we highlighted last month – has led to yet another forecast revision of roughly 80 kb/d on average for both 2009 and 2010, assuming that the stimulus programme will continue this year. Total oil demand is now expected to average 8.5 mb/d in 2009 (+7.2% or +570 kb/d) and 8.8 mb/d in 2010 (+4.3% or +360 kb/d), with upward revisions concentrated in the 'other products' category. That said, and despite claims by some analysts that Chinese motorists have now become hyper-sensitive to rising prices, gasoline and gasoil account for around two-thirds of our projected demand growth.

China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	788	86	50	13.1	6.7
Naphtha	768	931	995	163	64	21.2	6.8
Motor Gasoline	1,493	1,541	1,651	48	110	3.2	7.1
Jet & Kerosene	292	353	367	60	14	20.7	4.1
Gas/Diesel Oil	2,837	2,747	2,884	-90	136	-3.2	5.0
Residual Fuel Oil	603	584	542	-19	-42	-3.2	-7.2
Other Products	1,246	1,570	1,598	324	28	26.0	1.8
Total Products	**7,892**	**8,464**	**8,824**	**572**	**360**	**7.2**	**4.3**

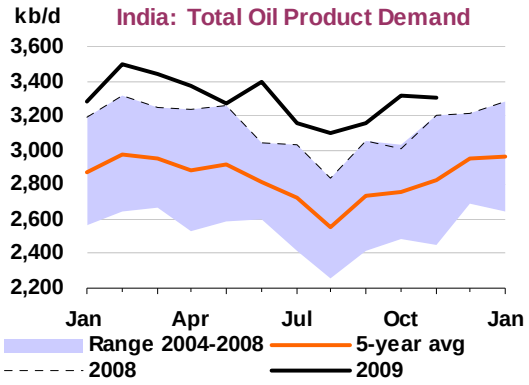
However, there are concerns that the current refining boom – a combination of higher runs and new capacity, such as the 240-kb/d Fujian refining complex (a joint venture by Sinopec, ExxonMobil, Saudi Aramco and the local government), which tripled the capacity of the previous facility, or Sinopec's new 200-kb/d Tianjin refinery – may not last. Indeed, state-owned Sinopec itself expects oil product demand to keep on lagging behind refinery capacity additions, as new refineries come on-stream while independent players expand their own output, which may eventually oblige companies to find new export outlets.

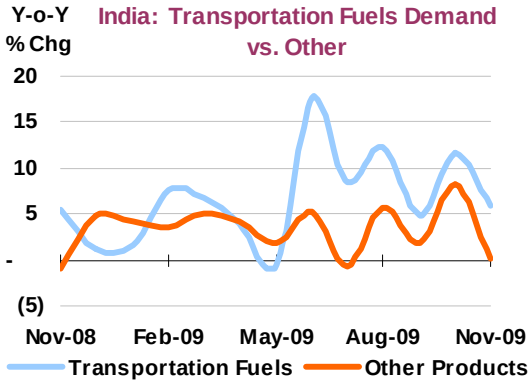
Nonetheless, the government is determined to rationalise the 'teapot' sector by forcing small refineries to consolidate and close the least efficient units. In mid-December it hiked the import tax on 'No. 5-7' fuel oil as defined by Chinese customs – the feedstock of choice of teapot refineries – from 1% to 3% from 1 January, a year after raising fuel oil consumption taxes. Similarly, the government increased the import tax on jet fuel/kerosene from 1% to 6%, in order to discourage imports amid growing domestic supply and reportedly high inventories. Judging by the pattern of weakening fuel oil demand, these efforts are gradually paying off, despite resistance from local governments, which rely on teapots as a key source of revenue. Over the past year or so, many teapots have actually been purchased by the state-owned majors, which use imported crude, exempted from any import tariff.



Other Non-OECD

The rise in **India's** oil product sales – a proxy of demand – slowed to 3.2% year-on-year in November after double-digit growth in the previous month, according to preliminary data. Demand continues to be supported by buoyant gasoline demand (+11.1%), with car sales rising by 61% year-on-year in November (although relative to a lower base). Gasoil consumption, which accounts for about 37% of the country's total oil demand, rose by 5.6% – a more moderate pace versus October's 12.0% jump. Although jet fuel/kerosene sales went up by only 2.2% on year, air travel has picked up after a weak start in 2009. By contrast, naphtha demand declined by 28.3% given greater domestic natural gas availability from Reliance Industries Limited's giant offshore D6 block in eastern India (the project, which currently produces some 1.4 bcf/day, is expected to peak at 2.8 bcf/d by early 2010). However, preliminary naphtha data were yet again revised up (+100 kb/d in October), showing demand growth of 13.6% instead of a 23.3% decline.





The recent rise in international oil prices above $80/bbl is once again putting pressure on the government to reform fuel subsidies. According to some reports, India's Ministry of Petroleum & Natural Gas is intent on liberalising gasoline retail prices and raising gradually diesel prices. The ministry is equally keen to adjust LPG and kerosene prices, which have been frozen for a decade to shield the poor (who use these fuels for cooking and lighting), although subsidies for both products would be maintained. The ministry is also eager to absorb the subsidy burden currently borne by upstream companies, which are forced to sell crude oil at a discount to help refiners supply oil products below market rates. The final decision, though, is to be taken by the Prime Minister, presumably over the next few weeks.

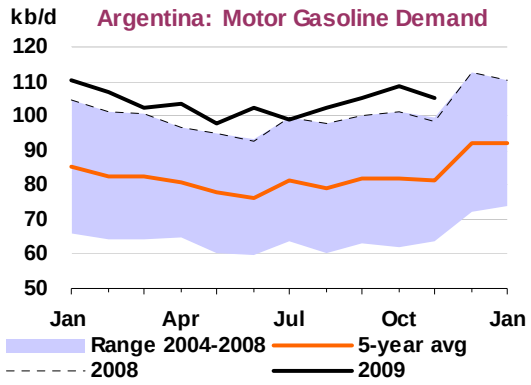
India: Demand by Product

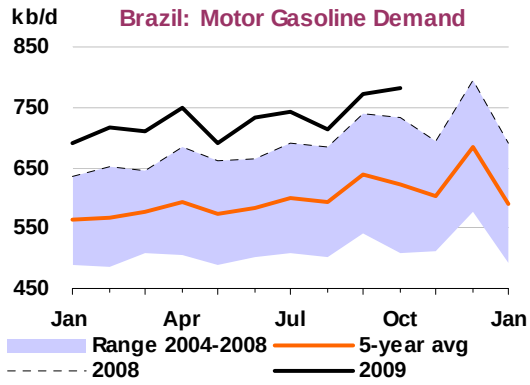
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	408	424	442	17	17	4.1	4.1
Naphtha	310	323	286	13	-37	4.1	-11.5
Motor Gasoline	265	302	332	37	30	14.1	10.0
Jet & Kerosene	299	298	307	0	8	0.0	2.8
Gas/Diesel Oil	1,078	1,160	1,243	82	83	7.6	7.2
Residual Fuel Oil	394	395	395	1	0	0.2	-0.1
Other Products	381	397	403	16	6	4.3	1.4
Total Products	**3,135**	**3,300**	**3,407**	**166**	**107**	**5.3**	**3.2**

The question of subsidies is also potentially related to product quality. It is now becoming increasingly apparent that India's three major state-owned refiners and fuel retailers will be unable to meet stricter fuel specifications scheduled to be implemented across the country from 1 April (Euro IV in the main metropolitan areas and Euro-III in most other cities). The companies, which are likely to request a deadline extension, have argued that higher gasoline and diesel prices are required to fund the refining upgrade expenditure.

Argentina began blending 3% of ethanol into gasoline from January 1 in an effort to diversify energy supplies and reduce carbon emissions. The rollout began in northern areas, where sugarcane is produced, and will be gradually extended to the rest of the country. The government hopes to raise this level to 5%, setting a mandatory target by September or October 2010. Eventually, the share of ethanol could be as high as 25%, although it is unclear when that goal would be achieved.





By contrast, in **Brazil** the government has decided to reduce the minimum ethanol blending requirement from 25% to 20% during 90 days from 1 February, allegedly to avoid further rises in domestic ethanol prices – sugar prices rose markedly this year as torrential rains resulted in a smaller-than-expected harvest. However, some observers contend that the measure intends to restrict potential imports of US ethanol, which is normally more expensive, and contain ethanol pump prices during an election year.

SUPPLY

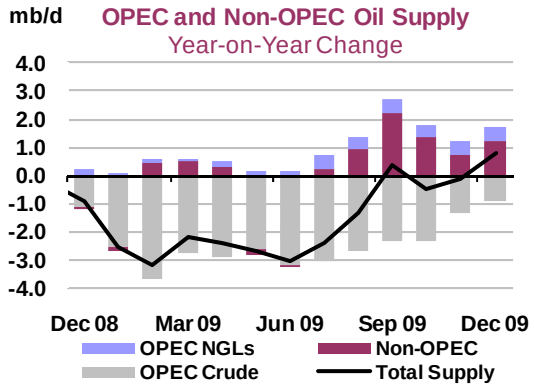
Summary

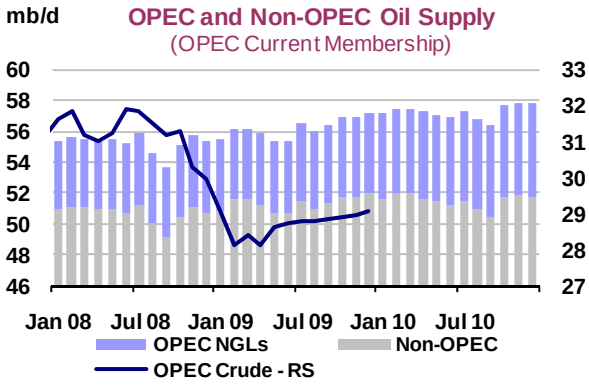
- **Global supply has risen steadily to 86.2 mb/d** in recent months, with December production up by a further 270 kb/d. However, for full-year 2009, preliminary estimates peg global supply down by a steep 1.6 mb/d, to 84.9 mb/d, in the wake of sharply lower demand. A decline in OPEC supplies of 2.5 mb/d last year was partially offset by a rise in non-OPEC of 630 kb/d and OPEC NGLs of 310 kb/d.

- **Non-OPEC supply in 2009 is revised modestly higher to 51.3 mb/d** on robust 4Q09 Norwegian production. A reappraisal of Azerbaijan's crude production outlook leads to a 150 kb/d downward revision for projected 2010 non-OPEC supply, while lower Canadian and Malaysian prospects were largely offset by a stronger outlook for Norway and Brazil. In total, expected non-OPEC 2010 supply now averages 51.5 mb/d, up 0.2 mb/d versus 2009. Key sources of growth in 2010 are global biofuels, Brazil, the FSU, Australia, Colombia and India. OPEC NGLs are also forecast to increase by 885 kb/d, to 5.7 mb/d in 2010.

- **OPEC crude production edged higher at year-end,** with December output up by 75 kb/d to 29.1 mb/d. Output by OPEC-11, which excludes Iraq, rose by 95 kb/d to 26.6 mb/d last month, with the group now producing about 1.8 mb/d above its 24.845 mb/d target. OPEC ministers left production targets unchanged at their 22 December meeting in Luanda, but the group's leadership called on members to improve adherence to current output targets. OPEC's effective spare capacity is estimated at 5.4 mb/d.

- **The 'call on OPEC crude and stock change' is estimated at 28.7 mb/d for 1Q10** and for full-year 2010 is estimated at 29.1 mb/d, up 400 kb/d from 2009 levels.





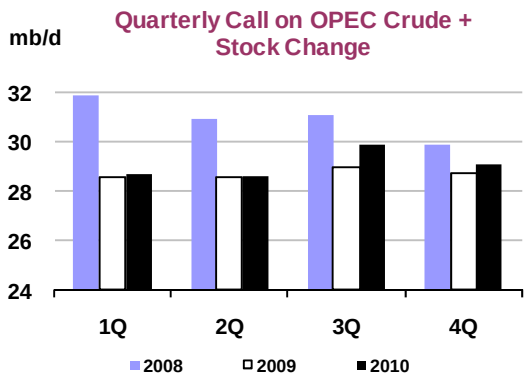
All world oil supply data for December discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska and Russia are supported by preliminary December supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

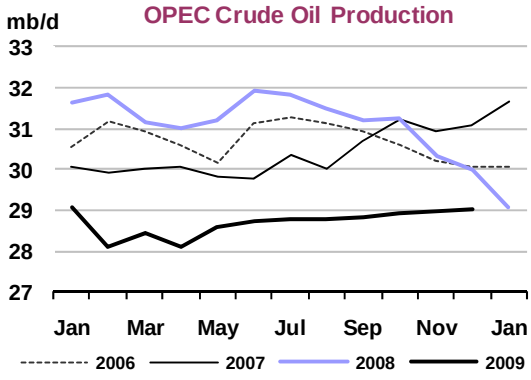
OPEC Crude Oil Supply

Crude oil production by OPEC edged higher at year-end, with December output up by 75 kb/d to 29.1 mb/d. Nonetheless, this was still almost 1.0 mb/d below December 2008 levels. Output by OPEC-11, which excludes Iraq, rose by 95 kb/d to 26.6 mb/d last month, with the group now producing about 1.8 mb/d above its 24.845 mb/d output target. Relative to targeted output cuts, OPEC's compliance rate slipped to just 58% in December compared with 60% in the previous month. OPEC's effective spare capacity is estimated at 5.4 mb/d.

As expected, OPEC ministers left production targets unchanged for the fourth time in 2009 at their 22 December meeting in Luanda, but the group's leadership called on members to improve adherence to current output targets. OPEC Secretary General el Badri said better quota compliance, of between 75% and 80%, was needed.



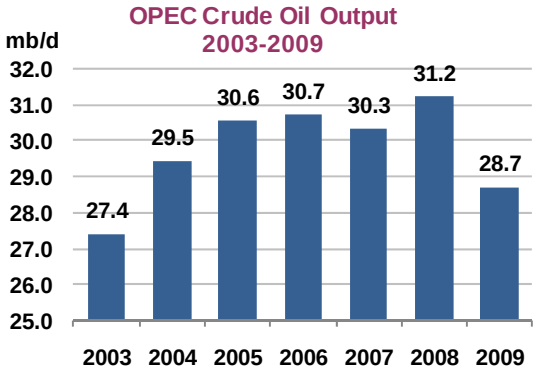
Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Significantly, Saudi Oil Minister Ali Naimi said during the gathering that current oil price levels were likely to last into 2010, describing a range of $70-80/barrel as 'a perfect price for the world.' The market interpreted the minister's comments as setting a floor of $70/bbl and a ceiling of $80/bbl. OPEC is scheduled to meet again to review production levels in Vienna on 17 March 2010.

While OPEC's crude production crept steadily higher through the year, preliminary total 2009 estimates of 28.7 mb/d show the group's output was still down a substantial 2.5 mb/d from 2008 levels. Indeed, OPEC production last year was at its lowest average level since 2003.

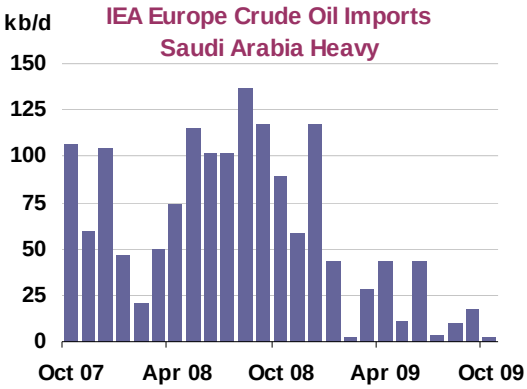


Saudi Arabia bore the brunt of the cutbacks, accounting for 39% of the decline at 987 kb/d, to an average 8.2 mb/d last year. Kuwait accounted for 13% of the lower output levels, down 326 kb/d to 2.3 mb/d, while the UAE followed at 12%, with output down 315 kb/d to 2.3 mb/d.

With the exception of Iraq posting a modest year-on-year increase, all other members accounted for a much smaller share of the decline, ranging from 1% for Ecuador to 7% for Iran, Libya and Venezuela.

Saudi Arabia's production in December rose by 30 kb/d, to 8.25 mb/d. Saudi Aramco reportedly increased exports going to Asia but some of the higher shipments were due to extra crude availability following the closure of the 325 kb/d crude distillation unit at the Ras Tanura refinery from mid-December to late January for maintenance work. Early indications are that Saudi supplies may be down a bit in February, with some smaller Asian buyers told to expect lower volumes next month.

European customers were also notified in late December that they will no longer receive any volumes of Arab Heavy and Arab Medium crude in 2010. Saudi Arabia has been increasingly diverting both grades to meet growing domestic power generation demand and higher sales into Asian markets. Saudi exports to Europe of Arab Heavy crude were down to just 25 kb/d in the first nine months of 2009 compared with 90 kb/d in 2008, 110 kb/d in 2007 and 180 kb/d in 2006. Arab Medium crude exports slipped to just 20 kb/d over the same period from 50 kb/d in both 2008 and 2007 and 140 kb/d in 2006 (see Table 6: *IEA Member Country Destinations of Selected Crude Streams* for more detailed data on Saudi crude imports by IEA member countries).



Iran's oil production was up slightly in December, rising by 20 kb/d to 3.72 mb/d. The country's compliance with its agreed targeted cut was just 16% compared with 20% in November. On average in 2009, Iranian production was down 165 kb/d.

Oil production in **Qatar** is rising as new tranches of production from the al-Shaheen fields are brought online. December output was up 30 kb/d to 800 kb/d, which reduced the country's compliance with output targets to just 49% from 74% in November. Qatar's production capacity is on course to reach 1 mb/d in coming months as additional production increments start up.

Crude production in the **UAE** also increased in December, up by 10 kb/d to 2.28 mb/d, but compliance with its targeted cut is still a high 98%. State-owned ADNOC eased its contract cuts for Asian buyers for January but has since tightened them again for February liftings.

Nigerian production rose to 2 mb/d in December, an increase of 25 kb/d from the previous month and the highest level since mid-2008. Nigeria's new Oyo offshore oilfield started pumping in December at an initial rate of 25 kb/d. Nigerian-based Allied Energy and Italian ENI said output is expected to reach a peak of 40 kb/d. The Oyo field is in the Niger Delta deep water offshore, about 75 km off the Nigerian coast.

The country's output has been steadily rising in recent months following the ceasefire agreement between the government and rebel groups, but a deepening political crisis in the country threatens to derail the hard-won accord. President Umaru Yar'Adua's long absence from the country while he receives medical treatment in Saudi Arabia, and his decision not to appoint a replacement while on sick leave, has angered politicians and the public as well as delayed peace talks, with restive rebels announcing that they have ended the ceasefire agreement for now. The president's decision not to transfer powers to Vice President Goodluck Jonathan has triggered protest rallies and lawsuits, which argue the constitution has been violated. Indeed, after months of relative calm, militants renewed attacks on pipelines in December and early January. Rebel groups are suspicious that the government will not honour its amnesty offer. Militants hit a Chevron pipeline in the Niger Delta on 6 January, forcing Chevron to shut-in an additional 20 kb/d so far.

In addition to the tense issue over the fate of the country's presidential powers, Nigeria's production this month and in February appears beset by operational problems. Few details have been forthcoming, but Forcados exports are reportedly down sharply due to operational problems. In addition, production problems at the 60 kb/d Okono field have forced delays in its export schedule.

Iraqi output fell by around 20 kb/d in December, to 2.43 mb/d from a revised 2.45 mb/d for November. Total exports are estimated at 1.98 mb/d for December compared with 1.90 mb/d the previous month. Crude run at domestic refineries and power plants fell to 515 kb/d last month from 550 kb/d in November.

Crude oil exports from the southern Basrah terminals rose by 35 kb/d to 1.53 mb/d despite weather-related disruptions. Exports of Kirkuk crude rose by around 50 kb/d, to 443 kb/d in December. Production in northern Iraq was disrupted for four days in December following an attack on the pipeline that carries Kirkuk crude to the Turkish port of Ceyhan for exports. Iraqi state oil marketer SOMO continues to spike fuel oil into crude in a bid to maintain higher export levels. Roughly 100 kb/d of fuel oil was spiked into Kirkuk and Basrah exports in December. *OMR* Iraqi production estimates are based on export volumes plus crude run for domestic use at refineries and power plants, less reinjected oil and spiked fuel oil.

Iraqi production has been trending lower since September, with preliminary 2009 output pegged at 2.45 mb/d, up just 65 kb/d year-on-year. Production from the Tawke and Taq Taq fields in the northern Kurdish region largely remains shut-in, with only about 20 kb/d of the fields' combined 100 kb/d capacity operating to feed refinery needs. Little progress has been made between Baghdad and the Kurdish Regional Government (KRG) over payment issues and negotiations are not likely to move forward until after the country's election on 7 March 2010. During last month's OPEC meeting, Iraqi oil minister al-Shahristani said 'We don't expect Iraq's production to increase significantly next year. Any increase will not be seen before 2011 and by that time we hope the market will have recovered.' This report and the *MTOMR* update have tended to take a cautious view on expansion of Iraqi capacity, envisaging as a working case that levels of around 3.1 mb/d are attained by 2014.

OPEC Crude Production

(million barrels per day)

	Oct 2009 Supply	Nov 2009 Supply	Dec 2009 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Dec 2009 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts	Estimated 2009 Production	Vol. Chg. 2009-2008	% Change 2009-2008
Algeria	1.24	1.24	1.25	1.40	0.15	0.200	60%	1.24	-0.13	-9.3%
Angola	1.90	1.88	1.85	2.10	0.24	0.244	0%	1.77	-0.08	-4.1%
Ecuador	0.46	0.46	0.46	0.50	0.04	0.067	57%	0.47	-0.03	-6.4%
Iran	3.66	3.70	3.72	4.00	0.28	0.562	16%	3.74	-0.17	-4.2%
Kuwait[2]	2.27	2.28	2.29	2.65	0.36	0.374	86%	2.28	-0.33	-12.5%
Libya	1.52	1.52	1.52	1.75	0.23	0.252	71%	1.55	-0.18	-10.3%
Nigeria[3]	1.90	1.98	2.01	2.60	0.60	0.319	0%	1.82	-0.12	-6.3%
Qatar	0.77	0.77	0.80	0.90	0.10	0.122	49%	0.77	-0.08	-9.3%
Saudi Arabia[2]	8.28	8.22	8.25	11.80	3.55	1.318	91%	8.20	-0.99	-10.8%
UAE	2.28	2.27	2.28	2.70	0.42	0.379	98%	2.27	-0.32	-12.2%
Venezuela[4]	2.22	2.20	2.19	2.40	0.21	0.364	49%	2.16	-0.19	-8.0%
OPEC-11	**26.50**	**26.52**	**26.62**	**32.80**	**6.18**	**4.201**	**58%**	**26.26**	**-2.59**	**-9.0%**
Iraq	2.43	2.45	2.43	2.60	0.17			2.45	0.07	2.7%
Total OPEC	**28.93**	**28.97**	**29.05**	**35.40**	**6.35**			**28.70**	**-2.53**	**-8.1%**
(excluding Iraq, Nigeria, Venezuela					*5.37)*					

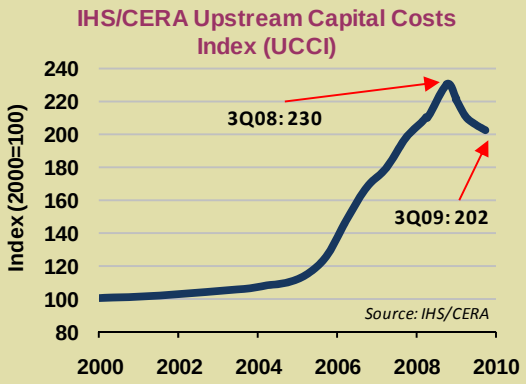
1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 420 kb/d in December.

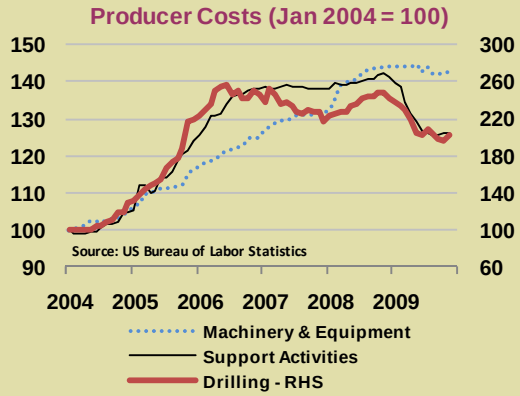
Non-OPEC Overview

Non-OPEC supply in December increased by 0.2 mb/d to 52 mb/d on higher US and Other Asia production. Meanwhile, near-complete annual data for most major non-OPEC producers meant that 2009 is adjusted up by +45 kb/d on higher-than-expected 4Q09 Norwegian production. 2009 non-OPEC supply is now forecast to average 51.3 mb/d. This compares with our original projection of 50.6 mb/d, first published in our July 2008 report. Besides regular revisions to submitted data, the higher outcome stems largely from Russia's surge in production, as well as a storm-free 2009 in the US Gulf of Mexico after a disrupted 2008. Indeed, largely for the same reasons, December 2009 non-OPEC supply is up a full 1.2 mb/d year-on-year, also benefiting from increments in China and Latin America.

Lower Upstream Costs Offset Reduced Investment in 2009; Spending to Rise in 2010

Data recently published by consultancy *IHS/CERA* show that, following a decline in the previous two quarters, upstream capital costs fell further in 2Q09 and 3Q09, albeit at a slightly slower pace. Costs associated with the construction of new oil and gas production facilities have fallen 12% since their peak in 3Q08. Other cost data made available by the US *Bureau of Labor Statistics* (BLS) show that since peaking in November 2008, US upstream drilling and support activities (essentially wages) have fallen by 19% and 12% respectively. Machinery and equipment costs however, have stayed flat. In aggregate, these indicators dipped by 12% year-on-year in November 2009. These findings are broadly consistent with anecdotal reports throughout 2009 of companies making the most of the fall in oil demand to put planning on hold and bolster their case for contract renegotiation on large upstream (and downstream) projects.

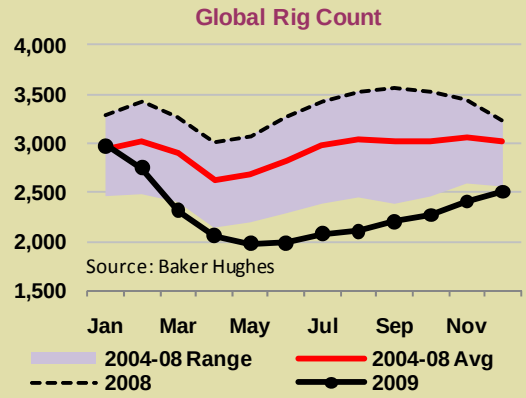


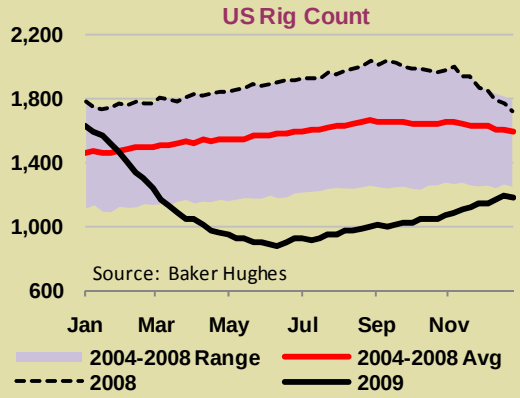


Furthermore, evidence of lower upstream development costs is significant when set against measures of how much upstream investment fell in 2009 – a recent spending review by *Barclays Capital* (*The Original E&P Spending Survey*, December 2009) sees expenditure down by 15% last year. As the *OMR* has previously argued, the effect of lower upstream spending last year was thus offset at least in part by lower costs, indicating that the potential impact on future supplies of the price slump and weaker demand could be less significant than originally thought. Prior to late 2008, upstream costs had been on an upward trajectory for much of the decade.

Looking ahead, *Barclays Capital*'s study finds that upstream spending is expected to rise again by 11% globally in 2010, increasing from $395 bn to $439 bn, based on an average expected crude price of $70/bbl and a survey of 387 companies. A key finding is that while National Oil Companies (NOCs) plan to hike their upstream investments by 15% in 2010, International Oil Companies (IOCs) will only spend 1% more – a reflection in part of opportunity constraints borne of limited access to major new sources of reserves.

Other new data show a further pick-up in rig counts, a measure of upstream exploration and development activity. Data from *Baker Hughes* show that the number of both global and US drilling rigs (for both oil and gas) edged back up towards the five-year range in late 2009, after a strong dip early in the year. It appears that in 2010, upstream activity is on the rebound, even if time lags mean that 2010 non-OPEC supply growth is currently forecast lower than the growth seen in 2009.



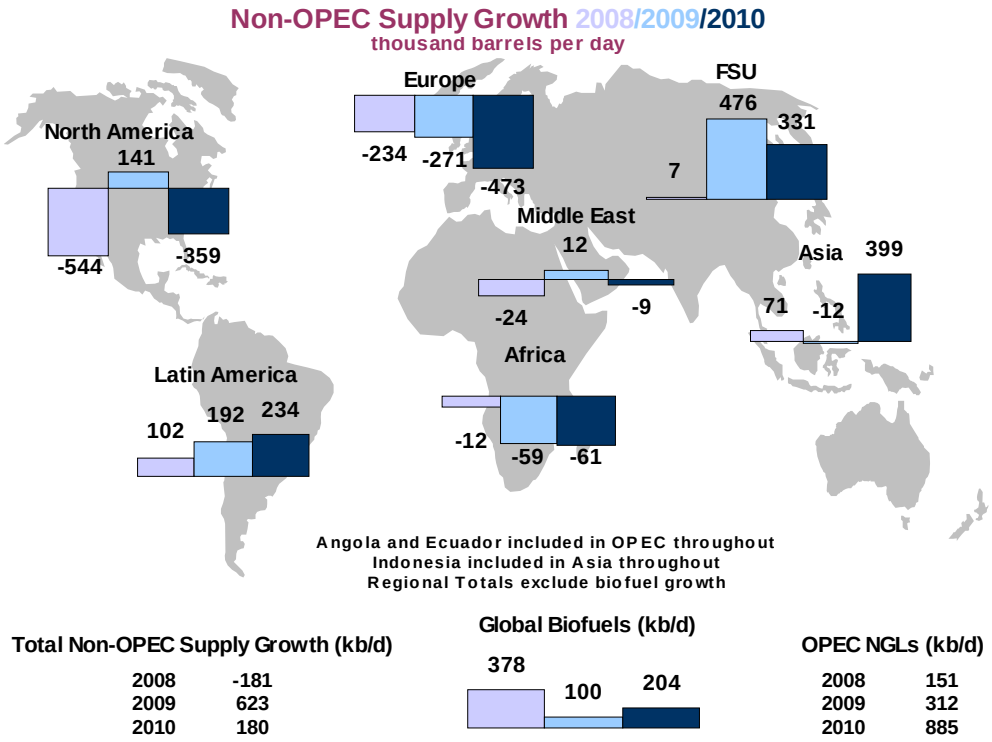


Non-OPEC Supply

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.2	14.0	13.6	13.8	13.9	14.2	13.9	14.2	14.3	14.1	14.2	13.9	13.6	13.8	13.9
Europe	4.9	4.8	4.5	4.8	4.8	4.9	4.5	4.2	4.4	4.5	4.3	4.0	3.9	4.0	4.0
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.0**	**19.1**	**19.4**	**19.3**	**19.1**	**18.7**	**18.2**	**18.6**	**18.7**
Former USSR	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.7	13.7	13.4	13.7	13.6
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.9	3.8	4.0	4.0	4.0	4.1	4.0
Other Asia	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.6	4.7	4.6
Middle East	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.6	1.7	1.6	1.6	1.7	1.7	1.6
Africa	2.6	2.6	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4
Total Non-OECD	**28.8**	**28.8**	**28.7**	**28.7**	**28.7**	**29.0**	**29.2**	**29.4**	**29.7**	**29.3**	**30.1**	**30.1**	**30.0**	**30.4**	**30.2**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.0**	**50.9**	**50.1**	**50.7**	**50.7**	**51.3**	**50.9**	**51.2**	**51.8**	**51.3**	**51.9**	**51.4**	**51.0**	**51.8**	**51.5**
Annual Chg (mb/d)	-0.2	-0.1	-0.3	-0.2	-0.2	0.3	0.0	1.1	1.1	0.6	0.5	0.6	-0.3	-0.1	0.2
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2

Projected non-OPEC supply for 2010 is revised down by -150 kb/d to 51.5 mb/d, after a reappraisal of Azerbaijan's production outlook. Following a gas leak and associated problems at the Azeri-Chirag-Guneshli (ACG) complex in September 2008, production has recovered, but now seems unlikely to reach previous capacity levels at the affected installations as we had assumed (though increments from new fields have lifted overall ACG production levels higher). Canadian and Malaysian prospects were adjusted downward too, partly offset by a better 2010 outlook for Norway and Brazil.



Key components of growth in 2010 are forecast to be the FSU (in total +330 kb/d, of which Russia +150 kb/d, Azerbaijan +120 kb/d and Kazakhstan +50 kb/d), global biofuels (+210 kb/d), Brazilian crude (+160 kb/d), but also Australia, Colombia and India, with increments of around +75 kb/d each. In contrast, US oil production, which contributed to 2009 growth, is forecast to drop in 2010 (-130 kb/d), while ongoing decline in Norway and the UK is more pronounced than in 2009 (-250 kb/d and -200 kb/d respectively in 2010). Canada, while expected to be a major source of growth in the medium term,

Non-OPEC Supply - Revisions from last OMR

(thousand barrels per day)

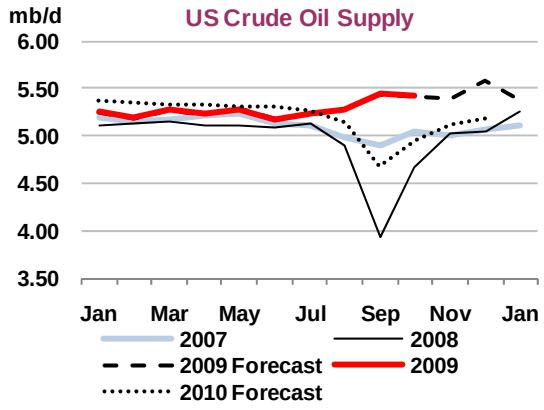
	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	2006	2007	2008	2009	2010
North America	-1	20	-1	-77	94	0	0	6	6	-51	23	42	-101	0	0	0	3	-22
Europe	1	80	173	203	194	-9	-25	26	190	-19	48	61	62	0	0	0	46	38
Pacific	0	0	-21	-12	-11	0	0	0	-15	-7	-5	-5	-5	0	0	0	-4	-5
Total OECD	**0**	**100**	**151**	**114**	**277**	**-9**	**-25**	**33**	**181**	**-77**	**67**	**98**	**-44**	**0**	**0**	**0**	**45**	**11**
Former USSR	-8	57	-12	48	-92	0	0	16	-20	-41	-203	-220	-197	0	0	0	-1	-166
Europe	0	-4	2	-1	-1	0	0	-1	0	0	0	0	0	0	0	0	0	0
China	0	0	13	0	0	0	0	0	4	0	0	0	0	0	0	0	1	0
Other Asia	-5	7	-19	-48	-22	-4	-7	-1	-29	-35	-32	-33	-32	0	-5	-6	-11	-33
Latin America	10	-9	13	10	-7	1	1	1	5	15	18	38	35	0	0	0	2	27
Middle East	9	14	19	0	0	9	8	10	6	10	10	10	10	0	0	9	8	10
Africa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-OECD	**5**	**65**	**16**	**9**	**-122**	**5**	**3**	**24**	**-33**	**-50**	**-207**	**-205**	**-184**	**0**	**-5**	**3**	**0**	**-162**
Processing Gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Biofuels	0	0	9	-1	-1	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-OPEC	**6**	**165**	**175**	**122**	**154**	**-4**	**-23**	**56**	**148**	**-127**	**-141**	**-107**	**-228**	**0**	**-5**	**3**	**45**	**-151**

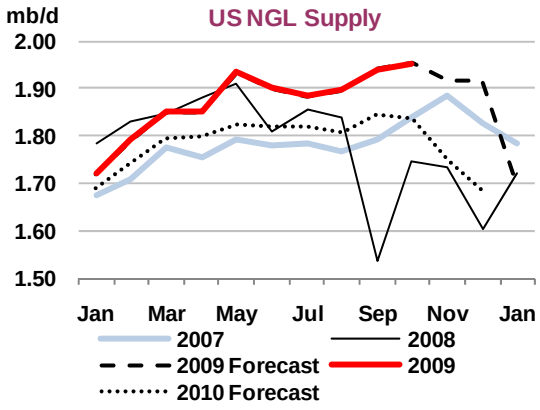
largely due to rising crude oil volumes extracted from oil sands, will see its oil supply stay flat in 2010 at 3.1 mb/d, following a dip in 2009, when performance was hit by lower oil prices and project postponements. The usual risks to our forecast apply, including unexpected weather-related, technical or politically-motivated outages.

OECD

North America

US – December Alaska actual, others estimated: October and November production estimates for the US were left largely unchanged, while December output was revised up 200 kb/d to 8.4 mb/d as the year came to a close without any significant production outages (our outlook assumes -125 kb/d of production downtime due to outages at mature production facilities, an adjustment that is removed once preliminary monthly production data are available). In Alaska, there was a small leak at the large Prudhoe Bay field in late December, but this had no noticeable effect on monthly output. In the Other Lower-48, North Dakotan production once again came in higher than expected, as output from the Bakken Oil Shale continues to rise. As a result, and on reports of further sustained investment, we have adjusted our 2010 forecast for North Dakota by +20 kb/d. On the NGL front, the seasonality of output in 2010 was adjusted, without any net change to the overall forecast. Total US oil supply is now expected to dip slightly from 8.1 mb/d in 2009 to 7.9 mb/d in 2010, as incremental production from the Gulf of Mexico slows, following a bumper, hurricane-free year in 2009.

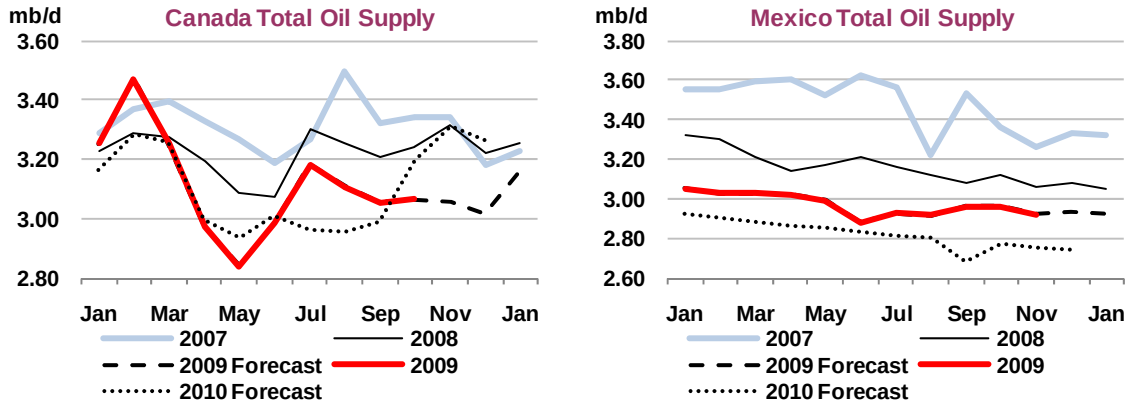




Canada – Newfoundland November actual, others October actual: The estimate of Canadian total oil production for October was left unchanged, with lower NGL production offset by higher-than-expected conventional and synthetic crude output. For November and December, total Canadian output was revised down by -60 kb/d and -120 kb/d respectively, largely on estimated lower syncrude output from

Suncor. The company reported a fire at one of its upgraders in October, cutting output, and then another fire in December, with ongoing repairs expected to last until end-January 2010, thus also curbing expected 1Q10 output by around 30 kb/d. Lower Albertan supply – most of all light and medium conventional crude, but also reduced heavy crude and bitumen – also trimmed the November and December Canadian production total to around 3 mb/d.

To some extent, these factors are carried through 2010, thus curbing the 2010 oil production forecast by -50 kb/d to 3.1 mb/d. This implies total oil supply will remain flat on an unchanged 2009, as higher synthetic crude output is offset by a decline in conventional crude and NGL production. Just when going to press, pipeline operator Enbridge announced the shut-down of one if its trunk lines from Canada to the US following a leak. The line runs from Cromer, Manitoba to Superior, Wisconsin. Enbridge said that volumes were being rerouted and would not affect overall exports.

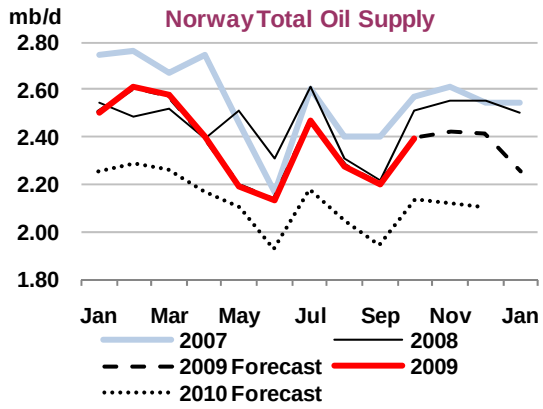


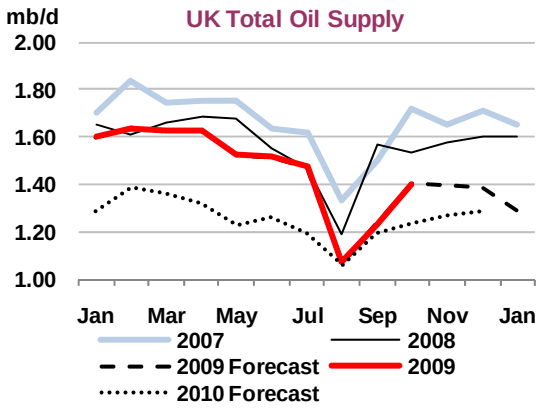
Mexico – November actual: In Mexico, while November levels were unrevised, December oil output was adjusted up by +20 kb/d to 2.9 mb/d on anticipated better offshore crude performance. Suffering from a sharp decline at mature fields, in particular the giant Cantarell field, Mexico announced that total upstream capital expenditure would remain unchanged at $15.2 bn for 2010. The government and state oil company Pemex are still confident the decline of past years can be halted. However, following disappointing performance at the complex onshore Chicontepec field, the investment budget there has been cut by 60%. In 2009 around 1 000 wells were drilled at Chicontepec, while production remained essentially steady around 30 kb/d. Total Mexican oil supply is now forecast to decline from 3.0 mb/d in 2009 to 2.8 mb/d in 2010.

North Sea

Norway – October actual, November and December provisional: In Norway, September and 4Q09 production estimates were revised up 100 kb/d and 200 kb/d respectively, resulting from mostly uninterrupted production and on the basis of preliminary production data and reported loading schedules for key North Sea crude grades. While these adjustments only affect production prospects through end-2009, a reassessment of the Snorre and, to a lesser extent, the Ekofisk and Varg fields, led to an upward-revised forecast for 2010. Total Norwegian oil production is expected to average 2.4 mb/d in 2009 (+50 kb/d vs. last month's report), dipping to 2.1 mb/d in 2010 (a +70 kb/d revision).

Just ahead of publication, the Ormen Lange gas field and the Kaarstoe gas processing facility were briefly shut down due to weather-related problems (cutting gas exports to the UK, among other things). Both were reportedly in the process of being restarted, but it was unclear what the impact would be on liquids production for Ormen Lange, which produced around 30 kb/d of gas condensate in January-October 2009, or the Kaarstoe facility, which processes most of Norway's NGL and condensate.





UK – October actual: The UK production estimate for 2009 is left largely unchanged at 1.5 mb/d in aggregate, with higher crude offsetting downward-revised NGL production. September field-by-field data showed that two of the UK's largest fields, Buzzard and Schiehallion, were still operating at reduced levels, following seasonal maintenance and a collision involving a tanker respectively. The Buzzard field was reported to be back at normal production levels around 200 kb/d at the end of October, despite suffering a glitch with a gas pipeline towards the end of the month. Schiehallion, which was fully offline from June through September due to seasonal maintenance, saw its Floating Production, Storage and Offloading (FPSO) vessel collide with a shuttle tanker in early October and has remained shut-in since. Latest reports indicate a start-up in January 2010. This report assumes partial volumes in January and a gradual ramp-up to recent observed capacity of 40 kb/d from February.

Schiehallion's problems and January loading schedules have prompted a downward revision of 75 kb/d to 1Q10 UK output. While 2009 total oil volumes are left unchanged at 1.5 mb/d, 2010 is revised down by -30 kb/d to average 1.3 mb/d. Attempting to slow the past ten years' steady decline in UK output, in early December the government announced an expansion of its scheme offering incentives to develop marginal North Sea fields, especially in the prospective West of Shetlands area. Industry voices claim more incentives are needed if UK production decline is to be attenuated.

Denmark – October actual: In Denmark, the Siri field remains shut-in. It has been offline since early September 2009 after the discovery of cracks in parts of the structure connected to its underwater storage tanks. Rough seas have reportedly delayed a restart, which is now expected to take place in mid-January 2010. Following its return online, the Nini field will be tied back to the Siri platform, total output of which is now reassessed slightly higher. As a result, Danish crude production is expected to remain flat at 260 kb/d in 2010, unchanged from 2009.

Pacific

New Zealand – October actual: Lower-than-expected reported October production, coupled with a later-than-anticipated start-up of the Kupe gas field (from which ultimate liquids production of 10 kb/d is expected), led to a downward revision of -15 kb/d for 4Q09. 2009 oil production is now expected to average 60 kb/d. In part lower output was carried through the forecast, curbing expected 2010 output slightly to 80 kb/d.

Former Soviet Union (FSU)

Russia – November actual, December provisional: November 2009 crude production in Russia was left unchanged overall, with lower output from Rosneft and the three production sharing agreements ('PSAs', including the two Sakhalin projects and the Total-operated Kharyaga field) offset by higher output at smaller, private companies (Novatek, Russneft and others). Preliminary December data prompted a downward adjustment of -90 kb/d on lower-than-forecast output at the PSAs, as well as

Rosneft, TNK-BP, Lukoil and others, although total output came in only marginally lower than November's 10.4 mb/d. In part this downward adjustment was carried forward into 2010. Thus total Russian oil production is expected to rise from an unrevised 10.2 mb/d in 2009 to 10.4 mb/d in 2010. Russia's dispute over exports with Ukraine and Belarus is examined below (see *Russia – Belarus Dispute on Oil Tax and Transit*).

Russia – Belarus Dispute on Oil Tax and Transit

Crude oil futures strengthened towards $83/bbl in early January, against the backdrop of a renewed dispute between Russia and Belarus over export duties and transit fees for up to 1.5 mb/d of Russian oil moving west via Belarus. An earlier disagreement in 2007 caused a halt to the westbound flow of crude oil via the Druzhba pipeline for three days, affecting supplies to Poland, Germany, the Slovak Republic, Hungary and the Czech Republic. That dispute centred upon export duties for Russian oil processed in Belarus and exported to third countries and the transit fee for Russian crude oil crossing Belarus en route for Europe. It was settled in 2007 with an agreement for three years, which gave Belarus a reduction of about two-thirds on the export duty normally imposed on Russian oil exports. The tariff for the transit of Russian oil through Belarus was kept quite low at between $0.89 and $2.90/mt, depending on the export route.

That three-year agreement ended on 31 December 2009. Russia then indicated it wanted to amend Belarus's favourable tax treatment, proposing to impose the full export tax (currently $267/mt) on all crude oil processed in refineries in Belarus and exported as product to third countries, but at the same time leaving oil destined for domestic consumption in Belarus exempt from export tax. Belarus imports some 420 kb/d of crude, of which 120 kb/d is consumed domestically and 300 kb/d is exported as product.

As no new agreement was reached on 31 December 2009, Russia stated that it would apply the full export tax to all deliveries to Belarus, including those destined for domestic consumption. In response, Belarus threatened to raise the transit tariff for Russian crude oil shipments to Europe from $3.90 to $45/mt. Although supplies to the two refineries in Belarus were briefly halted on 2 and 3 January, so far the dispute has had no impact on volumes for third parties, and indeed both sides have confirmed that flows to Europe through Belarus would continue undisrupted. At the time of writing no agreement had been reached, but talks were continuing.

The Druzhba pipeline through Belarus carries a substantial amount of crude oil destined for IEA member countries. We estimate that in 2009 some 1.5 mb/d entered Belarus, of which 420 kb/d stayed in the country for consumption and processing. In Belarus the Druzhba crude line splits into two legs, at Mozyr.

Estimated Druzhba Crude Oil Imports to IEA Countries in 2009
thousand barrels per day

		Average Crude Imports	Share of Total Crude Imports
Northern leg	Poland	385	93%
	Germany	300-400	15-20%
Southern leg	Slovak Republic	115	100%
	Hungary	130	100%
	Czech Republic	90	60%

As for contingencies, the five IEA member countries mentioned above hold emergency stocks of well above 90 days. There are alternative supply routes as well – for Poland through the port of Gdansk; for Germany through the ports of Rostock and Gdansk; for Hungary and the Slovak Republic through the port of Omisalj in Croatia (Adria pipeline); and for the Czech Republic by increased imports through the port of Trieste in Italy (TAL and IKL pipelines). Each of the alternatives would require logistical adjustment, but seem feasible as some were tested during the 2007 disruption and others have been prepared since then. And despite the recent cold snap, OECD European refinery utilisation also remains relatively low at around 75%, cushioning the impact of any temporary curb in shipments via Belarus were that to occur. In the longer term, Russia is reportedly accelerating work on expanding the Baltic Pipeline System to reduce its reliance on transit states such as Belarus for sales into Europe.

Russia – Belarus Dispute on Oil Tax and Transit *(continued)*

The stakes for Belarus in this dispute are high. It receives an implicit subsidy of some $2.5 billion per year from Russia and oil product exports make up about 37% of total exports. Over recent years, Russia has consistently implemented a policy of phasing out subsidies on hydrocarbon supplies for countries of the former Soviet Union, and Belarus seems to be one of the last countries still greatly benefiting from these implicit subsidies. So, although there is no imminent threat of tighter European crude supplies, given what is at stake for Belarus, a resolution may take some time to achieve.

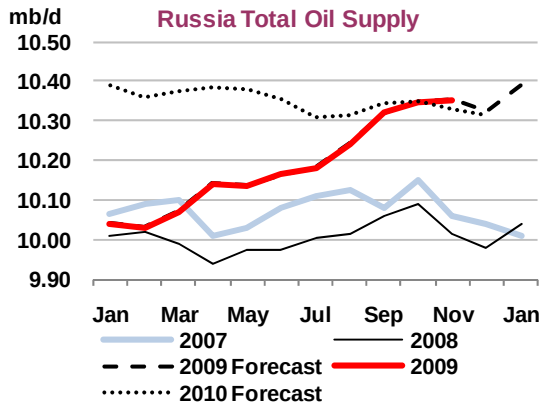
European Crude Pipelines

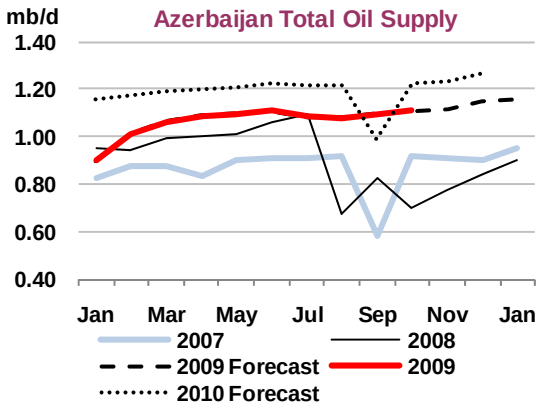


Azerbaijan – September actual: While reported September data prompted an upward adjustment of +50 kb/d for that month (taking total Azeri production to 1.1 mb/d), a reassessment of the production outlook at the BP-operated Azeri-Chirag-Guneshli (ACG) complex has led to a significant downward revision of -140 kb/d to total forecast Azeri production in 2010, to 1.2 mb/d.

Following a gas leak in September 2008, the Central and West Azeri platforms were partly and fully shut-down respectively, causing a major dip in Azeri oil production to only 700 kb/d in October 2008. While the West Azeri platform was back at capacity relatively soon afterwards, volumes at the Central Azeri platform only gradually recovered during 2009. Added to the ramp-up of new volumes at the Guneshli Deep platform, total ACG volumes were therefore back at pre-incident volumes in 2Q09, although this masked the persistent undershoot compared to pre-incident volumes at Central Azeri.

Since then, our forecast has assumed further ACG growth due to the gradual recovery to pre-September 2008 volumes at the Central Azeri platform, as well as some further ramp-up at Guneshli Deep. However, persistently weaker actual output levels have led to a reappraisal and it now seems unlikely that original, pre-September 2008 Central Azeri nameplate capacity (of as much as 300 kb/d) will be regained in the foreseeable future. Our forecast now envisages total ACG production rising by 100 kb/d in 2010 to 960 kb/d, generating the bulk of 2010 Azeri growth. 2009 total Azeri oil production now averages 1.1 mb/d, rising to 1.2 mb/d in 2010.





FSU oil exports rose to 9.1 mb/d in November, boosted by an 8.7% increase in oil product shipments. Gasoil exports rose by 5.0% while gasoline deliveries almost doubled. Fuel oil volumes recovered to previous levels on higher shipments from Tallinn and the restart of operations at the Odessa refinery following a shortage of crude oil in October. Crude oil exports dropped by 1.9% in November as maintenance on the pipeline leading to Primorsk cut shipments from the Baltic. Preliminary December data show crude oil exports from the FSU increased slightly after volumes from Primorsk returned to previous levels, which, coupled with increases in Arctic and Far East exports, more than offset a drop in CPC volumes.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2007	2008	3Q2008	4Q2008	1Q2009	3Q2009	Sep 09	Oct 09	Nov 09	Latest month vs. Oct 09	Latest month vs. Nov 08
Crude											
Black Sea	2.18	2.05	1.97	2.04	2.30	2.10	2.18	2.12	2.08	-0.04	0.12
Baltic	1.59	1.46	1.40	1.47	1.57	1.61	1.61	1.69	1.58	-0.10	0.16
Arctic/FarEast	0.32	0.30	0.29	0.37	0.46	0.48	0.54	0.50	0.52	0.02	0.19
BTC	0.55	0.67	0.64	0.57	0.74	0.82	0.79	0.85	0.89	0.04	0.28
Crude Seaborne	**4.63**	**4.48**	**4.30**	**4.45**	**5.07**	**5.02**	**5.12**	**5.16**	**5.07**	**-0.09**	**0.75**
Druzhba Pipeline	1.13	1.08	1.03	1.09	1.14	1.09	1.13	1.15	1.14	-0.01	0.13
Other Routes	0.44	0.42	0.46	0.40	0.40	0.35	0.38	0.33	0.30	-0.03	-0.02
Total Crude Exports	**6.20**	**5.98**	**5.79**	**5.94**	**6.61**	**6.45**	**6.63**	**6.64**	**6.51**	**-0.13**	**0.86**
Of Which: Transneft	4.27	3.99	3.87	3.96	4.22	4.12	4.24	4.21	4.07	-0.14	0.44
Products											
Fuel oil	1.10	1.09	1.04	1.04	0.96	1.16	1.16	0.98	1.08	0.11	0.04
Gasoil	0.95	0.94	0.79	0.92	1.10	0.97	0.88	0.87	0.91	0.04	0.01
Other Products	0.60	0.59	0.55	0.56	0.73	0.63	0.57	0.56	0.62	0.06	0.05
Total Product	**2.65**	**2.63**	**2.38**	**2.52**	**2.78**	**2.76**	**2.61**	**2.40**	**2.61**	**0.21**	**0.10**
Total Exports	**8.85**	**8.61**	**8.17**	**8.46**	**9.39**	**9.21**	**9.24**	**9.04**	**9.12**	**0.08**	**0.96**
Imports	0.04	0.04	0.05	0.03	0.04	0.04	0.04	0.03	0.04	0.00	0.02
Net Exports	**8.82**	**8.57**	**8.12**	**8.43**	**9.35**	**9.17**	**9.20**	**9.01**	**9.08**	**0.08**	**0.94**

Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

Last month saw also the launch of exports from Russia's new terminal in Kozmino, the end-point of the East Siberia-Pacific Ocean (ESPO) pipeline, which ultimately aims to provide direct access to growing markets in Asia and to diversify Russian crude oil exports. Indeed, even in the short term, Russian loading schedules for 1Q10 show a rerouting of crude oil from Baltic and Black Sea ports to the east, while overall volumes to be shipped via the Druzhba pipeline to Europe remain close to last year's levels.

Winter crude oil exports are usually affected by cold, stormy weather in the Black Sea and icy conditions in the Baltic requiring tankers loading in Primorsk to fulfil ice-class requirements. A further winter feature that has come to haunt European countries in recent years is the potential for disrupted westbound oil and gas shipments via transit states Belarus and Ukraine. This year, Russia and Ukraine quickly reached an agreement including an increase in transit tariffs via Ukraine, export volumes from Yuzhny, the resumption of shipments to Ukrainian refineries Galichina and Neftekhimik Prikarpatia, and a switch from pricing in dollars to euros. Tariffs under the new agreement are set at €6.60/mt for deliveries via the Druzhba and at €6.50/mt for exports to Yuzhny. However, an ongoing pricing dispute between Russia and Belarus concerns export taxes on the re-sale of oil products processed in Belarusian refineries from Russian crude oil obtained at preferential conditions. (see *Russia – Belarus Dispute on Oil Tax and Transit*).

Other Non-OPEC

In **Brunei**, for which we rely upon data reported to the *Joint Oil Data Initiative (JODI)*, there was a small baseline revision of -5 kb/d from 2007, which has been carried forward in our forecast. Estimated 2009 and 2010 oil production is expected to average a steady 140 kb/d. November reported data for **Malaysia** prompted a downward adjustment of -35 kb/d, which was partly carried through the forecast. 2009 output is estimated at a slightly lower 740 kb/d, falling in 2010 to a downward-revised average of 700 kb/d.

For **Brazil**, November crude production was revised up +45 kb/d on more robust-than-expected offshore production. While this leaves 2009 average total oil supply unchanged at 2.5 mb/d, the 2010 forecast is nudged up slightly and is now expected to grow to 2.7 mb/d. Output from pre-salt fields in offshore deepwater will start to ramp-up significantly from this year, with production at the Tupi pilot growing from current levels around 20 kb/d to first-phase commercial production around 100 kb/d by the end of 2010 (generating 2010/2009 annual growth of +40 kb/d). However, despite the government's aim to rapidly put in place its proposed legislative framework for the development of these vast reserves, Brazil's Congress only managed to pass one of four pre-salt bills before its December recess, thus missing its end-of-year deadline. As highlighted in a previous report (see *Brazil's Lula Outlines Suggested Pre-Salt Development Regime* in report dated 10 September 2009), the outcome of this proposed framework is crucial in determining the pace at which these reserves will be developed.

OECD STOCKS

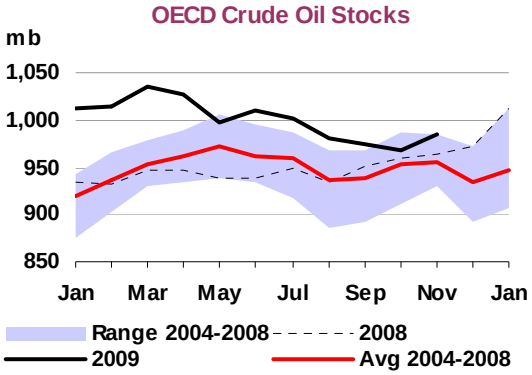
Summary

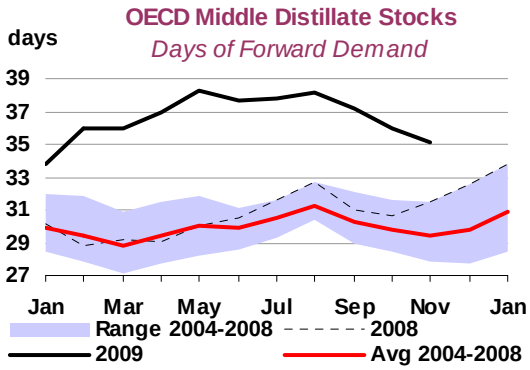
- **OECD industry stocks rose counter-seasonally by 12.6 mb to 2 747 mb in November**. The five-year average stock change for November is a 4.1 mb draw. A large build in European crude stocks and an increase in North American gasoline stocks accounted for much of the rise. Decreases in North American middle distillates and 'other products' provided some offset.

- **OECD stocks in days of forward demand fell to 59.1 days as of end-November,** down from 59.4 days at end-October on rising three-month forward demand. Days cover fell sharpest in residual fuel oil and middle distillates. However, readings in both categories remained near or above the top of the five-year range for all three regions.

- **Preliminary data indicate total OECD industry oil inventories fell by 35.8 mb** in December, driven by a 28.2 mb fall in US products. Drawing middle distillates, driven in part by colder winter temperatures in key northern hemisphere markets, accounted for about 25% of the total OECD change. The five-year average stock change for the OECD in December is a draw of 41.9 mb.

- **Short-term crude floating storage levels declined to 51 mb as of end-December**, from 55 mb at end-November. Short-term products floating storage registered its first monthly fall, albeit a modest one, since August, decreasing to near 95 mb at end-December from 98 mb at end-November. Early 2010 cold weather in the OECD may induce continued product floating storage draws through January, though levels are likely to remain historically high.





OECD Stock Position at End-November and Revisions to Preliminary Data

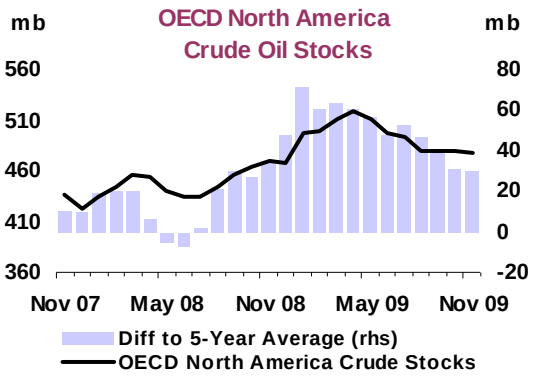
Reversing their sharp fall in October, OECD commercial inventories increased counter-seasonally by 12.6 mb in November to 2 747 mb. The five-year average stock change for November is a 4.1 mb draw. As such, the OECD stock surplus to the five-year average widened from 77 mb in October to 93 mb at end-November. Middle distillates in North America and Europe accounted for two-thirds of this surplus while North American crude remained the other large surplus category.

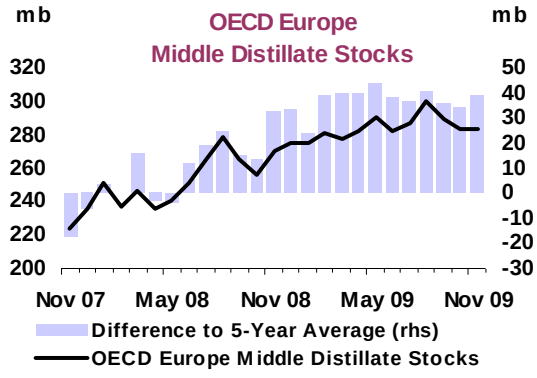
Preliminary Industry Stock Change in November 2009 and Third Quarter 2009

	November (preliminary) (million barrels)				November (preliminary) (million barrels per day)				Third Quarter 2009 (million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-1.0**	**19.5**	**-2.0**	**16.5**	**-0.03**	**0.65**	**-0.07**	**0.55**	**-0.20**	**-0.14**	**-0.05**	**-0.39**
Gasoline	7.9	2.1	0.4	10.4	0.26	0.07	0.01	0.35	-0.03	0.02	-0.01	-0.02
Middle Distillates	-5.1	0.7	0.9	-3.5	-0.17	0.02	0.03	-0.12	0.16	0.08	0.11	0.35
Residual Fuel Oil	1.1	1.4	-2.0	0.4	0.04	0.05	-0.07	0.01	-0.01	-0.08	0.03	-0.06
Other Products	-5.9	0.0	-2.2	-8.1	-0.20	0.00	-0.07	-0.27	0.07	0.07	0.10	0.24
Total Products	**-2.1**	**4.1**	**-2.9**	**-0.8**	**-0.07**	**0.14**	**-0.10**	**-0.03**	**0.20**	**0.09**	**0.22**	**0.51**
Other Oils[1]	-0.8	0.0	-2.3	-3.1	-0.03	0.00	-0.08	-0.10	0.07	0.01	0.02	0.10
Total Oil	**-3.9**	**23.7**	**-7.1**	**12.6**	**-0.13**	**0.79**	**-0.24**	**0.42**	**0.08**	**-0.05**	**0.20**	**0.22**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary December inventory data and OECD-wide cold weather in January suggest that surpluses, particularly in products, may be narrowing. From mid-November through 8 January, US heating oil stocks have drawn almost 10 mb, narrowing the US distillate surplus to the five-year average to 25.5 mb. Japanese kerosene stocks have sunk to new five-year lows. Products floating storage remained high as of end-December, yet, in January, volumes off Europe began discharging and others headed to the US on favourable arbitrage economics.





OECD stocks in days of forward cover continued to decrease, hitting 59.1 days at end-November. The surplus to the five-year average remained high at 5.7 days, but this figure was down from a peak of 8.9 days in March. With three-month forward demand expected to remain strong in December and January, preliminary indications of falling stocks suggest days cover should also continue to fall.

Revisions versus 11 December 2009 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Sep 09	Oct 09	Sep 09	Oct 09	Sep 09	Oct 09	Sep 09	Oct 09
Crude Oil	**5.4**	**4.9**	**0.9**	**0.2**	**0.0**	**-5.3**	**6.2**	**-0.2**
Gasoline	0.3	2.2	0.1	2.2	0.0	-0.2	0.4	4.3
Middle Distillates	0.3	0.1	0.2	-0.7	0.0	-0.5	0.5	-1.1
Residual Fuel Oil	0.1	-1.3	0.4	0.6	0.0	-0.5	0.5	-1.1
Other Products	0.7	0.2	0.7	-0.2	0.0	-1.2	1.3	-1.1
Total Products	**1.3**	**1.3**	**1.3**	**2.0**	**0.0**	**-2.3**	**2.7**	**0.9**
Other Oils[1]	1.5	-0.9	-0.1	0.6	0.0	-0.9	1.4	-1.3
Total Oil	**8.2**	**5.2**	**2.1**	**2.8**	**0.0**	**-8.6**	**10.3**	**-0.6**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Strong winter heating usage amid low refinery runs has dented weather-related fuels such as heating oil, kerosene and propane. Still, the overall market impact may not be as stark as headlines suggest. In Europe, ample consumer stocks and floating storage may well buffer industry level inventories from a sharp drawdown. Indeed, preliminary December data from Euroilstock showed EU-16 middle distillate stocks rising and, as of the first week of January, Northwest Europe gasoil stocks in independent storage stood 5% above levels of a year ago. Moreover, product inventories tied to economic activity have proved more resilient. US diesel and gasoline stocks hit new five-year highs in December and early January.

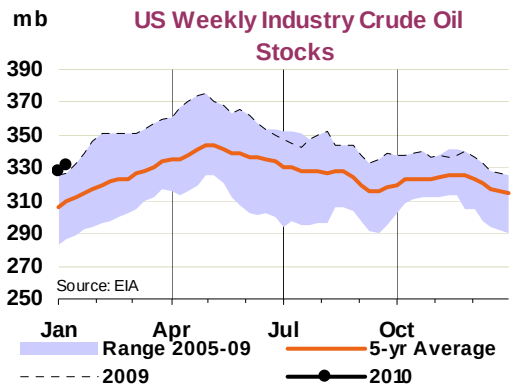
Crude stocks should now be entering a seasonal building phase in the OECD, aided by low refinery demand. Despite the cold weather tightening WTI time spreads, high inventories at Cushing, Oklahoma, may yet induce widening contango and increased storage incentives. OECD total oil stocks, particularly middle distillates, typically draw in the winter from January through March and harsh weather conditions may exacerbate this downward momentum. Yet, without an economically linked demand response, seasonal draws may reverse once the thaw begins, leaving a still healthy overhang in days of forward demand cover.

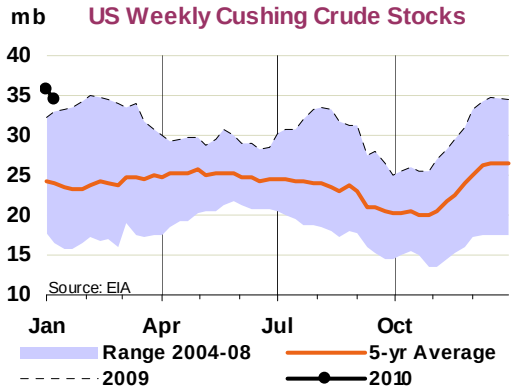
Analysis of Recent Industry Stock Changes

OECD North America

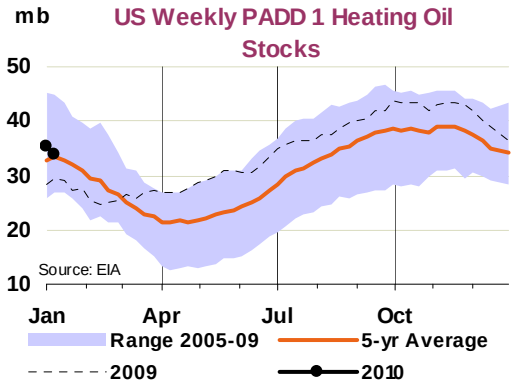
North American industry stocks fell 3.9 mb in November, driven by a 5.6 mb fall in the US 'other products' category and a 3.7 mb draw in US middle distillates. A 6.0 mb increase in US gasoline stocks and a 1.1 mb increase in US crude stocks provided some offset. A decrease in Mexican stocks of 2.4 mb contributed to the overall draw as Mexican crude inventories fell 2.1 mb.

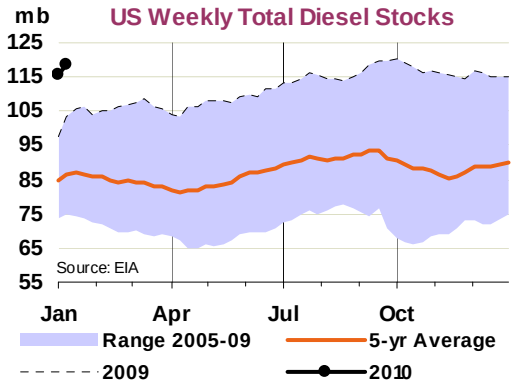
December preliminary data point to a 39.4 mb draw in US commercial inventories, versus a five-year average draw of 18.4 mb. Despite stagnant refinery runs, crude stocks decreased by 11.1 mb with year-end tax concerns providing incentive to shed inventories. The Strategic Petroleum Reserve increased by 0.5 mb in December, while the US government filling programme ended with levels at 726.6 mb.





Stocks at Cushing, Oklahoma – the delivery point for the NYMEX light, sweet crude contract – swelled by 3.6 mb in December. As of 8 January, Cushing stocks stood at 34.5 mb, after hitting a record 35.7 mb the previous week. Despite this high level, WTI's contango has consistently narrowed with the onset of cold weather. While high storage levels could mark a return to wider crude contango, it is worth noting that Cushing nameplate storage capacity looks higher than a year ago. A recent Reuters survey of storage operators estimated total capacity at 51.5 mb at end-November versus 46.3 mb in February 2009. Still, most market assessments put *operable* capacity at only around 80% of this figure, or around 41 mb.

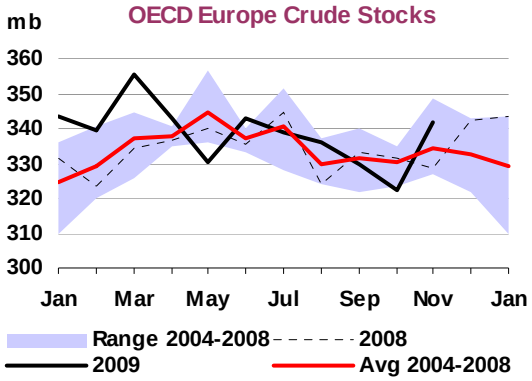


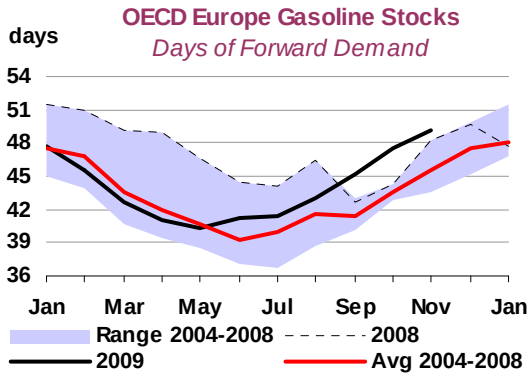


US product stocks fell by 28.2 mb in December. Much of this stemmed from weather-sensitive fuels, as propane and heating oil decreased 12.3 mb and 7.7 mb, respectively. The 'other oils' and 'unfinished oils' categories fell as refinery runs remained low. Economy-linked transport fuels proved more resilient, though weather also constrained demand and helped sustain inventories. Gasoline stocks increased 3.6 mb, diesel stocks rose 0.4 mb and jet/kerosene inventories edged down by 0.4 mb.

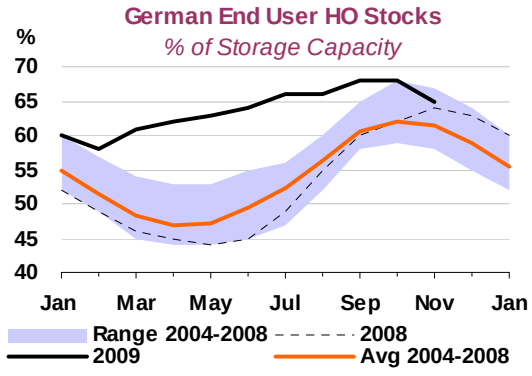
OECD Europe

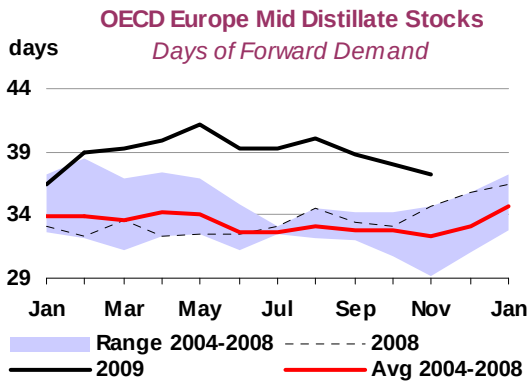
European inventories rose 23.7 mb in November, mostly due to a 19.5 mb increase in crude. Gains in crude stocks stemmed from an assortment of countries, but Norway (+6.4 mb) and Germany (+3.7 mb) posted the largest increases. European product stocks increased by 4.1 mb, led by a 2.1 mb rise in gasoline and a 1.4 mb gain in residual fuel oil. Both gasoline and residual fuel oil remained at the bottom of the five-year range on an absolute basis, but above the five-year range on a demand cover basis.





European industry middle distillate inventories rose slightly in November, by 0.7 mb, and accompanied by a 14 mb surge in November products floating storage – mostly middle distillate – off Northwest Europe and the Mediterranean. German consumer heating oil stock levels fell to 65% at end-November. Still, the OECD Europe middle distillate stock surplus to the five-year average increased to 38.6 mb.

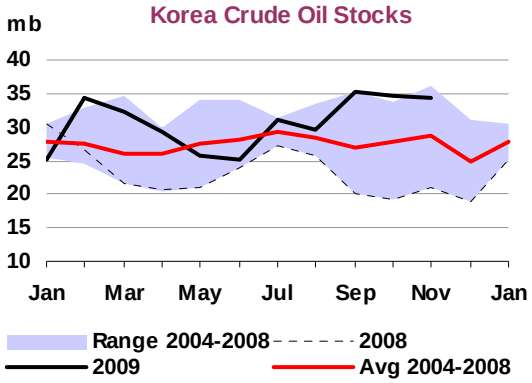


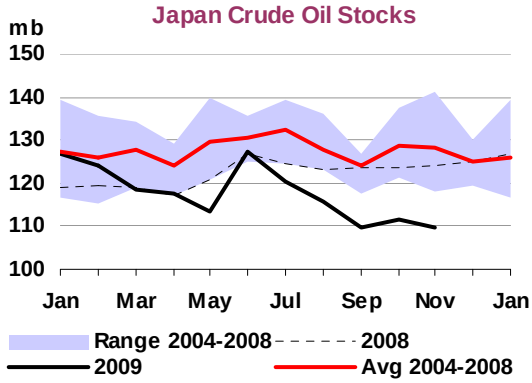


December preliminary data showed gasoil stocks held in Northwest Europe independent storage remaining relatively unchanged while gasoline and fuel oil posted gains. EU-16 preliminary data from Euroilstock showed all product categories rising in December led by middle distillates (+2.0 mb) and gasoline (+1.5 mb), while crude stocks fell by 2.6 mb. Though products floating storage decreased globally in December, volumes off Europe held steady. January reporting indicates some cargoes coming ashore as gasoil markets have tightened. Others headed across the Atlantic to the US to take advantage of arbitrage opportunities, though this window appeared to have closed as of mid-January. An early January increase in Northwest Europe independent gasoil storage to levels 5% above a year ago suggests floating storage replenishing land-based tanks. Yet, with still-flush onshore storage and disruptive weather around European ports, any drawdown may prove gradual.

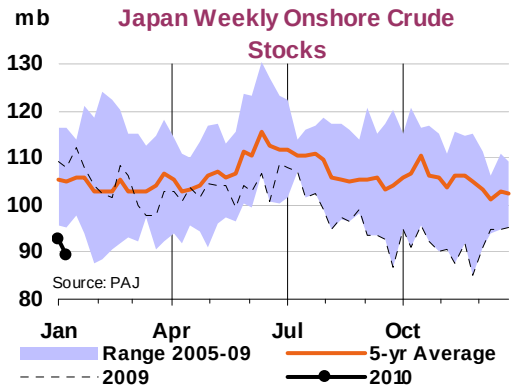
OECD Pacific and Singapore

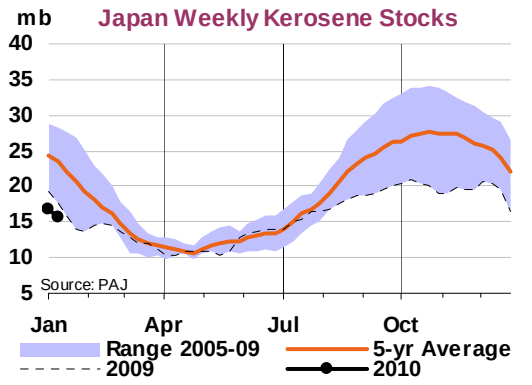
Pacific industry stocks fell by 7.1 mb in November, as crude and residual fuel oil each decreased by 2.0 mb. The downward movement in crude came primarily from Japan while the residual fuel oil change stemmed mainly from Korea. Crude stocks in Korea remained at five-year highs, while Japanese crude stocks trended below the five-year range.



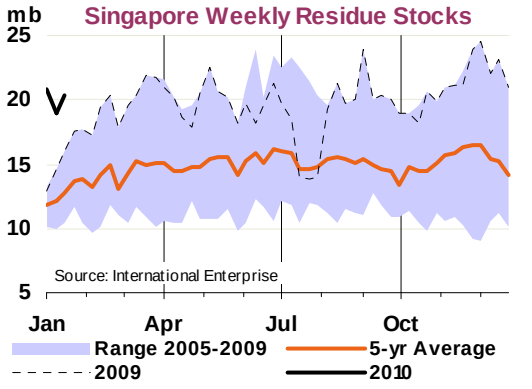


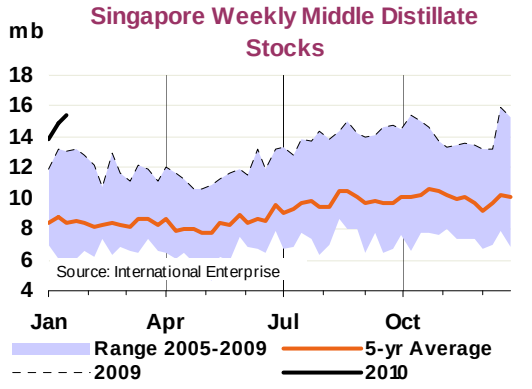
Weekly data from the Petroleum Association of Japan (PAJ) point to a commercial stock build of 1.7 mb in December, with crude up 6.6 mb and products down 4.9 mb. Kerosene stocks fell 3.2 mb and trended at five-year lows. Gasoline and gasoil drew 0.8 mb and 0.4 mb, respectively. The former is at the bottom of the five-year range while the latter is at five-year average levels. Japanese refinery runs continued at five-year lows and unfinished product stocks, as of early January, stood 13% below levels of a year ago.





Singapore product stocks decreased by 3.7 mb in December. Residual fuel oil fell 3.8 mb on strong regional demand. As of early January, fuel oil stocks had lost further ground but still stood at five-year highs. Moreover, trade sources indicated the presence of at least 12 tankers storing fuel oil and crude off the coast of Malaysia in late December. Movements in Singapore light and middle distillates offset each other in December with the former falling by 0.6 mb and the latter rising by 0.7 mb.

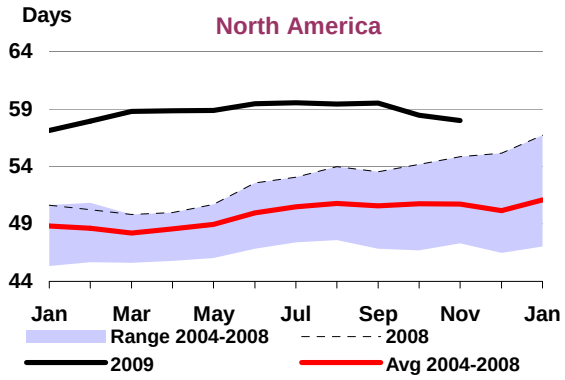


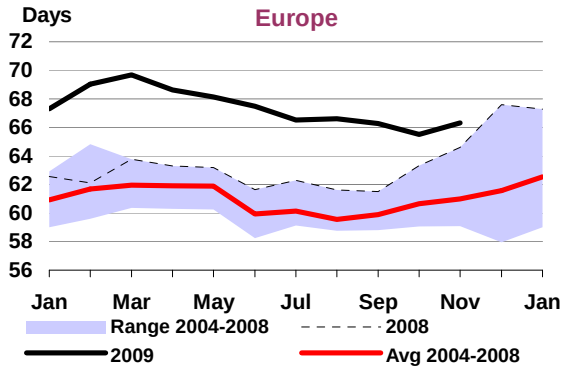


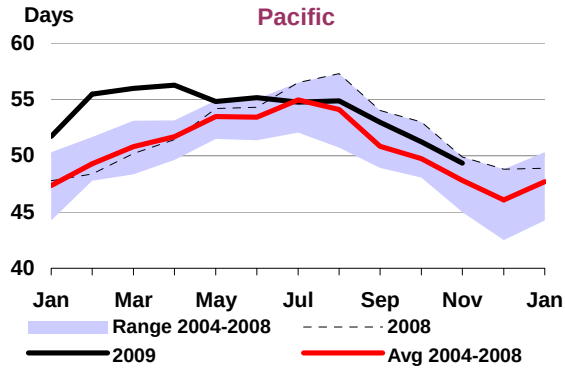
Regional OECD End-of-Month Industry Stocks

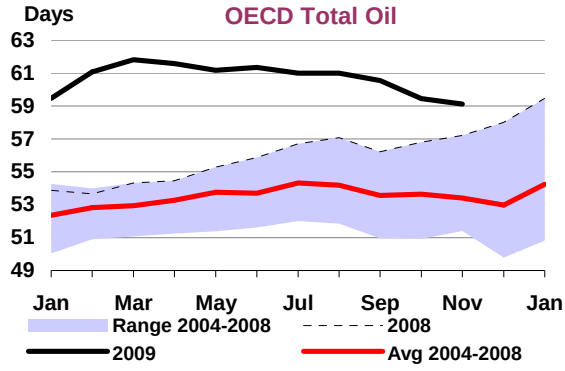
(in days of forward demand and millions barrels of total oil)

Days[1]

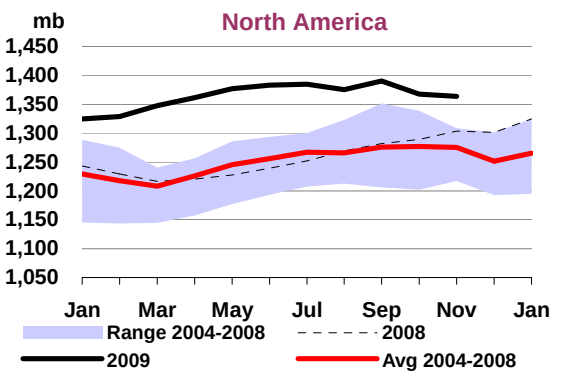


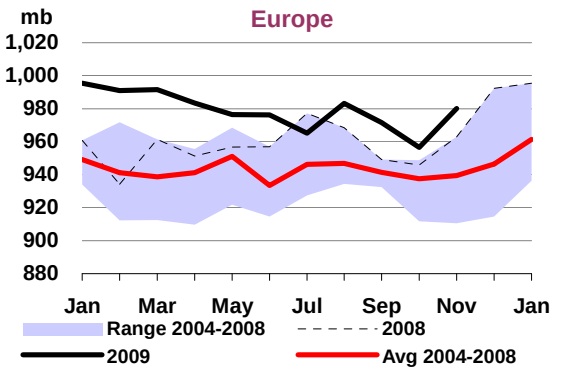


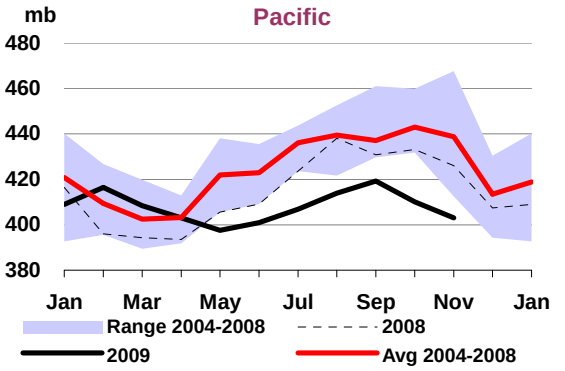


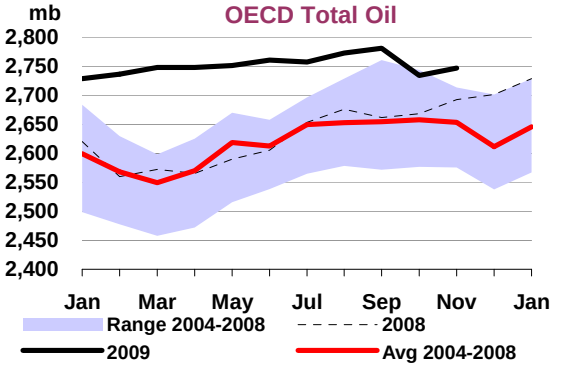


Million Barrels









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

PRICES

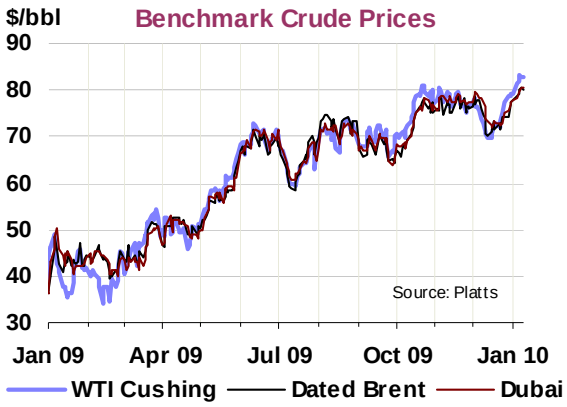
Summary

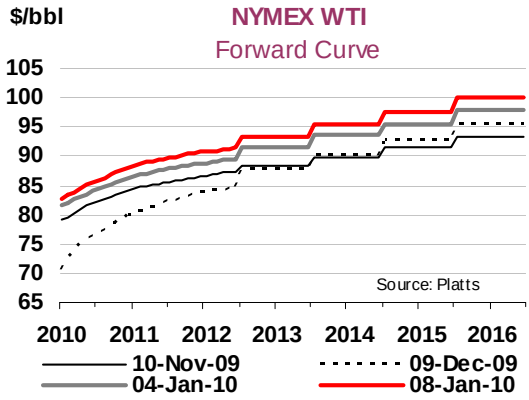
- **Oil prices surged to 15-month highs in early January following a mid-December onset of exceptionally cold winter weather** in much of the Northern Hemisphere and escalating geopolitical tensions in key oil producing countries. At their peak in early January, prices had jumped by around $10-12/bbl from December lows as temperatures plummeted. Prices have since eased, last trading in a $78-80/bbl range on 14 January.

- **The weather-related surge in prices that ushered in the new year may prove fleeting** given the still considerable armada of middle distillate supplies in floating storage. Preliminary data show the season's first chill shaved a bit off the massive supply overhang but even protracted cold weather this winter may only make a dent in high inventories. With temperatures forecast to rise in the near term, the market may well look beyond the latest cold snap and turn its attention back to macroeconomic developments for signs of economically-driven oil demand growth.

- **Refining margins rose in all major regions in December** as the weather-related rally in spot product markets outpaced the rise in crude prices. Margins showed a steady improvement on a weekly basis from the beginning of December until early January, but nonetheless remain weak on an underlying basis.

- **Tanker markets were buoyed by weather-related demand increases**, with year-end rates for several benchmark routes at the highest levels in more than a year. The outlook for 2010 remains weak, however, with fleet additions expected to outpace demand growth.





Market Overview

Oil prices surged to 15-month highs early in the new year following the mid-December onset of exceptionally cold winter weather in much of the Northern Hemisphere, coupled with escalating geopolitical tensions in key oil producing countries.

This contrasted with a downward drift in early December under the weight of surplus crude and products, continued low refinery runs in Europe and the US, as well as increasingly bearish market sentiment about the near-term prospects for a recovery in the global economy. Indeed, average December futures prices for WTI and Brent were down 4.7% and 3.2%, respectively, from November levels.

However, frigid temperatures across much of Europe, the US, Asia and even parts of the Middle East gave a belated winter boost to oil prices by mid-month. After settling at a monthly low of $69.51/bbl on 14 December, the front month NYMEX light crude oil contract moved higher at a breakneck clip

throughout the rest of the month and into January, gaining $13.61/bbl, to $83.18, by 6 January. North Sea Brent futures and spot Dubai prices lagged WTI's robust increases, up by a smaller $7-8/bbl on average over the same period. Prices have since eased, last trading in a $78-80/bbl range on 14 January.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

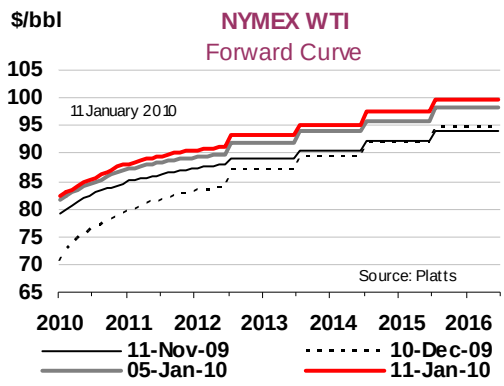
	Oct	Nov	Dec	Dec-Nov Avg Chg	% Chg	Week Commencing: 07 Dec	14 Dec	21 Dec	28 Dec	04 Jan
NYMEX										
Light Sweet Crude Oil	75.82	78.15	74.60	-3.54	-4.7	71.53	71.77	75.40	79.07	82.37
RBOB	79.95	82.99	81.20	-1.80	-2.2	78.95	78.06	81.00	85.28	89.51
No.2 Heating Oil	82.12	84.86	83.90	-0.96	-1.1	81.66	81.41	83.38	88.25	92.16
No.2 Heating Oil ($/mmbtu)	14.10	14.57	14.40	-0.16	-1.1	14.02	13.98	14.31	15.15	15.82
Henry Hub Natural Gas ($/mmbtu)	4.78	4.63	5.34	0.72	13.4	5.09	5.57	5.71	5.77	5.82
ICE										
Brent	73.93	77.58	75.21	-2.37	-3.2	73.55	72.92	74.55	77.73	81.10
Gasoil	82.75	85.11	83.06	-2.04	-2.5	81.44	81.02	82.02	86.05	89.62
Prompt Month Differentials										
NYMEX WTI - ICE Brent	1.89	0.56	-0.61	-1.17		-2.02	-1.15	0.84	1.34	1.28
NYMEX No.2 Heating Oil - WTI	6.30	6.72	9.30	2.58		10.13	9.63	7.99	9.18	9.79
NYMEX RBOB - WTI	4.12	4.85	6.59	1.74		7.43	6.28	5.60	6.21	7.14
NYMEX 3-2-1 Crack (RBOB)	4.85	5.47	7.49	2.02		8.33	7.40	6.40	7.20	8.02
NYMEX No.2 - Natural Gas ($/mmbtu)	9.32	9.94	9.06	-0.88		8.93	8.40	8.60	9.38	10.00
ICE Gasoil - ICE Brent	8.82	7.52	7.86	0.33		7.89	8.10	7.47	8.32	8.52

Source: Platts

Prices garnered further strength when a number of divisive geopolitical issues raised the spectre of potential supply disruptions in Iran, Nigeria and Russia. Tensions in Yemen and Angola may also have played into this sentiment. Prices jumped on 18 December after reports emerged that Iranian forces crossed over into Iraq and seized an idle oil field in the Maysan border region between the two countries. Both governments played down the incident a few days later.

Iran remains on traders' radar screens as tensions over the country's nuclear ambitions escalate in the new year. Iran issued in December a one-month deadline to the US, UK, Russia, China, France and Germany to respond to its counter-offer to a nuclear fuel-swap deal drafted by the IAEA. The announcement that Iran's Islamic Revolutionary Guards Corps (IRGC) plan to hold a major military exercise in the Strait of Hormuz also fuelled market speculation that a potential supply disruption might be looming. Meanwhile, the US took one step toward tightening sanctions on Iran when the US House of Representatives passed a resolution that would penalise foreign companies that sell gasoline or other refined products to Iran. However, a Senate vote is still required for it to become legislation, and the Obama Administration has indicated they prefer more time for negotiations.

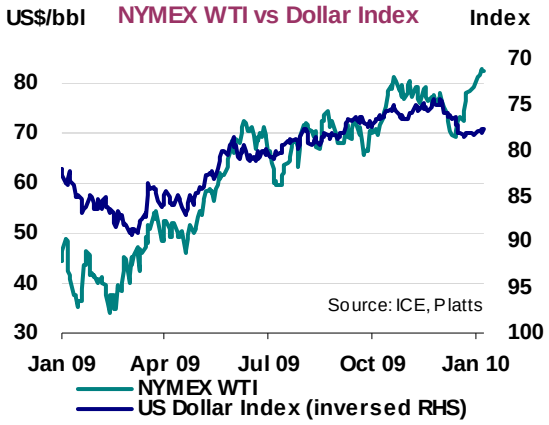
In Nigeria, the government's fragile peace accord was shaken by militant attacks on pipelines in December and early January—the first since the ceasefire agreement was reached with the government last October. President Yar Adua's long absence from the country while he is receiving medical treatment in Saudi Arabia and his decision not to hand over power to his Vice President Goodluck Jonathan have raised suspicions among rebel groups that the government will not honour the ceasefire agreement. Jonathan is a native of the Niger Delta and has played an important role in negotiating peace efforts in the volatile oil-producing region.

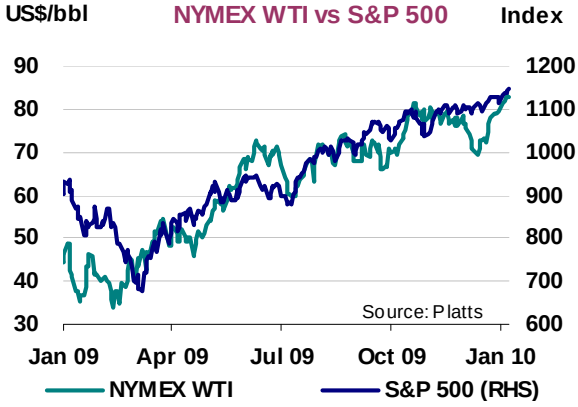


By early January, prompt month futures prices briefly traded above $83/bbl on market concerns that Russia's dispute with Belarus over export fees could impede up to 1.5 mb/d of crude oil supplies that flow through the Druzhba pipeline for use within or transit across Belarus. Russia so far has maintained crude flows to Europe via the Druzhba but briefly cut oil supplies to two Belarus refineries on 2 January for three days, which helped push WTI futures prices on 5 January to the highest close since 9 October, 2008. The dispute centres on the size of the export duty that Belarus should pay to Russia for crude oil supplies, which are then refined and exported to the West *(See Non-OPEC Supply, Russia – Belarus Dispute on Oil Tax and Transit)*.

Oil markets are sensitive to problems related to Russian energy supplies following last year's cut-off of gas exports during the country's dispute over payments with Ukraine. Negotiations between Moscow and Minsk are ongoing, but Russian energy ministry officials have said the country would not halt crude exports to Europe via Belarus regardless of the outcome of the negotiations between the two countries.

Market concern over potential supply disruptions have been somewhat tempered by ample crude supplies. Global oil production, moreover, continued its upward trend in December. OPEC output edged up by 75 kb/d, to 29.1 mb/d last month. As expected, OPEC ministers left production targets unchanged and will meet again on 17 March to review the market. Significantly, Saudi Oil Minister Ali Naimi said current oil price levels were likely to last into 2010, and the market interpreted his further comments as effectively suggesting a floor of $70/bbl and a ceiling of $80/bbl.





Indeed, the weather-related surge in prices that ushered in the new year appears exaggerated given the still considerable armada of heating oil supplies in floating storage. Preliminary data show the season's first chill shaved a bit off the massive supply overhang but even protracted cold weather this winter may only make a dent in surplus inventories. OECD stock levels of middle distillate are still well above the five-year average while crude inventories are hovering at the top of the range. Equally, refining runs are primed to be ramped up if needed. With temperatures forecast to ease in the near term, the market may well look beyond the latest cold snap and turn its attention back to macroeconomic developments and financial markets for signs of economic-driven oil demand growth. That said, non-OECD indicators look strong, with Chinese December crude imports averaging a high 4.1 mb/d. As has been mentioned in other quarters, those seeking to fathom the impetus to prices from fundamental factors need to cast their net wider than a focus on solely OECD indicators.

Futures

The late-year cold blast may partly explain a jump in the volume of futures market activity in December. Non-commercials classified under the old aggregated Commitment of Traders (COT) report increased their net long positions of heating oil contracts to a record high of 50,377 contracts as of 5 January, according to CFTC data. Under the new Disaggregated Commitment of Traders (DCOT) report, that total is broken out as 'Money Managers' at 38,879 and 'Others' at 11,498 contracts.

Open interest in NYMEX WTI futures increased by 21,600 contracts in December. Swap dealers decreased their net long exposure by 8,700 lots while money managers' net long exposure rose by 30,300 contracts. Meanwhile, producers extended their net short positions by 21,600 contracts.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

05 January 2009	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	139.4	391.3	-251.8	*Short*	↑ 3.7	↓ -21.6
Swap Dealers' Positions	246.2	120.8	125.3	*Long*	↓ -23.9	↓ -8.7
Money Managers' Positions	194.6	39.9	154.8	*Long*	↑ 21.2	↑ 30.3
Others' Positions	70.4	116.3	-45.9	*Short*	↓ -6.5	↑ 2.1
Non-Reportable Positions	85.3	67.6	17.7	*Long*	↑ 5.4	↓ -2.1
Open Interest			1231.4		↑ 46.2	↑ 21.6

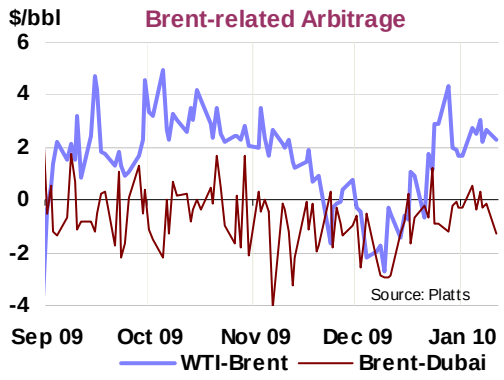
Source: CFTC

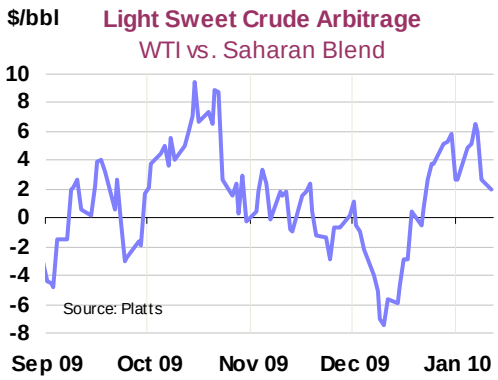
Higher volumes may also reflect a seasonal new year rebalancing of commodity investments by index fund managers. Some see the latest rally in prices in the short term having potentially been aided and abetted by the sudden influx of money managers increasing their net long positions. On the flip side, data show producers increasing their net short positions as they sell into the rising market.

Spot Crude Oil Prices

Spot crude prices strengthened on the back of colder weather from mid-December, rising anywhere from $5-10/bbl on average from the beginning of December to early January. The arrival of winter weather, however, came too late to reverse losses earlier in the month, with spot crude prices down on average by 2-4% from November levels.

Albeit amid weak OECD throughputs overall, refiners are snapping up distillate rich crudes to meet stronger demand for heating oil. In the US, buyers sought out African crudes to augment their slate. WTI rebounded from a discount of $1.42/bbl to Brent in the first week of December to a premium of $2.63/bbl by early January, which sharply improved the economics of African grades priced off the relatively weaker UK benchmark crude.





However, WTI may be poised for a sharp correction in January as frigid weather subsides. The WTI contango deepened in early December in response to swelling stock levels at the Cushing, Oklahoma storage hub. The US benchmark then broke with trend mid-month and surged higher as temperatures plunged despite Cushing stocks building throughout December to 34.5 mb as of 8 January. WTI may well maintain its current premium following a cutback in Canadian crude shipments to the region due to the shutdown of Suncor's syncrude upgrader. New storage capacity added to Cushing over 2009 raised the previous 38 mb operational capacity to an estimated 41 mb. This likely raises the threshold for supply pressures on WTI.

Russia's New Bridge to Asian Markets May Displace Competing Crude Suppliers

Russia opened a new gateway to China and wider Asian markets with the official launch of the first stage of the East Siberia-Pacific Ocean (ESPO) pipeline in December. The 600 kb/d ESPO will move crude from the East Siberian fields near Taishet to Skovorodino near the Chinese border. From there some 300 kb/d will transit by rail to the new Kozmino terminal on Russia's Pacific coast. A spur line running from Skovorodino to Daqing, China will carry a further 300 kb/d when it is completed at end-2010.

ESPO's exact crude quality is still unknown but the sheer volume involved and close proximity to Asian outlets will likely displace some similar quality Middle East crudes. The properties of the ESPO blended crude have not been tested yet, though reportedly it will have an API of around 34° and sulphur content of 0.6%. But the mix is currently deemed an unstable grade as crude oil from various fields are added to the blend.

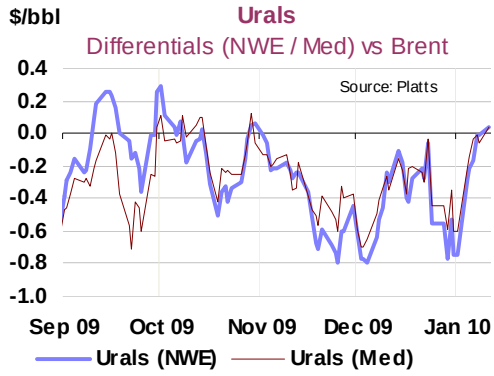
As China fills up its expanded refinery slate with new term contracts from Middle East suppliers for 2010, ESPO crude will likely augment the ever-increasing number of sources of spot crude from the Middle East, Africa and Latin America. Unlike these other longer haul producers, one major selling point is its short five-day sailing time from its Kozmino delivery point to markets in China, South Korea and Japan, among others.



First cargoes were reportedly sold at a premium to Brent or Dubai, contrary to usual practice when new, untested grades are sold at a discount to benchmark crudes. To attract new customers in Asian markets Russia's authorities have set a preferential tariff for ESPO crude exports. The tariff is set at $7.28/bbl including pipeline, rail and tanker loading fees, which is well below the estimated actual cost of transport at around $17/bbl. The subsidised ESPO exports to the East will most probably be covered by a 15.9% hike in transport fees on Western shipments, which last year averaged $6.90/bbl.

In Europe, refiners are modestly increasing crude runs on improved refining margins and after a number of offshore European gasoil cargoes moved to the US. As a result, refiners are looking to replenish supplies of gasoil-rich grades. Spot prices for Russian Urals strengthened, with the differential to Brent narrowing from a discount of -23 cents mid-month to just - 9 cents by early January

China's stepped-up buying of spot crude to meet new refinery demand helped support cash prices throughout much of the year but a wave of new term contracts may reduce spot trade early in 2010. By year-end, China had agreed higher contract volumes with a number of term suppliers, including Saudi Arabia, Iraq, Kuwait and Libya.



The switch to more term contracts for 2010 in part reflects completion of the country's massive refinery expansion plans last year. China brought online the last of the four major new refinery units in December, with the start-up of Sinopec's new and revamped facilities at its Tianjin refinery in the north of the country. The refinery is slated run on about 80% sour crude sourced from Saudi Arabia, Kuwait, Iran and Iraq. Sinopec also inaugurated a new crude oil pipeline linking its two major Tianjin refineries to a major northern port terminal to enable a steady flow of crude

imports inland. The pipeline is the final link in a massive pipeline network, which has been a decade in the making and will enable Sinopec, which imports 70% of its crude supplies, to improve logistical costs for its 4 mb/d refining operations.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

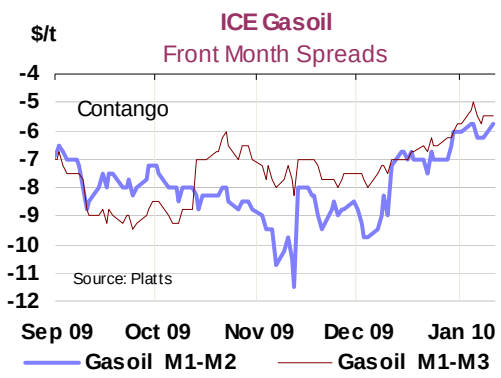
	Oct	Nov	Dec	Dec-Nov Avg Chg	%	Week Commencing: 07 Dec	14 Dec	21 Dec	28 Dec	04 Jan
Crudes										
Dated Brent	72.75	76.66	74.28	-2.38	-3.1	72.99	71.83	73.14	77.27	79.79
Brent (Asia) Mth1 adjusted	73.19	77.33	75.24	-2.09	-2.7	75.07	72.42	73.69	77.10	80.39
WTI (Cushing) Mth1 adjusted	75.73	78.05	74.41	-3.65	-4.7	71.56	71.70	74.42	79.01	82.42
Urals (Mediterranean)	72.67	76.32	73.88	-2.43	-3.2	72.62	71.60	72.88	76.75	79.70
Dubai Mth1 adjusted	73.15	77.71	75.42	-2.29	-3.0	75.75	72.66	73.26	76.97	79.77
Tapis (Dated)	75.42	80.23	77.60	-2.63	-3.3	77.37	74.51	75.75	79.79	82.65
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	2.98	1.40	0.13	-1.27		-1.42	-0.13	1.28	1.74	2.63
Urals (Mediterranean)	-0.08	-0.34	-0.39	-0.05		-0.37	-0.23	-0.26	-0.52	-0.09
Dubai Mth1 adjusted - Dated Brent	0.40	1.06	1.15	0.09		2.77	0.83	0.12	-0.30	-0.02
Tapis (Dated)	2.67	3.58	3.33	-0.25		4.38	2.68	2.61	2.52	2.86
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.72	-0.72	-0.66	0.05		-0.82	-0.64	-0.49	-0.45	-0.59
Forward WTI Cushing Mth1-Mth2 adj.	-0.44	-0.75	-1.43	-0.68		-1.94	-1.72	-0.97	-0.69	-0.59

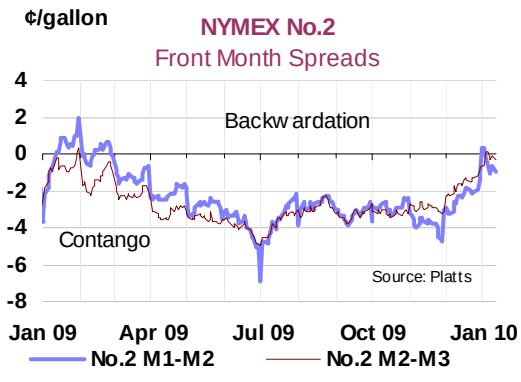
Source: Platts

Spot Product Prices

Distillate prices surged as winter snow storms blanketed large swathes of the Northern Hemisphere from mid-December and into early January. With weather forecasts calling for milder temperatures in the near term, distillate prices were once again under pressure from the stubbornly high levels of heating oil stocks both onshore and offshore. Spot product prices and crack spreads eased further as data emerged showing that freezing weather in much of the US failed to translate into a meaningful rise in heating oil demand and decline in stocks.

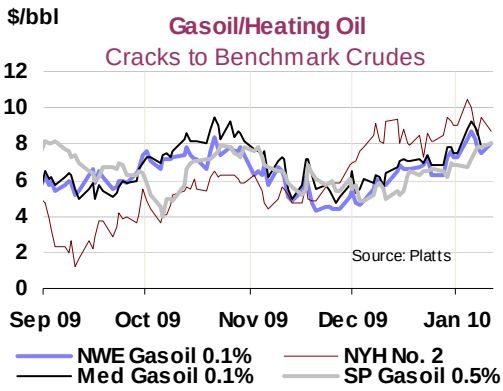
Spot prices for heating/gasoil cargoes in New York rose by around $14/bbl, from a low of $78.50/bbl on 10 December, to just under $92/bbl on 5 January. Heating oil cracks in the US were up $3/bbl to $8.32/bbl in December, and averaged around $9.45/bbl the first week of January. The reversal of fortune in heating oil markets in the US pulled a number of cargoes from Europe, including Russian gasoil. Despite the recent gains, crack spreads are still well below levels of a year ago of around $18/bbl.

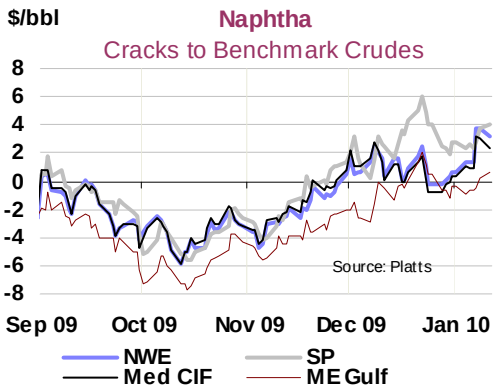




Products in floating storage—mostly middle distillate—were estimated at 95 mb at end-December. A number of cargoes floating offshore Europe were reportedly sold into the US market in early January but the brief arbitrage closed as demand waned on both sides of the Atlantic and the contango narrowed.

In Europe, the steep gasoil contango on London's ICE futures exchange, which fuelled record stock building offshore Europe in recent months, narrowed to just $6 by early January compared with $8-10/mt seen since last October.





While distillate and fuel oil fortunes are now closely tied to volatile weather patterns, the uptrend in naphtha markets is anchored more solidly with stronger non-OECD economic activity, especially in Asia.

Spot naphtha cracks turned positive in both Asia and Europe in December. Naphtha cracks in Singapore averaged $2.86/bbl last month compared with a loss of $1.51/bbl in November. In Northwest Europe naphtha prices continued to be supported by increased exports to Asia, with cracks averaging $1.03/bbl in December compared with a loss of $2.11/bbl in November.

Spot Product Prices

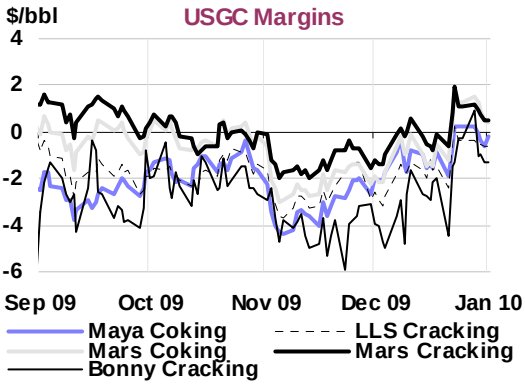
(monthly and weekly averages, $/bbl)

	Oct	Nov	Dec	Dec-Nov		Week Commencing:					Oct	Nov	Dec
				Chg	%	07 Dec	14 Dec	21 Dec	28 Dec	04 Jan			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	80.92	84.54	80.81	-3.74	-4.4	79.22	76.80	80.55	84.87	88.55	8.17	7.89	6.53
Naphtha	69.12	74.55	75.30	0.75	1.0	74.56	72.70	74.39	77.57	82.11	-3.63	-2.11	1.03
Jet/Kerosene	82.11	84.97	83.13	-1.83	-2.2	81.31	81.74	82.51	87.18	90.32	9.36	8.31	8.86
ULSD 10ppm	83.01	84.25	82.22	-2.03	-2.4	80.94	79.56	81.29	86.23	89.03	10.26	7.59	7.94
Gasoil 0.1%	80.15	82.10	80.51	-1.58	-1.9	78.77	78.46	79.91	84.64	87.90	7.40	5.44	6.24
LSFO 1%	68.69	74.05	69.37	-4.68	-6.3	67.74	68.55	68.26	70.19	75.93	-4.06	-2.60	-4.91
HSFO 3.5%	66.40	70.47	67.83	-2.65	-3.8	67.28	66.08	66.19	69.93	73.50	-6.35	-6.18	-6.45
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	80.34	82.88	80.18	-2.70	-3.3	78.44	76.65	80.56	84.01	86.81	7.67	6.56	6.30
Naphtha	69.10	74.49	74.70	0.22	0.3	74.15	72.11	73.49	76.60	81.45	-3.57	-1.83	0.82
Jet Aviation fuel	81.10	83.58	82.04	-1.53	-1.8	80.95	80.10	80.71	84.82	88.40	8.43	7.26	8.16
ULSD 10ppm	82.21	84.32	82.33	-1.99	-2.4	81.25	79.92	81.19	85.57	89.35	9.53	8.00	8.45
Gasoil 0.1%	80.79	82.53	80.48	-2.05	-2.5	78.60	78.54	79.95	84.30	88.35	8.11	6.21	6.60
LSFO 1%	68.53	73.34	70.27	-3.07	-4.2	69.10	68.99	69.15	71.79	75.75	-4.15	-2.98	-3.62
HSFO 3.5%	66.59	70.44	67.66	-2.78	-3.9	67.13	66.52	65.68	69.79	73.60	-6.09	-5.88	-6.22
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	87.15	86.91	83.90	-3.00	-3.5	81.27	80.39	83.94	88.82	92.53	11.42	8.85	9.50
Unleaded	80.89	83.31	80.79	-2.52	-3.0	78.27	77.47	80.68	85.33	89.36	5.16	5.26	6.38
Jet/Kerosene	82.95	84.31	84.44	0.13	0.2	81.90	82.86	84.42	89.29	93.18	7.22	6.26	10.03
No. 2 (Heating Oil)	81.17	83.42	82.73	-0.69	-0.8	80.17	80.12	82.52	88.07	91.87	5.44	5.37	8.32
LSFO 1%†	68.23	73.13	70.19	-2.94	-4.0	69.53	68.65	68.70	70.81	75.61	-7.50	-4.92	-4.21
No. 6 3%†	67.47	71.89	69.46	-2.42	-3.4	68.41	68.00	68.19	70.69	75.05	-8.26	-6.16	-4.94
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	77.71	81.89	81.85	-0.04	0.0	80.38	78.93	81.90	85.39	88.75	4.56	4.17	6.43
Naphtha	69.20	76.21	78.28	2.08	2.7	77.76	75.76	78.24	79.34	82.53	-3.95	-1.51	2.86
Jet/Kerosene	80.07	84.95	83.24	-1.71	-2.0	82.31	80.54	82.19	86.24	89.89	6.92	7.24	7.82
Gasoil 0.5%	79.64	84.02	81.29	-2.73	-3.2	81.18	78.42	79.73	83.56	87.20	6.49	6.31	5.87
LSWR Cracked	63.70	66.15	65.99	-0.17	-0.3	65.33	65.62	64.93	67.71	73.66	-9.45	-11.56	-9.43
HSFO 180 CST	68.26	72.34	72.14	-0.20	-0.3	71.95	70.43	70.85	73.90	77.49	-4.89	-5.38	-3.28
HSFO 380 CST 4%	69.76	73.86	73.61	-0.25	-0.3	73.30	71.90	72.41	75.43	79.08	-3.39	-3.85	-1.81

Source: Platts * CIF † Cargoes

Refining Margins

Refining margins rose in all major regions in December as the weather-related rally in spot product markets outpaced the rise in crude prices, but remain weak in overall terms. Margins showed steady improvement on a weekly basis from the beginning of December until early January.



In the US Gulf Coast, cracking margins for both Brent and Nigerian Bonny crudes posted strong week-on-week increases. Brent cracking margins narrowed from -$4.18/bbl to -$0.74/bbl by the first week of January. Bonny improved from -$4.28/bbl to -$0.53/bbl over the same period. Margins for Mars crude turned from negative to positive over the month, moving from a loss of $2.01/bbl to a profit of $0.92/bbl at coking units and from -$1.29/bbl to +$0.78/bbl at cracking operations. In Europe, gasoil-rich Urals posted relatively stronger increases, at both cracking and hydroskimming units. Urals cracking margins steadily improved over December, up $1/bbl by the start of the year, to $1.41/bbl in Northwest Europe and $0.89/bbl in the Mediterranean.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Oct 09	Nov 09	Dec 09		Dec 09-Nov 09	11 Dec	18 Dec	25 Dec	01 Jan	08 Jan
NW Europe	Brent (Cracking)	0.91	-0.12	0.13	↑	0.24	0.18	-0.24	0.47	0.54	1.93
	Urals (Cracking)	0.80	0.30	0.87	↑	0.57	0.91	0.53	1.09	1.41	1.92
	Brent (Hydroskimming)	-0.96	-1.84	-1.45	↑	0.39	-1.21	-1.25	-1.29	-1.54	-0.08
	Urals (Hydroskimming)	-3.03	-3.50	-2.77	↑	0.73	-2.42	-2.49	-2.86	-2.80	-2.34
Mediterranean	Es Sider (Cracking)	-0.03	-0.86	-0.52	↑	0.34	-0.80	-0.59	-0.01	-0.31	-0.07
	Urals (Cracking)	0.82	-0.05	0.59	↑	0.64	0.50	0.54	0.99	0.89	1.35
	Es Sider (Hydroskimming)	-3.78	-4.23	-3.97	↑	0.26	-4.12	-3.46	-3.66	-4.27	-3.99
	Urals (Hydroskimming)	-4.12	-4.77	-4.16	↑	0.61	-3.85	-3.54	-4.22	-4.42	-3.91
US Gulf Coast	Bonny (Cracking)	-1.64	-4.06	-2.58	↑	1.48	-3.46	-2.89	-1.60	-0.53	-1.29
	Brent (Cracking)	-2.04	-4.01	-2.44	↑	1.57	-3.13	-2.49	-1.56	-0.74	-1.83
	LLS (Cracking)	-1.58	-2.54	-1.42	↑	1.12	-1.59	-1.57	-0.66	-0.53	-0.40
	Mars (Cracking)	-0.08	-1.25	0.05	↑	1.29	0.10	-0.46	0.87	0.78	0.58
	Mars (Coking)	-0.12	-2.09	-0.37	↑	1.73	-0.56	-1.14	0.74	0.92	0.54
	Maya (Coking)	-1.41	-3.21	-0.95	↑	2.25	-1.03	-1.26	-0.36	-0.21	-0.37
US West Coast	ANS (Cracking)	-1.84	-3.00	-0.44	↑	2.56	-0.35	0.96	-0.60	-0.36	-3.85
	Kern (Cracking)	3.49	3.08	6.58	↑	3.51	7.31	9.83	5.74	4.27	2.53
	Oman (Cracking)	-1.63	-5.50	-2.37	↑	3.13	-5.02	-0.62	-0.50	-0.32	-2.77
	Kern (Coking)	8.01	5.37	8.74	↑	3.37	7.36	10.50	9.87	9.31	6.68
Singapore	Dubai (Hydroskimming)	-4.30	-4.57	-3.24	↑	1.33	-4.05	-2.75	-2.26	-2.58	-2.45
	Tapis (Hydroskimming)	-6.07	-6.67	-4.78	↑	1.90	-5.16	-3.86	-3.87	-4.85	-4.00
	Dubai (Hydrocracking)	-3.54	-3.66	-2.40	↑	1.25	-3.35	-2.18	-1.26	-1.58	-1.43
	Tapis (Hydrocracking)	-4.57	-4.72	-2.87	↑	1.85	-3.28	-2.37	-1.86	-2.82	-2.30
China	Cabinda (Hydroskimming)	-8.02	-8.62	-7.09	↑	1.53	-6.59	-6.26	-6.77	-7.02	-7.37
	Daqing (Hydroskimming)	-5.82	-7.59	-6.72	↑	0.87	-7.47	-5.06	-6.20	-6.24	-5.39
	Dubai (Hydroskimming)	-4.60	-4.94	-3.71	↑	1.23	-4.46	-3.26	-2.79	-3.03	-3.07
	Daqing (Hydrocracking)	-2.61	-3.65	-2.51	↑	1.14	-3.30	-1.56	-1.82	-1.83	-1.45
	Dubai (Hydrocracking)	-3.81	-4.03	-2.86	↑	1.17	-3.66	-2.71	-1.83	-2.07	-2.07

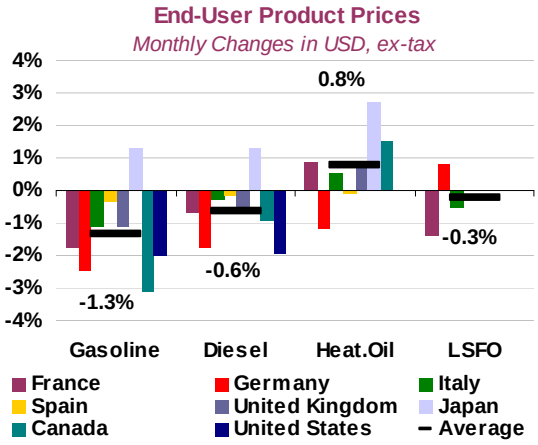
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

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

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in December

In December, retail prices remained almost unchanged from the previous month, in US dollars, ex-tax, and were on average 35.3% above levels of a year ago in the surveyed IEA member countries. The onset of exceptionally cold winter weather across the Northern Hemisphere in mid-December, however, likely jolted retail prices for heating oil/gasoil higher in the second-half of the month. Heating oil prices across all regions were up on average by 0.8% in December from November and by a much sharper 15.5% from levels of a year ago. The monthly price change varied country-by-country, with Japan and Canada posting the largest increases, at 2.7% and 1.5% in December, respectively. By contrast, retail gasoil prices were down in Germany and Spain, by -1.1% and -0.1%, respectively.

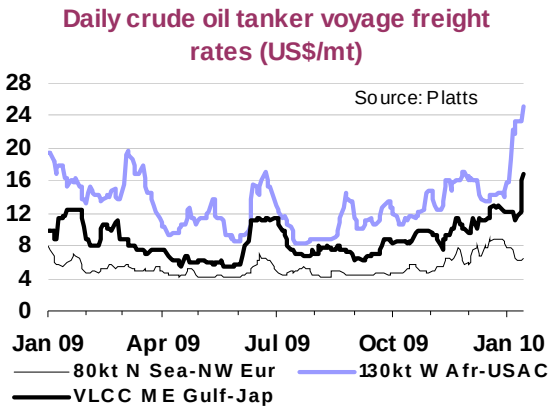


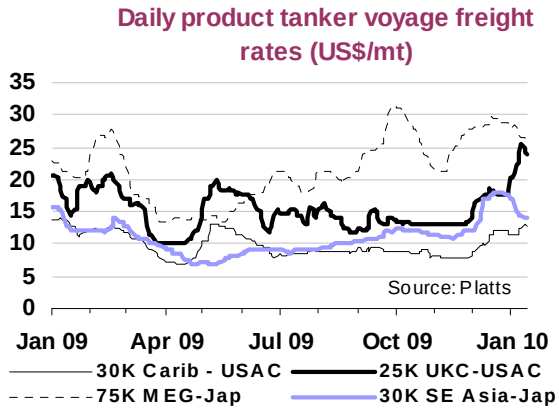
End-user prices for other products such as gasoline, diesel and low-sulphur fuel oil were largely unchanged or lower in December. Low-sulphur fuel oil prices decreased on average by 0.3% while diesel prices were down by 0.6% month-on-month.

Retail gasoline prices posted the largest decline, down by 1.3% on average for the month. Consumers in the US paid $2.61/gallon ($0.69/litre), ¥126.9/litre ($1.44/litre) in Japan and £1.08/litre ($1.79/litre) in the UK. In continental Europe, the average price at petrol stations was between €1.07/litre ($1.60/litre) in Spain to €1.30/litre ($1.95/litre) in Germany.

Freight

Freight rates in December rose on cold weather and stronger demand, combined with continued high levels of floating storage. After a weak 2Q09 and 3Q09, several benchmark routes saw year-end rates at the highest levels observed since October 2008. While some rates softened somewhat in early January, some major rates turned higher. The outlook for 2010 remains weak with fleet additions expected to outpace demand growth (see *Seaborne Oil Transportation – Demand and Supply Outlook 2010*).





On the crude side, VLCC Mideast Gulf – Japan rates rose to a level around $13/mt over the first three weeks of December on increased eastbound sailings out of the Mideast Gulf, as Chinese crude imports increased, and rates were volatile in January. Suezmax West Africa – US Atlantic Coast rates fell from an end-November peak of $17/mt towards $14/mt at mid-month, stabilising there before climbing to a peak of $25/mt in early January. The number of Suezmax tankers employed in floating storage increased

over December, supporting rates. Reportedly, eastbound exports from West Africa fell, as westbound sailings strengthened, while more eastward sailings took place out of the Mideast Gulf. Aframax North Sea-North West Europe rates initially continued their upward surge on delays in the Turkish straits, and reached almost $9/mt ahead of Christmas. However, as weather-related delays diminished, the rates fell, further depressed by lower North Sea volumes. All quoted benchmark crude routes posted rates during December and January at heights not observed since late 2008.

Seaborne Oil Transportation – Demand and Supply Outlook 2010

The global recession reportedly led to a decrease of 5% in seaborne oil volumes, compared to an overall oil demand reduction of 1.5% in 2009. The recession-related cut in oil transportation came mainly as reduced westbound exports out of the Mideast Gulf, while eastbound exports out of both Mideast Gulf and West Africa increased due to Asian refinery capacity expansions. Adjusted for increased floating storage, tanker demand reportedly fell by 2-3% in 2009, compared to a global oil tanker fleet growth of 7%, due to deliveries of some 30-35 million deadweight tonnes (m dwt) of new-builds. The oil tanker fleet additions are set to stay high at 5% annually over the next three years, as orderbooks still hold about 125 m dwt to be delivered over 2010-2012. The ability of the industry to negotiate more cancellations of newbuilds will be critical to shipping sector fortunes, although few were obtained during 2009.

An estimated 6.8 m dwt worth of oil tankers were demolished in 2009, including around 9-10 VLCCs and 3-6 Suezmaxes, as compared to 2.8 m dwt and fewer larger vessels in 2008. The upward surge in the rate of scrapping did not occur until August 2009, in the second consecutive quarter of exceptionally low rates, dampened by low metal prices. Single hull tankers have fallen from an estimated 18% to 13% of the operating fleet over the year, corresponding to a reduction of 18 m dwt from end-2008 to end-2009, revealing that lay-ups weigh more than scrapping for this category.

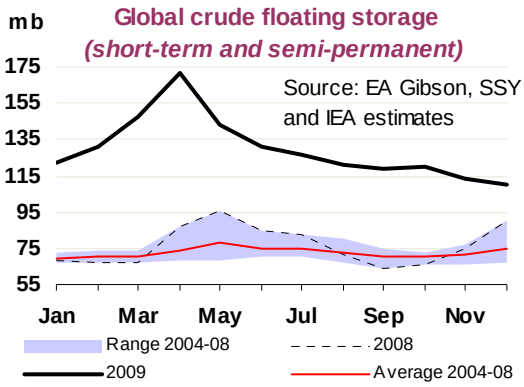
Lower OECD imports of both crude and products depressed freight rates in 2009, while more long-haul sailings, especially from West Africa to China and India, lent some offsetting support. Of the overall expected consumption growth in 2010 of 1.4 mb/d, *OMR* forecasts an increase of 0.5 mb/d in the Pacific basin, 0.6 mb/d in the predominantly producing areas of FSU, Africa and the Middle East, and 0.4 mb/d in the Americas and Europe. Oil import requirements will widen in Atlantic OECD regions, mostly driven by production decline of 0.2 mb/d in North America and 0.5 mb/d in Europe. However, rising net Latin American availabilities will provide a partial offset in the Atlantic basin. Russia is expected to decrease its share of oil exported to the Atlantic basin, in spite of production growth outpacing demand growth by 0.1 mb/d, as more Russian crude will be directed eastwards due to the opening of the East Siberia-Pacific Ocean (ESPO) pipeline. Lower exports from Baltic and Black Sea ports as a consequence of Russian ESPO exports could put pressure on Aframax rates in the North Sea/Baltic/Mediterranean area. In 2010 more West African oil could target closer destinations like Europe or elsewhere in the Atlantic basin, as opposed to Asian destinations, possibly putting pressure on Suezmax rates that benefitted from more long-haul trades to China and India during 2009. Reportedly, West African exports to Asia fell over the fourth quarter, and volumes were replaced by more Middle East crude going eastwards.

In summary, tonnage supply in 2010 is expected to outpace demand growth and put freight rates under further pressure. Freight rates will depend on the levels of floating storage, the ability of the industry to cancel new-build orders and the scrapping, conversion or lay-up of substandard vessels.

Note: Fleet change estimates in this article are based on analyses from E.A. Gibson, SSY and Platou.

On the product side, Aframax (75 kt) Mideast Gulf – Japan rates rose towards $30/mt at mid-month, from $28/mt at end-November, before falling slightly towards $26/mt in early January. Rates for 25 kt UK coast – US Atlantic routes rose from $14/mt in end November, peaked at $19/mt at mid-month, before flattening out below $18/mt towards the end of the year. Rates then shot up to levels of $25/mt, the highest since October 2008, as gasoil in floating storage off North West Europe headed to North America on increased demand amid cold weather. Rates for Handymax (30 kt) South East Asia – Japan rose over

the first three weeks of December to a peak of $18/mt, on increased Asian naphtha demand, before falling to $14/mt in early January. Fewer LR1 and LR2 product carriers were employed in floating storage as of end December. Rates for Handymax Caribbean- US Atlantic coast rose ahead of Christmas to a plateau above $12/mt, still below the five-year range.



Short-term floating storage of crude as of end December fell to an estimated 51 mb, while products at sea fell slightly to near 95 mb from previous month levels of 55 mb and 98 mb, respectively. The centres of gravity for products stored at sea are still North West Europe and the Mediterranean, while Asian floating storage has come down somewhat. Crude stored on tankers is concentrated off North West Europe and the US Gulf of Mexico. Some 141 tankers were engaged in this practice at the end of December, with a large growth in Suezmax tankers observed this month.

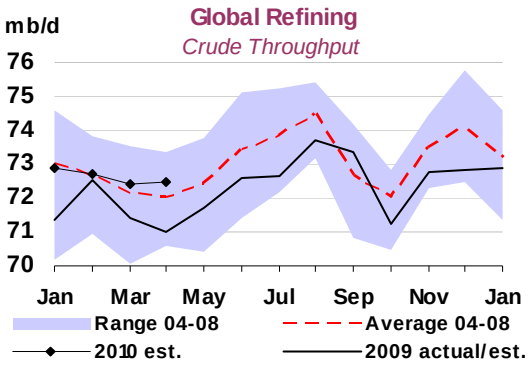
REFINING

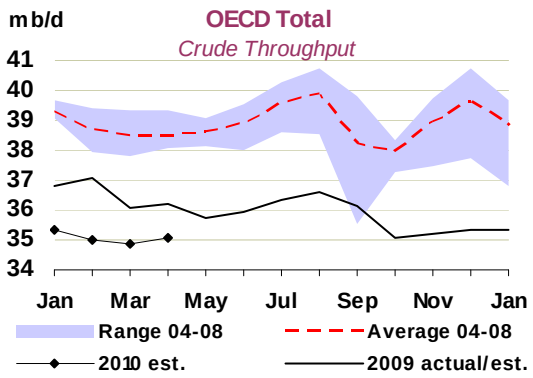
Summary

- **Constrained OECD utilisation rates** reflect the higher exposure of these refiners to market economics, the excess of global refining capacity, low OECD demand growth prospects and a weak margin environment. OECD refiners announced further capacity rationalisations and continued their efforts to sell less economically favoured assets. On the other hand, crude throughput in non-OECD countries looks stronger and non-OECD based players are moving ahead with strategic projects, taking storage positions in target markets and evaluating refinery acquisitions. With OECD stocks still high and the global demand trend still looking anaemic, the refining industry outlook for 1Q10 is not promising, suggesting that further weakness in throughputs might be expected.

- **Global 1Q10 crude throughput is forecast at 72.7 mb/d,** 65 kb/d lower than in last month's report. However, this number masks a reduction of 0.2 mb/d in our OECD projection and a 0.1 mb/d increase for the non-OECD. Underpinning this shift is higher refinery maintenance activity in OECD countries and higher-than-expected crude runs recently in non-OECD countries. The 1Q10 estimate is 0.9 mb/d higher year-on-year, but remains 1.3 mb/d below the equivalent 1Q08 throughput level.

- **Global 4Q09 crude throughput stands at 72.3 mb/d**, unchanged from last month's estimate. Slightly higher-than-expected runs in the non-OECD (attaining a high of 37.5 mb/d in November) compensate for a marginal decrease in the OECD. October throughputs turned out to be 0.5 mb/d lower than last month's preliminary assessment. However, November preliminary submissions at 72.7 mb/d, 0.7 mb/d higher than projected, outweighed the fall in October.



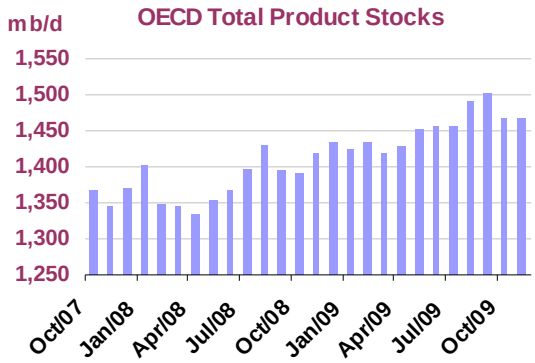


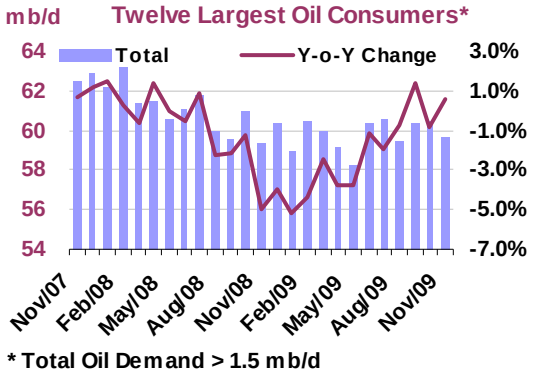
- **October OECD refinery yields for gasoline and fuel oil increased** at the expense of jet fuel/kerosene and other products, while yields for naphtha and gasoil remained unchanged. OECD gasoline yields were supported by higher crack spreads in the US Gulf Coast, but gross output fell, as crude runs in OECD countries remained constrained. Gasoil/diesel yields continued trending at five-year average levels, with gross output plummeting 1.1 mb/d year-on-year. Fuel oil yields rebounded in spite of wider discounts to crude, particularly in North America, as coking throughputs in the US are subdued.

Global Refinery Overview

Even though refining margins improved across the board during December, they remained mostly negative. OECD November throughput increased slightly after having contracted by 1 mb/d in October, with OECD refinery utilisation rates averaging 78%, a level considered economically unsustainable, forcing refiners to announce new capacity rationalisations and continue their efforts to sell some of the less economically favoured assets.

On the other hand, crude throughput in non-OECD countries reached new highs in November at 37.5 mb/d, representing a monthly increase of 1.3 mb/d. Non-OECD operators are moving ahead with their strategic projects, taking storage positions in target markets and evaluating refinery acquisitions. Amid bearish OECD stock and global demand indicators, the 1Q10 refining outlook is not promising, since refinery throughputs are still outpacing product demand.





Global Refinery Throughput

1Q10 global refinery throughput is seen at 72.7 mb/d, 65 kb/d lower than in last month's report. However, this number masks a reduction of 0.2 mb/d in our OECD projection and a 0.1 mb/d increase in the non-OECD prognosis. Underpinning this shift are higher refinery maintenance activity in OECD countries and higher-than-expected crude runs in non-OECD countries. The 1Q10 estimate is 0.9 mb/d higher year-on-year, but represents a decrease of 1.32 mb/d compared to equivalent 1Q08 throughput levels.

Global Refinery Crude Throughput[1]

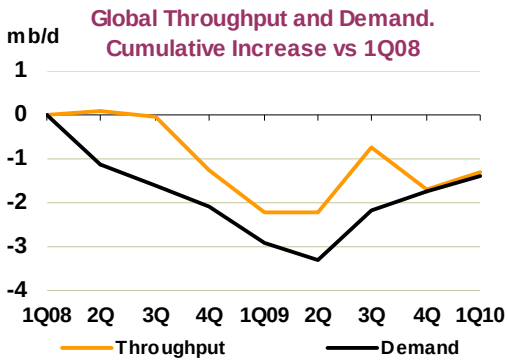
(million barrels per day)

	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10
OECD									
North America	17.6	17.4	16.9	*16.9*	*16.8*	*16.7*	*16.6*	*16.6*	*16.7*
Europe	12.4	12.4	12.1	*12.0*	*12.1*	*12.1*	*12.1*	*12.1*	*12.2*
Pacific	6.6	6.3	6.0	*6.3*	*6.5*	*6.6*	*6.4*	*6.2*	*6.2*
Total OECD	36.6	36.1	35.1	*35.2*	*35.4*	*35.3*	*35.0*	*34.9*	*35.0*
NON-OECD									
FSU	6.3	6.2	5.8	*6.3*	*6.4*	*6.4*	*6.4*	*6.4*	*6.4*
Europe	0.7	0.7	0.6	*0.8*	*0.8*	*0.7*	*0.7*	*0.7*	*0.7*
China	7.7	8.0	7.8	*8.1*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*
Other Asia	8.5	8.8	8.3	*8.7*	*8.7*	*8.9*	*8.9*	*8.7*	*8.7*
Latin America	5.6	5.3	5.1	*5.3*	*5.3*	*5.3*	*5.3*	*5.3*	*5.3*
Middle East	6.0	6.0	6.1	*6.1*	*6.1*	*5.9*	*6.2*	*6.1*	*5.9*
Africa	2.3	2.2	2.3	*2.3*	*2.3*	*2.3*	*2.2*	*2.4*	*2.4*
Total Non-OECD	37.1	37.2	36.2	*37.5*	*37.5*	*37.6*	*37.7*	*37.5*	*37.4*
Total	73.7	73.4	71.3	*72.7*	*72.8*	*72.9*	*72.7*	*72.4*	*72.4*

1 Crude runs in italics are estimates. Forecast crude throughput is based on current IEA demand forecasts.

We are keeping last month's **4Q09 global refinery throughput** estimate of 72.3 mb/d unchanged. Slightly higher-than-expected crude runs in the non-OECD compensate for a marginal decrease in the OECD. October throughputs turned out to be 0.5 mb/d lower than last month's preliminary assessment. However, November preliminary submissions, at 72.7 mb/d, were 0.7 mb/d higher than projected, and outweighed the fall in October.

It is interesting to compare the expected increase in throughput with that of demand. 1Q10 throughput is expected to be 380 kb/d higher than in 4Q09 based on capacity availability and the latest information on throughput plans, while demand is expected to increase by only 300 kb/d over the same period. The difference may look marginal, but it suggests that operators are still struggling to constrain output as has been the case for much of 2008/2009. The problem is made worse since this calculation does not consider NGL and other feedstock. Taking as a reference point 1Q08 global demand and throughput, and calculating the cumulative increase, we can see how refinery crude runs have consistently outpaced demand levels, even if a degree of convergence looks to be materialising based on 4Q/1Q indicators.



OECD Refinery Throughput

OECD crude throughput estimates for **4Q09** have been maintained at 35.2 mb/d, as stronger than expected November preliminary data offset lower October and December data. October turned out to be 0.2 mb/d weaker than last month's preliminary data, and December estimates based on weekly data were also 0.2 mb/d lower than expected. This estimate for 4Q09 represents a quarter-on-quarter decrease of 1.2 mb/d and a 2.3 mb/d contraction year-on-year.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

							Change from		Utilisation rate[1]	
	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	*Oct 09*	*Nov 08*	Nov 09	Nov 08
OECD North America										
US[2]	14.84	14.63	14.57	14.68	14.05	13.87	-0.18	-0.74	78.48	82.93
Canada	1.73	1.75	1.79	1.50	1.60	1.71	0.11	0.00	84.63	84.58
Mexico	1.14	1.21	1.27	1.25	1.29	1.32	0.04	0.18	86.02	74.57
Total	17.72	17.60	17.62	17.43	16.94	16.90	-0.04	-0.56	79.61	82.48
OECD Europe										
France	1.57	1.56	1.45	1.40	1.36	1.34	-0.02	-0.39	68.22	88.28
Germany	2.13	2.12	2.12	2.05	1.99	1.94	-0.05	-0.35	80.41	94.74
Italy	1.59	1.71	1.70	1.65	1.62	1.67	0.05	-0.07	71.38	74.50
Netherlands	0.84	0.89	0.94	1.08	0.96	0.90	-0.06	0.04	74.17	70.82
Spain	0.97	1.06	1.01	1.02	1.01	0.91	-0.09	-0.21	71.83	88.05
UK	1.45	1.50	1.46	1.52	1.38	1.45	0.07	-0.05	76.79	79.58
Other OECD Europe	3.73	3.82	3.73	3.64	3.78	3.76	-0.02	-0.23	80.10	85.02
Total	12.28	12.64	12.41	12.36	12.09	11.97	-0.12	-1.26	75.86	83.86
OECD Pacific										
Japan	2.99	3.17	3.53	3.45	3.13	3.49	0.36	-0.15	74.60	77.91
Korea	2.28	2.26	2.34	2.25	2.33	2.26	-0.07	-0.19	82.51	89.40
Other OECD Pacific	0.69	0.69	0.71	0.64	0.56	0.60	0.04	-0.07	73.76	82.52
Total	5.97	6.12	6.58	6.34	6.02	6.34	0.32	-0.41	77.15	82.18
OECD Total	35.96	36.35	36.60	36.13	35.05	35.21	0.16	-2.23	77.86	82.91

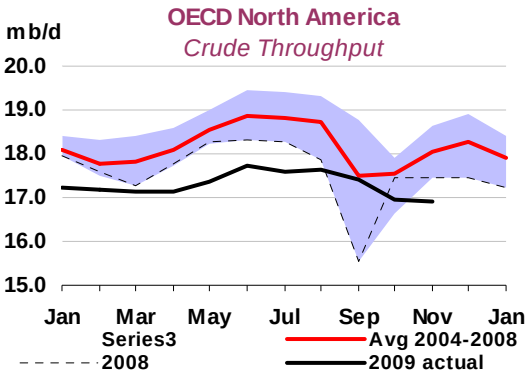
1 Expressed as a percentage, based on crude throughput and current operable refining capacity
2 US50

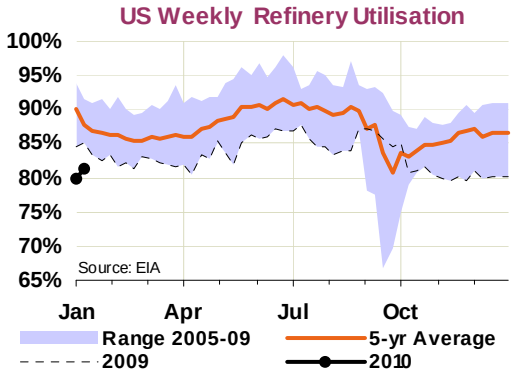
Low utilisation rates highlight the higher exposure of OECD refiners to market economics, the excess of global refining capacity and lower demand growth prospects. The average OECD October utilisation rate was 77.5%, representing the lowest point in our data going back to January 1995. November preliminary data point to a utilisation rate of 77.9%, representing a 5.1 percentage point decrease year-on-year.

European utilisation rates continue to show the steepest falls on an annual basis, with an eight-percentage point fall, equivalent to a 1.26 mb/d fall in throughput. Utilisation rates in France, Italy and Spain were particularly low. November utilisation rates in the Pacific decreased five-percentage points, equivalent to a fall of 0.4 mb/d, while utilisation rates in North America fell 2.9% equivalent to 0.6 mb/d, even though Mexican crude runs rose 0.2 mb/d, boosting the country's utilisation rate by more than 11 percentage points to 86%.

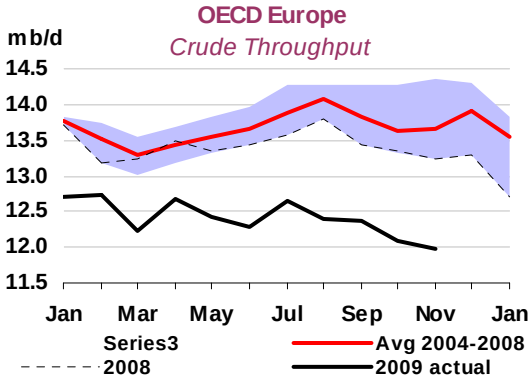
4Q09 OECD North America crude throughput is maintained at 16.9 mb/d, lower by 0.7 mb/d on a quarterly basis and by 0.6 mb/d on a yearly one. Preliminary November crude throughput data turned out to be 0.2 mb/d higher-than-expected, at 16.9 mb/d. All three countries posted higher runs, with Mexico accounting for around 60% of the increase. October data were 0.1 mb/d lower than last month's preliminary data, and December US preliminary data point to runs of 13.8 mb/d, 0.2 mb/d below our projection. Expected regional throughputs through April 2010 are constrained by weak margins and seasonal maintenance, holding runs at or below 16.7 mb/d for the outlook period.

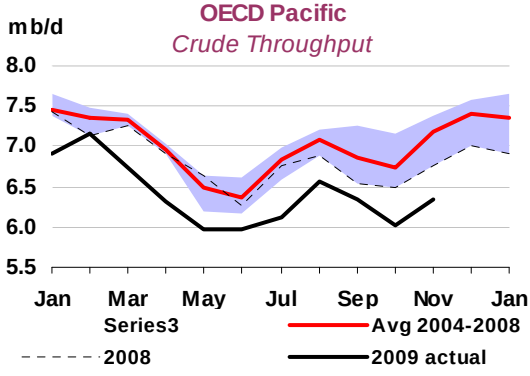
Regarding capacity cuts, Shell recently announced plans to close its 130 kb/d Montreal refinery in Canada after no buyers were found. The plant will be converted into a terminal for gasoline, diesel and aviation fuels.





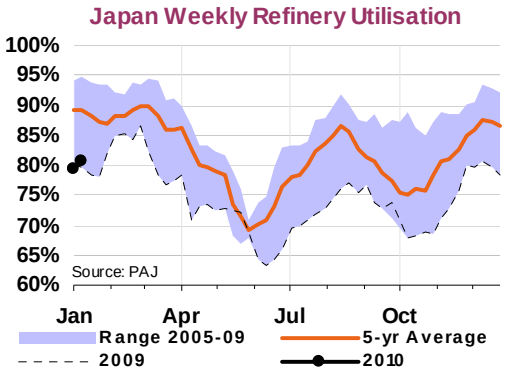
4Q09 OECD European crude runs matched our expectations, at 12.0 mb/d, 0.4 mb/d lower quarter-on-quarter and 1.2 mb/d lower year-on-year. November preliminary crude throughput data turned out to be 0.1 mb/d higher-than-expected at 12.0 mb/d. Runs in Spain and France were 0.2 mb/d and 0.1 mb/d lower than expected, respectively, while crude runs in Turkey were 0.3 mb/d above our projection. Given the prevailing weakness in European operating conditions and the onset of spring maintenance, regional throughputs may struggle to breach 12.2 mb/d through April.





According to news, due to depressed refining economics, the French oil major Total might idle permanently its 140 kb/d Flanders refinery in Dunkirk, Northern France, where operations have been suspended since September; the site could be transformed into a storage facility. A resultant strike by workers at five of Total's six French refineries from 12 January had, at writing, not caused significant supply problems. Talks continue between Shell and Essar Oil for the Indian firm to buy the UK Stanlow refinery and the Heide and Hamburg-Harburg facilities in Germany, with a combined capacity of 446 kb/d. Shell has plans to cut 600 kb/d of refining capacity in the next two years.

4Q09 OECD Pacific crude runs were in line with expectations, at 6.3 mb/d, the same level as in 3Q09 and 0.5 mb/d lower year-on-year. December Japanese weekly data point to crude runs 0.1 mb/d higher-than-expected, with strong exports of gasoline and middle distillates supporting the higher runs. However, based on the bleak prospects for domestic demand, Japanese refiners Cosmo Oil and Showa Shell announced they would extend crude run cuts through 1Q10. Cosmo Oil's utilisation rate is expected to be reduced by 4.6% year-on-year, while Showa Shell is planning a 9% reduction. These cuts come after Nippon Oil and Japan Energy's targeted cuts of 400 kb/d of capacity by the end of March 2011, following their merger under the umbrella of holding company JX Holdings.

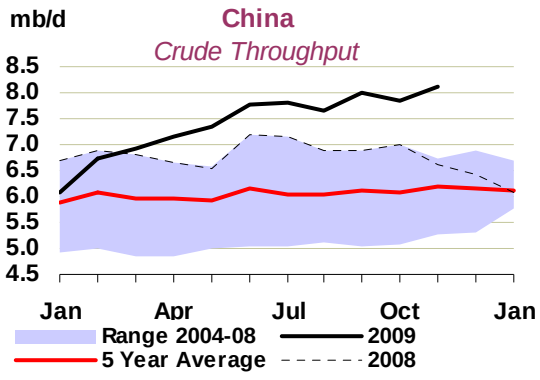


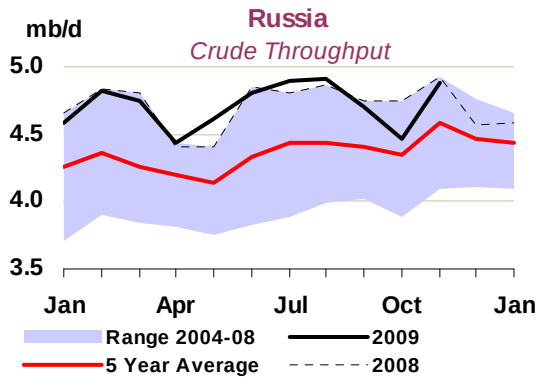
Non-OECD Refinery Throughput

Non-OECD crude throughput estimates for **4Q09** have been revised up by 0.1 mb/d to 37.1 mb/d. October data were 0.3 mb/d lower than last's month preliminary data. However, November preliminary data were 0.4 mb/d higher than projected and crude runs in Other Asia were likely higher for December also. This new estimate for 4Q09 represents a 0.2 mb/d increase quarter-on-quarter and a 1.8 mb/d increase year-on-year, with the annual increment mainly the result of increases of 1.3 mb/d in China and 0.6 mb/d in other Asia.

Chinese November crude runs were 8.1 mb/d, around 0.3 mb/d higher than October's level and 0.1 mb/d above our estimate. The November new record high throughput level represents a year-on-year increase of 22% (1.5 mb/d). We are keeping last month's December projection at 8.0 mb/d as some maintenance activity is scheduled. Looking forward, should oil prices stay above $80/bbl, financial incentives to maximise runs might dip. However, our projection for 1Q10 Chinese refinery runs stays at 8.0 mb/d.

Meanwhile, PetroChina has expanded its reach in the Caribbean residual fuel market by the lease of 5 mb of crude oil storage capacity from the NuStar's Statia terminals, on the Dutch Caribbean island of St. Eustatius. The storage capacity was previously held by Saudi Aramco, which is instead taking storage capacity in Japan, as Saudi exports to China are becoming prominent and their exports to the US are declining. PetroChina is also in talks with Valero, the largest independent US refiner, to acquire its 235 kb/d Aruba refinery, which was officially idled on poor margins in July last year. This will tie with the expansion of the Panama Canal projected to be completed in mid 2014 at a cost of $5.25 billion, which will allow the transit of Suezmax ships with a capacity up to 1 mb of crude, then facilitating trade from West Africa and the US West Coast.



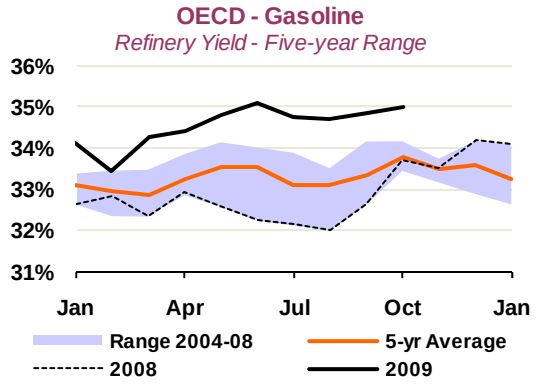


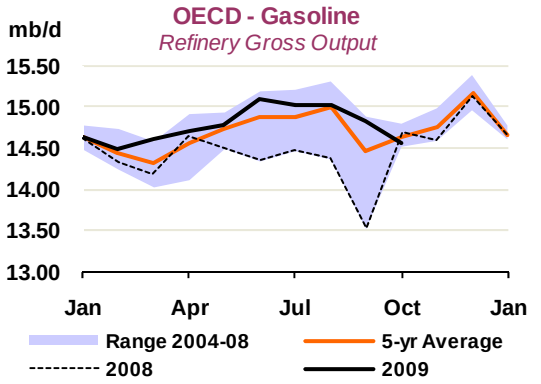
Russian crude runs averaged 4.9 mb/d in November, 0.2 mb/d above our projection, and only 30 kb/d shy of the record level reached in August 2009. 4Q09 FSU crude throughput is forecast at 6.2 mb/d, around 0.1 mb/d higher than estimated last month. The dispute between Russia and Belarus over crude export duties threatens crude shipments to Belarus' 323 kb/d Mozyr and 170 kb/d Novopolotsk refineries. According to news reports, the amount supplied to both refineries is already well below their throughput capacity. Supply to European destinations is however reported as normal (*see Non-OPEC, Russia – Belarus Dispute on Oil Tax and Transit*).

November **Indian** throughputs turned out to be 0.2 mb/d higher than projected at 3.8 mb/d. Elsewhere in Other Asia, November crude runs were in accord with projections. We have increased our estimate for December Indian crude runs by 0.1 mb/d to 3.6 mb/d. 4Q09 Other Asia throughput is now estimated at 8.6 mb/d, 0.1 mb/d above last month's forecast.

OECD Refinery Yields

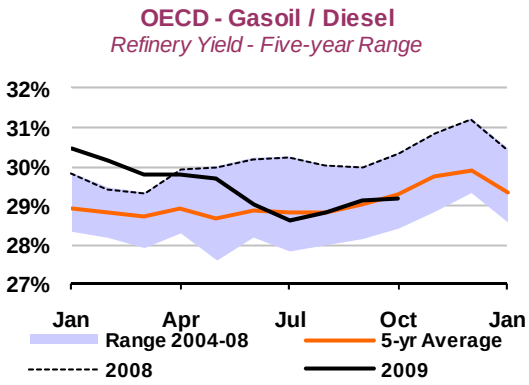
October refinery yields increased for gasoline and fuel oil at the expense of jet fuel/kerosene and other products, while yields for naphtha and gasoil remained unchanged. The rise in OECD gasoline yields was supported by higher crack spreads in the US Gulf Coast. Gasoline yields are particularly strong in the Pacific, well above the five-year range. However, OECD gasoline gross output fell to levels at the bottom of the five-year range, as crude runs in OECD countries remained constrained. Gasoline lost its erstwhile status as the only product with gross output above the five-year average and output now is below last year's level as a result of weak demand in North America and despite the almost total absence of autumn hurricane-related disruptions in the US Gulf Coast in 2009.

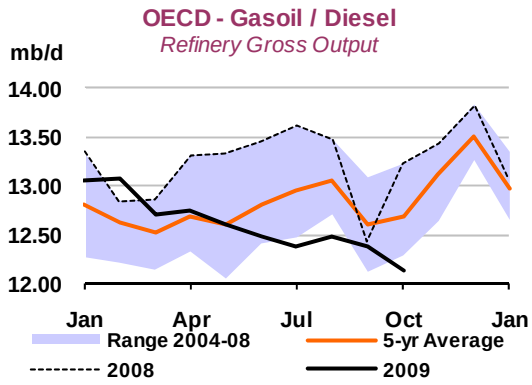




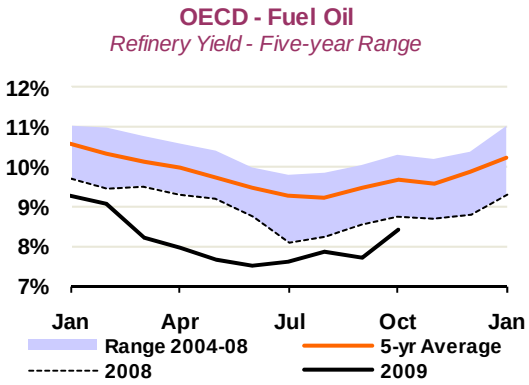
Gasoil/diesel yields continued to trend along their five-year average level. However, gross output plummeted 1.1 mb/d year-on-year and is now below the five-year range as the middle distillates stock over-hang continues. Gasoil/diesel gross output remains particularly weak in Europe, well below the five-

year range and 0.5 mb/d below last year's level. In North America, gross output fell below the five-year average and was 0.4 mb/d lower on a yearly basis.





Fuel oil yields rebounded despite of wider discounts to crude. Both yields and gross output increased in all three OECD regions, particularly in North America where yields were above the five-year range. The yield increase is partly a reflection of low coking throughputs in the US, which reached 1.8 mb/d in October.



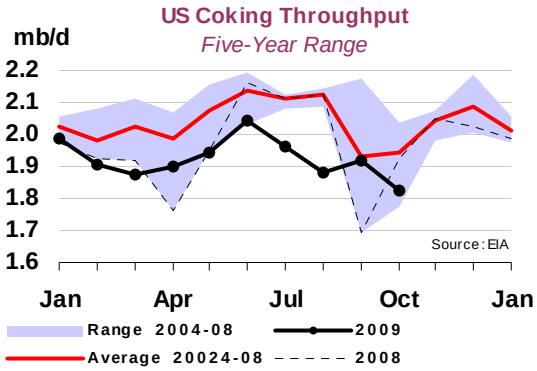


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.3	23.4	23.3	23.4	23.1	23.5	23.5	23.4
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.7	14.6	14.8	14.3	14.6	14.8	14.6
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	7.9	7.7	8.0	7.1	7.1	7.7	7.5
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.6	44.4	45.0	45.9	45.5	46.2	44.5	45.3	45.9	45.5
NON-OECD DEMAND																	
FSU	4.0	4.1	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	4.0	3.9	4.1	4.0	4.2	4.1	4.1
Europe	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.8	8.5	8.4	9.0	9.0	8.9	8.8
Other Asia	9.0	9.5	9.9	9.9	9.4	9.5	9.7	9.9	10.1	9.7	9.9	9.9	10.3	10.3	10.0	10.2	10.2
Latin America	5.4	5.7	5.7	6.0	6.0	5.9	5.9	5.8	6.0	6.1	6.1	6.0	6.0	6.2	6.3	6.2	6.2
Middle East	6.3	6.5	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.1	7.4	7.5
Africa	3.0	3.1	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.4	3.3
Total Non-OECD	35.7	37.3	38.4	38.9	39.2	38.0	38.6	37.9	39.7	40.3	39.8	39.4	39.8	41.1	41.5	41.0	40.9
Total Demand[1]	85.3	86.5	87.4	86.3	85.8	85.4	86.2	84.5	84.1	85.3	85.7	84.9	86.0	85.7	86.8	86.9	86.3
OECD SUPPLY																	
North America[4]	14.2	14.3	14.2	14.0	13.6	13.8	13.9	14.2	13.9	14.2	14.3	14.1	14.2	13.9	13.6	13.8	13.9
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.8	4.9	4.5	4.2	4.4	4.5	4.3	4.0	3.9	4.0	4.0
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.0	19.1	19.4	19.3	19.1	18.7	18.2	18.6	18.7
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.7	13.7	13.4	13.7	13.6
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.9	3.8	4.0	4.0	4.0	4.1	4.0
Other Asia[2]	3.8	3.7	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America[2,4]	3.9	3.9	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.6	4.7	4.6
Middle East	1.8	1.7	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.6	1.7	1.6	1.6	1.7	1.7	1.6
Africa[2]	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4
Total Non-OECD	28.0	28.5	28.8	28.8	28.7	28.7	28.7	29.0	29.2	29.4	29.7	29.3	30.1	30.1	30.0	30.4	30.2
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.4	50.9	51.1	50.9	50.1	50.7	50.7	51.3	50.9	51.2	51.8	51.3	51.9	51.4	51.0	51.8	51.5
Non-OPEC: Historical Composition[2]	51.3	50.4	50.1	49.9	49.1	49.7	49.7	51.3	50.9	51.2	51.8	51.3	51.9	51.4	51.0	51.8	51.5
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.5	28.5	28.8	29.0	28.7					
NGLs	4.4	4.4	4.5	4.5	4.6	4.7	4.5	4.6	4.7	5.0	5.2	4.9	5.5	5.6	5.9	6.0	5.7
Total OPEC[2]	35.1	34.7	36.0	35.9	36.1	35.2	35.8	33.1	33.2	33.9	34.1	33.6					
OPEC: Historical Composition[2]	34.2	35.3	37.0	36.9	37.1	36.2	36.8	33.1	33.2	33.9	34.1	33.6					
Total Supply[6]	85.5	85.6	87.0	86.7	86.2	85.9	86.5	84.4	84.0	85.1	86.0	84.9					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.1	0.4	0.6	0.4	0.4	0.5	0.1	0.2							
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0							
Total	0.3	-0.2	0.1	0.3	0.6	0.5	0.4	0.8	0.3	0.3							
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.1							
Miscellaneous to balance[7]	0.1	-0.7	-0.8	0.1	0.1	0.0	-0.1	-1.4	-0.6	-0.5							
Total Stock Ch. & Misc	0.3	-0.9	-0.4	0.4	0.4	0.6	0.3	0.0	-0.1	-0.2	0.3	0.0					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.4	31.2	31.9	30.9	31.1	29.9	31.0	28.6	28.6	29.0	28.7	28.7	28.7	28.6	29.9	29.1	29.1
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.3	30.0	30.8	27.2	28.0	28.5	28.3	28.0	28.2	28.2	29.5	28.7	28.6

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL & non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.2	0.1	-	0.1	0.1	0.2	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.3	0.1	-0.1	0.1	0.1	0.2	0.1
Total Demand	-	-	-	-	-	-	-	-	-	-0.1	0.2	-	-0.1	-	0.1	0.1	-
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	0.2	-	-	-	0.1	0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.2	-	-0.1	0.1	0.1	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.2	-0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.2	-0.2	-0.2
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	0.1	0.2	-	-0.1	-0.1	-0.1	-0.2	-0.2
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	0.1	0.2	-	-0.1	-0.1	-0.1	-0.2	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-							
NGLs	0.1	0.1	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Total OPEC	0.1	0.1	-	-	-	-	-	-	-	-							
OPEC: historical composition	0.1	0.1	-	-	-	-	-	-	-	-							
Total Supply	0.1	0.1	-	0.1	-	-	-	-	-	0.1							
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	0.1							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	0.1							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	0.1	0.1	0.1	-	-	0.1	-	-	-	-							
Total Stock Ch. & Misc	0.1	0.1	0.1	-	-	-	-	-	-	0.1							
Memo items:																	
Call on OPEC crude + Stock ch.	-0.1	-0.1	-0.1	-	-	-	-	-	-	-0.1	-	-	-0.1	0.1	0.2	0.3	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-0.1	0.1	-	-	0.1	0.2	0.3	0.2

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.26	23.35	23.26	23.42	23.11	23.53	23.52	23.40
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.91	14.23	14.47	14.66	14.57	14.81	14.28	14.61	14.77	14.61
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	7.92	7.66	7.95	7.13	7.15	7.66	7.47
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.57	44.44	45.00	45.93	45.48	46.18	44.51	45.29	45.95	45.48
Asia	17.11	17.81	17.84	17.48	17.10	17.55	17.58	18.67	18.54	18.67	18.37	18.66	19.35	18.99	19.08	19.02
Middle East	6.53	6.72	7.13	7.57	6.95	7.10	6.71	7.32	7.75	7.09	7.22	7.07	7.61	8.05	7.42	7.54
Latin America	5.69	5.72	5.97	6.05	5.93	5.91	5.77	5.96	6.09	6.06	5.97	5.96	6.18	6.28	6.22	6.16
FSU	4.15	4.23	4.07	4.26	4.07	4.16	3.89	3.77	4.02	4.00	3.92	4.07	3.95	4.16	4.14	4.08
Africa	3.07	3.19	3.19	3.14	3.22	3.18	3.23	3.21	3.15	3.26	3.21	3.34	3.32	3.26	3.36	3.32
Europe	0.77	0.76	0.74	0.72	0.74	0.74	0.72	0.73	0.71	0.71	0.72	0.73	0.74	0.72	0.73	0.73
Total Non-OECD	37.32	38.44	38.94	39.20	38.01	38.65	37.90	39.66	40.26	39.78	39.41	39.84	41.14	41.46	40.95	40.85
World	86.51	87.41	86.29	85.84	85.35	86.22	84.47	84.10	85.26	85.72	84.89	86.01	85.65	86.75	86.90	86.33
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.68	18.72	18.85	18.69	18.88	18.85	18.82
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.41	8.85	8.92	8.97	9.04	9.22	8.79	8.92	9.00	8.98
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.82	8.76	8.46	8.40	9.00	8.99	8.90	8.82
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.53	4.35	4.54	3.85	3.97	4.28	4.16
India	3.00	3.25	3.18	2.97	3.14	3.13	3.40	3.35	3.14	3.32	3.30	3.51	3.44	3.25	3.43	3.41
Russia	2.89	2.91	2.83	3.02	2.80	2.89	2.63	2.58	2.81	2.76	2.69	2.78	2.74	2.93	2.88	2.83
Brazil	2.35	2.37	2.46	2.53	2.51	2.47	2.39	2.48	2.57	2.58	2.51	2.49	2.58	2.66	2.64	2.59
Saudi Arabia	2.17	2.22	2.47	2.71	2.27	2.42	2.23	2.78	3.00	2.42	2.61	2.42	2.88	3.12	2.57	2.75
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.17	2.25	2.17	2.22	2.12	2.27	2.27	2.22
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.28	2.21	2.32	2.16	2.05	2.25	2.20
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.12	2.07	2.03	2.01	2.09	2.10	2.06
Iran	1.72	1.86	1.89	1.86	1.83	1.86	1.77	1.73	1.73	1.78	1.75	1.84	1.84	1.84	1.89	1.85
Total	61.58	62.25	61.00	60.42	60.22	60.97	59.77	59.22	60.12	60.44	59.89	60.63	60.11	60.96	61.05	60.69
% of World	71.2%	71.2%	70.7%	70.4%	70.6%	70.7%	70.8%	70.4%	70.5%	70.5%	70.5%	70.5%	70.2%	70.3%	70.3%	70.3%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.3	-2.4	-3.8	-0.4	0.8	1.2	0.7	0.6
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.5	-5.6	-6.8	-5.0	-5.0	-0.7	0.3	1.0	0.7	0.3
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	-0.7	-5.1	-2.3	-2.3	-1.7	-3.3	-2.4
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.2	-3.5	-3.0	-4.4	-0.8	0.2	0.6	0.0	0.0
Asia	5.1	5.7	2.8	3.5	-1.5	2.6	-1.3	4.6	6.1	9.2	4.6	6.2	3.6	2.4	2.2	3.6
Middle East	3.2	4.9	9.2	12.4	7.6	8.6	-0.2	2.6	2.4	1.9	1.7	5.4	3.9	3.8	4.7	4.4
Latin America	5.5	4.9	5.3	4.0	1.7	3.9	0.9	-0.1	0.7	2.2	0.9	3.3	3.7	3.2	2.6	3.2
FSU	2.7	2.6	2.7	1.4	-5.4	0.2	-8.1	-7.2	-5.7	-1.8	-5.7	4.7	4.7	3.4	3.6	4.1
Africa	4.0	3.1	5.4	4.0	2.5	3.7	1.2	0.7	0.5	1.3	0.9	3.3	3.3	3.4	3.2	3.3
Europe	3.6	0.3	-0.4	-7.3	-5.2	-3.3	-5.1	-1.7	-1.3	-4.1	-3.1	1.3	1.5	1.9	2.0	1.7
Total Non-OECD	4.4	4.7	4.4	4.7	0.4	3.6	-1.4	1.8	2.7	4.7	2.0	5.1	3.7	3.0	2.9	3.7
World	1.5	1.1	0.9	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.4	-1.5	1.8	1.8	1.8	1.4	1.7
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.32	-0.58	-0.91	-0.10	0.19	0.28	0.17	0.14
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.38	-0.84	-1.05	-0.77	-0.76	-0.10	0.05	0.14	0.10	0.05
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	-0.06	-0.41	-0.19	-0.17	-0.12	-0.26	-0.19
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.40	-2.91	-1.63	-1.41	-2.09	-0.39	0.07	0.29	0.01	0.00
Asia	0.83	0.95	0.49	0.58	-0.25	0.44	-0.23	0.83	1.06	1.57	0.81	1.08	0.68	0.45	0.41	0.66
Middle East	0.20	0.32	0.60	0.84	0.49	0.56	-0.01	0.18	0.19	0.13	0.12	0.36	0.29	0.30	0.33	0.32
Latin America	0.30	0.27	0.30	0.23	0.10	0.22	0.05	-0.01	0.04	0.13	0.06	0.19	0.22	0.20	0.16	0.19
FSU	0.11	0.11	0.11	0.06	-0.23	0.01	-0.34	-0.29	-0.24	-0.07	-0.24	0.18	0.18	0.14	0.14	0.16
Africa	0.12	0.10	0.16	0.12	0.08	0.11	0.04	0.02	0.02	0.04	0.03	0.11	0.11	0.11	0.11	0.11
Europe	0.03	0.00	0.00	-0.06	-0.04	-0.02	-0.04	-0.01	-0.01	-0.03	-0.02	0.01	0.01	0.01	0.01	0.01
Total Non-OECD	1.59	1.74	1.65	1.78	0.15	1.33	-0.54	0.72	1.06	1.77	0.76	1.93	1.48	1.20	1.17	1.44
World	1.26	0.95	0.79	-0.47	-2.40	-0.29	-2.94	-2.20	-0.58	0.37	-1.33	1.54	1.55	1.49	1.18	1.44
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.02	-0.02	-0.03	-0.03	-0.05	-0.10	-0.05
Europe	0.00	-0.03	0.01	0.01	0.02	0.00	0.00	0.00	0.00	-0.08	-0.02	0.00	0.00	0.00	-0.04	-0.01
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.02	0.00
Total OECD	0.00	-0.03	0.01	0.01	0.02	0.00	0.00	0.00	-0.06	-0.09	-0.04	-0.03	-0.03	-0.06	-0.12	-0.06
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.07	-0.04	0.10	0.15	0.26	0.12
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.01	-0.01	0.00	0.01	-0.08	-0.02
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.00
FSU	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	0.01	0.00	-0.04	-0.04	-0.05	-0.04	-0.04
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.02	0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.27	0.07	-0.08	0.06	0.11	0.17	0.07
World	0.00	-0.03	0.01	0.01	0.02	0.00	-0.01	-0.01	-0.05	0.18	0.03	-0.11	0.02	0.06	0.05	0.01
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	-0.03	0.01	0.01	0.02	0.00	0.03	-0.02	-0.06	0.16	0.03	-0.11	0.03	0.11	-0.13	-0.02

* France, Germany, Italy, Spain & UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	3Q09	4Q09	1Q10	2Q10	3Q10	Oct 09	Nov 09	Dec 09
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.93		7.94	7.99				8.01	7.96	7.99
Iran	3.90	3.74		3.77	3.69				3.66	3.70	3.72
Iraq	2.38	2.45		2.55	2.44				2.43	2.45	2.43
UAE	2.59	2.27		2.27	2.28				2.28	2.27	2.28
Kuwait	2.31	2.01		1.97	2.02				2.00	2.02	2.03
Neutral Zone	0.57	0.54		0.54	0.53				0.54	0.52	0.52
Qatar	0.85	0.77		0.76	0.78				0.77	0.77	0.80
Angola	1.85	1.77		1.80	1.88				1.90	1.88	1.85
Nigeria	1.95	1.82		1.76	1.96				1.90	1.98	2.01
Libya	1.72	1.55		1.55	1.52				1.52	1.52	1.52
Algeria	1.37	1.24		1.22	1.24				1.24	1.24	1.25
Ecuador	0.50	0.47		0.46	0.46				0.46	0.46	0.46
Venezuela	2.35	2.16		2.20	2.20				2.22	2.20	2.19
Total Crude Oil[6]	31.24	28.71		28.80	28.98				28.93	28.97	29.05
Total NGLs[1,6]	4.55	4.86	5.75	5.05	5.17	5.49	5.62	5.88	5.17	5.17	5.17
Total OPEC[6]	35.79	33.57		33.85	34.15				34.10	34.14	34.21
OPEC: Historical Composition[6]	36.78	33.57		33.85	34.15				34.10	34.14	34.21
NON-OPEC[2]											
OECD											
North America	13.91	14.14	13.86	14.18	14.29	14.16	13.90	13.57	14.31	14.19	14.37
United States[5]	7.52	8.06	7.94	8.13	8.31	8.02	8.07	7.84	8.28	8.22	8.42
Mexico	3.16	2.97	2.82	2.94	2.94	2.90	2.85	2.77	2.96	2.92	2.93
Canada	3.22	3.10	3.11	3.12	3.05	3.24	2.98	2.97	3.07	3.06	3.02
Europe	4.76	4.50	4.04	4.23	4.45	4.26	4.00	3.86	4.42	4.47	4.45
UK	1.56	1.46	1.26	1.26	1.40	1.35	1.27	1.15	1.40	1.40	1.39
Norway	2.46	2.38	2.13	2.32	2.41	2.27	2.07	2.06	2.39	2.43	2.41
Others	0.74	0.66	0.65	0.66	0.64	0.65	0.66	0.65	0.63	0.65	0.64
Pacific	0.65	0.66	0.76	0.67	0.68	0.71	0.77	0.77	0.66	0.68	0.68
Australia	0.55	0.56	0.64	0.57	0.56	0.59	0.65	0.65	0.56	0.57	0.57
Others	0.10	0.10	0.12	0.10	0.11	0.12	0.12	0.12	0.10	0.12	0.12
Total OECD	19.32	19.29	18.66	19.08	19.42	19.13	18.66	18.21	19.40	19.35	19.50
NON-OECD											
Former USSR	12.81	13.28	13.61	13.35	13.55	13.66	13.68	13.43	13.53	13.58	13.55
Russia	10.00	10.20	10.35	10.25	10.34	10.37	10.37	10.32	10.35	10.35	10.32
Others	2.80	3.09	3.26	3.10	3.21	3.29	3.31	3.11	3.18	3.22	3.22
Asia	7.44	7.42	7.72	7.44	7.51	7.66	7.66	7.76	7.46	7.49	7.59
China	3.79	3.82	4.02	3.84	3.92	3.99	3.99	4.04	3.85	3.95	3.97
Malaysia	0.77	0.74	0.70	0.74	0.72	0.71	0.70	0.70	0.73	0.70	0.72
India	0.81	0.80	0.87	0.80	0.82	0.83	0.85	0.89	0.81	0.81	0.83
Indonesia	1.00	0.98	1.02	0.98	0.98	1.01	1.01	1.02	0.98	0.98	0.99
Others	1.07	1.08	1.11	1.09	1.07	1.11	1.10	1.11	1.08	1.05	1.08
Europe	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.12	0.14	0.13	0.13
Latin America	4.13	4.33	4.60	4.32	4.39	4.52	4.53	4.62	4.42	4.39	4.37
Brazil[5]	2.37	2.50	2.70	2.51	2.53	2.63	2.66	2.72	2.55	2.54	2.50
Argentina	0.75	0.73	0.73	0.70	0.73	0.74	0.73	0.72	0.73	0.71	0.73
Colombia	0.59	0.67	0.74	0.67	0.70	0.72	0.71	0.75	0.70	0.70	0.70
Others	0.42	0.43	0.43	0.44	0.44	0.44	0.43	0.43	0.44	0.44	0.44
Middle East[3]	1.65	1.66	1.65	1.67	1.63	1.64	1.65	1.66	1.65	1.63	1.63
Oman	0.75	0.81	0.86	0.83	0.81	0.83	0.85	0.87	0.82	0.80	0.81
Syria	0.39	0.37	0.33	0.36	0.35	0.35	0.34	0.33	0.36	0.35	0.35
Yemen	0.31	0.29	0.27	0.29	0.28	0.27	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.56	2.50	2.44	2.51	2.47	2.46	2.45	2.43	2.44	2.48	2.48
Egypt	0.69	0.66	0.62	0.65	0.64	0.63	0.62	0.61	0.65	0.64	0.64
Gabon	0.21	0.23	0.24	0.23	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.66	1.62	1.59	1.62	1.59	1.59	1.59	1.58	1.56	1.60	1.60
Total Non-OECD	28.73	29.33	30.15	29.42	29.69	30.07	30.10	30.03	29.63	29.70	29.74
Processing Gains[4]	2.24	2.29	2.20	2.29	2.29	2.20	2.20	2.20	2.29	2.29	2.29
Other Biofuels[5]	0.39	0.41	0.49	0.45	0.44	0.45	0.46	0.51	0.44	0.43	0.43
TOTAL NON-OPEC[6]	50.69	51.32	51.50	51.24	51.82	51.85	51.43	50.95	51.75	51.76	51.95
Non-OPEC: Historical Composition[6]	49.70	51.32	51.50	51.24	51.82	51.85	51.43	50.95	51.75	51.76	51.95
TOTAL SUPPLY	86.48	84.88		85.09	85.97				85.85	85.90	86.17

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jul2009	Aug2009	Sep2009	Oct2009	Nov2009*	Nov2006	Nov2007	Nov2008	4Q2008	1Q2009	2Q2009	3Q2009
North America												
Crude	493.1	479.9	478.8	479.3	478.2	465.6	436.9	469.0	0.12	0.49	-0.15	-0.20
Motor Gasoline	239.1	235.3	241.1	237.9	245.8	232.0	232.5	232.5	0.27	0.06	-0.05	-0.03
Middle Distillate	237.6	242.9	249.3	242.8	237.7	210.5	206.0	205.8	0.22	0.00	0.19	0.16
Residual Fuel Oil	42.8	41.2	44.1	42.4	43.4	51.8	46.2	47.0	-0.04	0.03	-0.03	-0.01
Total Products[3]	727.7	730.7	742.7	720.6	718.6	686.1	659.9	671.9	0.32	0.02	0.42	0.20
Total[4]	1384.9	1375.5	1390.1	1367.5	1363.6	1308.6	1252.4	1303.3	0.21	0.53	0.39	0.08
Europe												
Crude	338.9	335.8	329.8	322.4	342.0	335.4	331.9	328.3	0.10	0.15	-0.14	-0.14
Motor Gasoline	96.9	99.0	101.2	103.0	105.0	108.8	105.1	106.3	0.11	-0.08	-0.03	0.02
Middle Distillate	287.3	300.1	289.4	282.8	283.5	253.6	223.2	270.1	0.11	0.02	0.06	0.08
Residual Fuel Oil	68.8	71.9	73.0	71.3	72.7	75.3	72.2	74.2	0.08	-0.05	0.03	-0.08
Total Products[3]	557.2	578.3	574.0	565.6	569.7	542.8	504.5	562.0	0.32	-0.12	0.01	0.09
Total[4]	965.2	983.2	971.6	956.4	980.1	948.4	910.7	962.9	0.47	-0.01	-0.17	-0.05
Pacific												
Crude	170.5	165.1	166.0	165.5	163.6	184.4	161.3	166.4	0.01	0.08	0.00	-0.05
Motor Gasoline	23.8	24.2	25.1	24.8	25.2	23.2	21.2	24.1	-0.02	0.06	0.00	-0.01
Middle Distillate	67.4	71.4	72.5	68.6	69.5	82.5	71.3	69.7	-0.10	-0.09	0.06	0.11
Residual Fuel Oil	19.3	21.8	21.3	21.1	19.1	21.9	19.7	20.8	-0.02	0.00	-0.01	0.03
Total Products[3]	170.3	182.8	185.2	180.1	177.2	199.2	178.8	186.4	-0.20	-0.07	-0.05	0.22
Total[4]	406.9	413.8	419.3	410.1	403.1	456.1	412.5	426.1	-0.25	0.01	-0.08	0.20
Total OECD												
Crude	1002.5	980.7	974.6	967.2	983.8	985.5	930.1	963.7	0.23	0.72	-0.28	-0.39
Motor Gasoline	359.8	358.5	367.4	365.7	376.1	364.0	358.8	362.9	0.36	0.05	-0.09	-0.02
Middle Distillate	592.3	614.4	611.2	594.2	590.7	546.6	500.5	545.5	0.22	-0.07	0.30	0.35
Residual Fuel Oil	130.8	134.8	138.4	134.8	135.2	148.9	138.1	142.0	0.02	-0.01	-0.01	-0.06
Total Products[3]	1455.2	1491.7	1501.8	1466.2	1465.5	1428.2	1343.1	1420.2	0.44	-0.16	0.38	0.51
Total[4]	2757.0	2772.5	2780.9	2734.0	2746.7	2713.1	2575.6	2692.3	0.43	0.53	0.14	0.22

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jul2009	Aug2009	Sep2009	Oct2009	Nov2009*	Nov2006	Nov2007	Nov2008	4Q2008	1Q2009	2Q2009	3Q2009
North America												
Crude	724.1	724.1	725.1	725.1	725.9	688.6	695.5	701.8	-0.01	0.12	0.12	0.01
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	185.6	186.1	186.3	185.6	185.6	174.9	182.3	187.3	0.07	0.01	-0.01	0.00
Products	239.5	240.6	241.4	239.7	239.7	233.3	232.4	226.8	-0.05	0.06	0.05	0.03
Pacific												
Crude	388.5	388.5	388.4	388.4	388.4	381.6	385.1	386.2	0.03	0.02	0.00	-0.01
Products	19.2	19.2	19.2	20.0	20.0	11.8	18.9	19.2	0.00	0.00	0.00	0.00
Total OECD												
Crude	1298.1	1298.7	1299.8	1299.1	1299.9	1245.1	1262.9	1275.3	0.10	0.16	0.11	0.00
Products	260.7	261.8	262.5	261.8	261.8	247.1	253.2	248.0	-0.05	0.06	0.05	0.03
Total[4]	1560.6	1562.2	1564.0	1562.3	1563.1	1493.2	1517.1	1524.2	0.05	0.23	0.15	0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2008		End December 2008		End March 2009		End June 2009		End September 2009 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	201.8	89	193.9	88	197.7	95	197.9	91	198.3	-
Mexico	55.7	27	50.3	25	45.5	23	48.1	23	50.2	-
United States[4]	1706.4	88	1738.7	92	1797.0	97	1841.0	99	1846.5	-
Total[4]	1986.1	83	2005.1	86	2062.3	90	2109.1	91	2117.1	91
Pacific										
Australia	38.9	40	41.4	45	40.8	43	40.5	43	45.0	-
Japan	646.2	137	629.6	133	611.3	152	611.2	149	607.3	-
Korea	141.2	66	134.9	58	155.2	72	149.1	72	167.0	-
New Zealand	7.9	53	7.9	51	9.5	61	8.5	56	7.5	-
Total	834.1	105	813.8	100	816.8	112	809.3	111	826.8	104
Europe[5]										
Austria	21.5	79	23.2	82	20.9	78	20.4	72	20.3	-
Belgium	31.1	43	34.9	56	35.8	65	35.0	59	35.2	-
Czech Republic	19.1	97	21.4	114	22.7	111	22.0	98	21.8	-
Denmark	18.3	101	22.9	131	25.1	152	26.4	161	25.0	-
Finland	30.1	139	30.7	147	33.5	167	25.4	122	29.3	-
France	176.6	87	179.2	89	177.6	98	172.9	95	174.0	-
Germany	273.7	103	277.4	108	277.7	116	280.2	117	276.7	-
Greece	39.2	83	40.0	83	36.7	93	35.9	94	35.5	-
Hungary	15.5	93	15.0	100	15.7	100	15.1	93	14.4	-
Ireland	10.5	54	11.4	63	11.5	74	11.7	78	12.4	-
Italy	130.3	81	127.9	83	131.0	86	129.1	82	129.0	-
Luxembourg	0.6	10	0.7	14	0.7	14	0.8	16	0.8	-
Netherlands	115.0	117	131.4	130	133.9	139	144.4	149	139.7	-
Norway	26.5	127	29.9	143	24.0	108	23.6	122	24.7	-
Poland	58.8	106	58.1	119	58.9	111	63.1	106	64.8	-
Portugal	25.0	90	24.7	92	25.0	90	24.8	91	24.5	-
Slovak Republic	8.0	93	8.8	122	9.8	123	8.4	99	8.3	-
Spain	135.8	88	137.6	89	137.8	94	135.6	92	135.0	-
Sweden	34.4	105	37.4	116	40.8	125	39.5	122	38.5	-
Switzerland	37.8	127	36.3	120	36.8	133	38.0	148	38.2	-
Turkey	60.7	94	60.9	110	59.2	97	58.8	93	57.8	-
United Kingdom	95.1	55	98.8	57	100.4	60	91.7	55	94.9	-
Total	1363.6	88	1408.6	94	1415.3	99	1402.9	97	1401.0	96
Total OECD	4183.8	88	4227.4	91	4294.4	97	4321.3	96	4345.0	95
DAYS OF IEA Net Imports[6]	-	124	-	131	-	134	-	134	-	135

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End September 2009 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
3Q2006	4255	1495	2760	85	30	55
4Q2006	4166	1499	2667	84	30	54
1Q2007	4106	1507	2598	85	31	54
2Q2007	4164	1506	2658	85	31	54
3Q2007	4170	1520	2650	83	30	53
4Q2007	4090	1524	2566	83	31	52
1Q2008	4101	1529	2572	86	32	54
2Q2008	4131	1526	2605	89	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4227	1527	2701	91	33	58
1Q2009	4294	1547	2747	97	35	62
2Q2009	4321	1561	2760	96	35	61
3Q2009	4345	1564	2781	95	34	61

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 3Q2009 (when latest forecasts are used).

Table 6

IEA Member Country Destinations of Selected Crude Streams[1]

(million barrels per day)

	2006	2007	2008	4Q08	1Q09	2Q09	3Q09	Aug 09	Sep 09	Oct 09	Year Earlier Oct 08	Year Earlier change
Saudi Light & Extra Light												
North America	0.60	0.73	0.70	0.63	0.58	0.51	0.45	0.36	0.41	0.69	0.47	0.21
Europe	0.78	0.70	0.70	0.66	0.57	0.60	0.57	0.43	0.61	0.58	0.82	-0.23
Pacific	1.32	1.19	1.22	1.24	1.40	1.16	1.23	1.20	1.18	1.14	1.27	-0.13
Saudi Medium												
North America	0.64	0.56	0.64	0.66	0.42	0.45	0.40	0.34	0.44	0.28	0.58	-0.29
Europe	0.14	0.05	0.05	0.05	0.03	0.02	0.01	-	0.02	0.02	0.04	-0.02
Pacific	0.35	0.34	0.39	0.38	0.34	0.33	0.35	0.30	0.38	0.27	0.37	-0.10
Saudi Heavy												
North America	0.21	0.09	0.07	0.05	0.04	0.02	0.02	0.02	0.02	0.08	0.08	0.00
Europe	0.18	0.11	0.09	0.09	0.03	0.03	0.01	0.01	0.02	0.00	0.09	-0.09
Pacific	0.23	0.20	0.24	0.25	0.22	0.15	0.12	0.12	0.11	0.10	0.28	-0.19
Iraqi Basrah Light[2]												
North America	0.52	0.50	0.60	0.51	0.44	0.31	0.45	0.56	0.46	0.34	0.52	-0.18
Europe	0.32	0.30	0.21	0.21	0.13	0.12	0.19	0.30	0.05	0.06	0.29	-0.23
Pacific	0.08	0.17	0.15	0.11	0.26	0.20	0.24	0.31	0.19	0.28	0.10	0.19
Iraqi Kirkuk												
North America	0.00	-	0.08	0.06	0.07	0.02	0.11	0.07	0.14	0.03	0.06	-0.03
Europe	0.01	0.11	0.23	0.19	0.26	0.34	0.34	0.24	0.34	0.38	0.19	0.19
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.26	0.27	0.23	0.24	0.15	0.16	0.13	0.17	0.15	0.06	0.23	-0.17
Pacific	0.13	0.09	0.08	0.07	0.11	0.06	0.06	0.06	0.04	0.06	0.07	-0.01
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.58	0.56	0.49	0.43	0.33	0.41	0.48	0.48	0.44	0.42	0.56	-0.14
Pacific	0.56	0.64	0.61	0.64	0.65	0.51	0.57	0.57	0.58	0.55	0.65	-0.10
Venezuelan Light & Medium												
North America	0.66	0.76	0.62	0.50	0.51	0.63	0.33	0.40	0.16	0.16	0.58	-0.42
Europe	0.11	0.08	0.06	0.07	0.07	0.13	0.04	0.01	0.04	0.01	0.10	-0.09
Pacific	-	0.01	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.72	0.68	0.65	0.74	0.74	0.62	0.87	0.88	1.01	0.72	0.65	0.07
Europe	0.06	0.07	0.07	0.08	0.07	0.06	0.06	0.08	0.04	0.13	0.08	0.05
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.24	1.22	1.02	1.04	1.06	0.96	0.87	0.92	0.86	0.83	1.14	-0.31
Europe	0.16	0.14	0.14	0.12	0.08	0.09	0.09	0.08	0.10	0.12	0.04	0.08
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.04	0.01	0.01	0.00	0.01	0.00	0.01	0.01	-	0.01	0.01	0.00
Europe	0.01	0.02	0.01	0.02	0.01	-	0.02	0.03	-	-	0.02	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.09	0.06	0.05	-	0.09	0.27	0.17	0.12	0.18	0.02	-	-
Europe	1.68	1.86	1.81	1.67	1.58	1.76	1.76	1.60	1.81	1.73	1.84	-0.11
Pacific	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.79	0.88	0.68	0.60	0.47	0.40	0.63	0.65	0.61	0.61	0.66	-0.04
Europe	0.33	0.24	0.29	0.34	0.25	0.39	0.30	0.33	0.15	0.28	0.27	0.01
Pacific	0.04	0.01	-	-	-	0.01	-	-	-	-	-	-
Nigerian Medium												
North America	0.17	0.23	0.27	0.22	0.14	0.30	0.19	0.13	0.18	0.12	0.21	-0.09
Europe	0.10	0.07	0.14	0.14	0.12	0.12	0.12	0.07	0.21	0.06	0.18	-0.12
Pacific	0.00	0.01	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports[1,2]
(thousand barrels per day)

	2006	2007	2008	4Q08	1Q09	2Q09	3Q09	Aug-09	Sep-09	Oct-09	Year Earlier Oct-08	Year Earlier % change
Crude Oil												
North America	8194	8214	8046	7886	7743	7541	7318	7094	7342	6856	7804	-12%
Europe	9784	9684	9776	9548	9001	9132	8797	8574	8902	8505	9674	-12%
Pacific	6816	6718	6605	6408	6559	5706	5960	6065	5987	5834	6126	-5%
Total OECD	24794	24615	24427	23843	23304	22379	22075	21732	22231	21194	23994	-12%
LPG												
North America	14	28	29	34	28	11	9	22	0	6	28	-80%
Europe	264	276	268	242	251	250	249	215	246	259	248	4%
Pacific	578	557	589	543	504	518	566	544	654	515	550	-6%
Total OECD	856	861	885	819	784	780	823	782	901	779	827	-6%
Naphtha												
North America	71	40	55	82	40	19	18	16	8	8	36	-79%
Europe	314	265	260	270	319	232	282	295	325	297	352	-16%
Pacific	754	794	776	689	746	814	907	927	866	963	736	31%
Total OECD	1138	1099	1091	1040	1105	1066	1207	1238	1200	1267	1124	13%
Gasoline[3]												
North America	1143	1128	1078	1038	996	889	843	814	763	813	1196	-32%
Europe	160	203	218	197	239	280	247	166	282	3	173	-98%
Pacific	96	73	90	105	120	71	97	69	139	103	140	-26%
Total OECD	1399	1404	1386	1339	1355	1239	1187	1049	1185	919	1509	-39%
Jet & Kerosene												
North America	161	183	63	39	80	45	67	62	67	79	56	42%
Europe	374	370	402	468	454	462	449	377	517	534	514	4%
Pacific	69	43	34	33	79	49	37	36	32	41	34	20%
Total OECD	603	595	500	540	612	555	552	475	616	654	604	8%
Gasoil/Diesel												
North America	175	132	72	94	106	39	36	17	74	95	52	82%
Europe	967	780	869	1039	1224	963	969	867	788	1104	879	26%
Pacific	77	91	119	117	81	81	73	45	80	151	114	32%
Total OECD	1219	1003	1060	1249	1410	1083	1077	929	941	1350	1045	29%
Heavy Fuel Oil												
North America	343	323	286	266	326	326	205	174	231	195	225	-13%
Europe	476	433	447	458	474	567	643	561	567	483	432	12%
Pacific	91	95	125	94	144	128	103	116	94	60	68	-12%
Total OECD	910	851	858	817	943	1021	951	852	891	738	725	2%
Other Products												
North America	1121	1050	1075	1117	935	896	900	787	993	740	1170	-37%
Europe	929	854	792	773	737	776	828	847	743	795	903	-12%
Pacific	243	254	298	316	279	324	337	296	339	324	338	-4%
Total OECD	2294	2157	2166	2206	1951	1996	2065	1929	2075	1859	2412	-23%
Total Products												
North America	3028	2883	2658	2669	2509	2226	2077	1893	2136	1936	2764	-30%
Europe	3484	3180	3255	3446	3697	3530	3666	3328	3468	3474	3501	-1%
Pacific	1908	1906	2032	1895	1952	1985	2119	2033	2204	2157	1981	9%
Total OECD	8420	7969	7946	8010	8159	7741	7862	7254	7809	7567	8246	-8%
Total Oil												
North America	11222	11097	10704	10555	10253	9767	9395	8987	9479	8792	10957	-20%
Europe	13268	12864	13032	12995	12698	12662	12463	11902	12370	11979	13175	-9%
Pacific	8724	8623	8637	8303	8512	7691	8079	8097	8191	7991	8108	-1%
Total OECD	33214	32584	32373	31853	31463	30120	29937	28986	30040	28762	32240	-11%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade
3 Includes additives

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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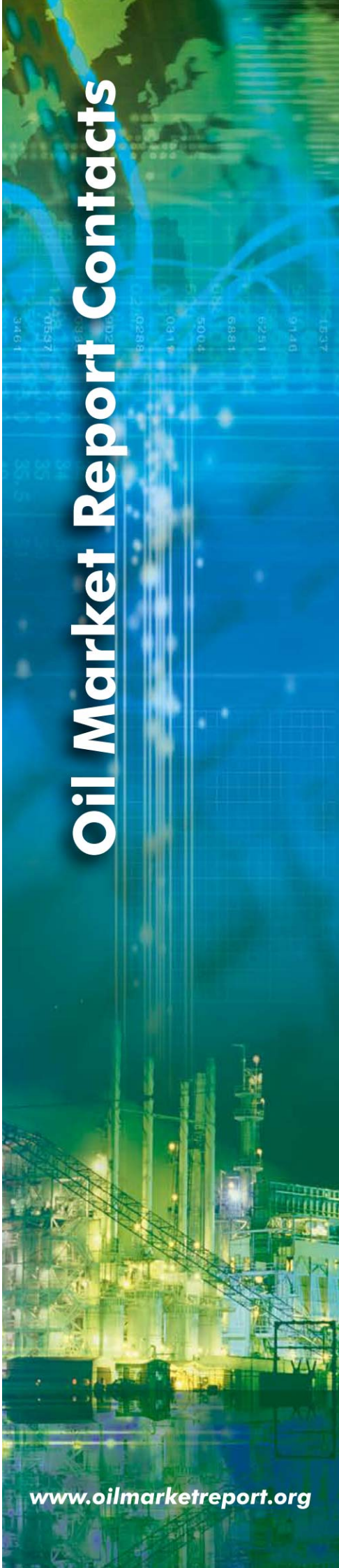

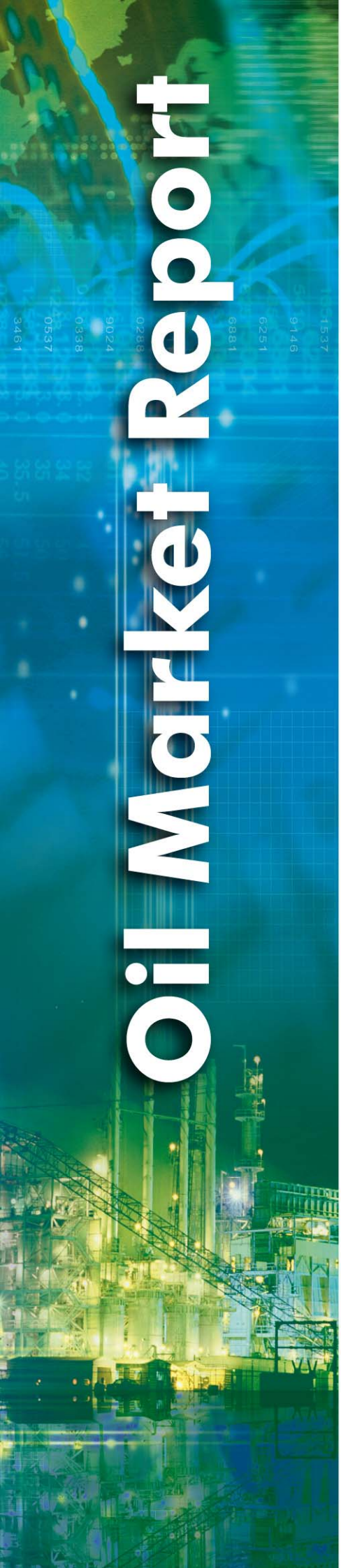

International Energy Agency

11 February 2010

HIGHLIGHTS

- **Benchmark crude oil prices fell to six-week lows** by early February, after warmer weather in the Northern Hemisphere, negative macroeconomic news and sudden strength in the dollar set in motion a $12/bbl slide. Prices regained some of their losses in recent days, with WTI last trading at $73.80/bbl and Brent at $72/bbl.

- **Forecast global oil demand is revised up** 170 kb/d for 2010 as more robust IMF GDP projections are partly offset by a higher price assumption and persistently weak OECD oil demand. Global oil demand is estimated at 84.9 mb/d in 2009 (-1.5% or -1.3 mb/d year-on-year) and 86.5 mb/d in 2010 (+1.8% or +1.6 mb/d versus 2009), with growth entirely in non-OECD countries.

- **Global oil supply fell 45 kb/d to 85.8 mb/d in January**, with higher total OPEC output (mostly NGLs) offset by lower non-OPEC production. Average 2009 non-OPEC production is revised 70 kb/d higher at 51.4 mb/d while 2010 supply is revised up by 120 kb/d to 51.6 mb/d on slightly improved US and North Sea crude prospects.

- **OPEC crude output was up 105 kb/d** at 29.1 mb/d in January. OPEC NGL production is forecast to rise 0.8 mb/d to 5.5 mb/d in 2010, with just over half of the increase related to ramp-up from 2009 project start-ups. The call on OPEC crude and stock change for 2010 is revised up 300 kb/d to 29.4 mb/d.

- **OECD industry stocks fell 67.8 mb in December** to 2 678 mb, around 0.8% below 2008's level, on lower crude and middle distillate inventories. End-December forward demand cover fell to 58.1 days, now only 0.1 day higher than a year ago. Preliminary data point to a January OECD stockbuild of 11.4 mb, but with lower floating storage.

- **Global 4Q09 and 1Q10 refinery crude throughput forecasts** remain unchanged at 72.3 mb/d and 72.6 mb/d respectively, though in the latter's case, higher Canadian, Mexican and OECD Pacific runs offset lower non-OECD throughputs. Despite some signs of improvement for the refining industry, the sector's short-term outlook remains fundamentally bearish.

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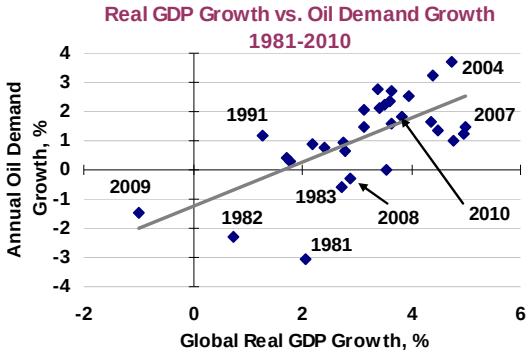
'OIL-LESS' RECOVERY?

The term 'oil-less' recovery has been much mentioned in recent months. At first glance, it looks out of line with this month's report, in which projected 2010 oil demand growth is nudged up to 1.6 mb/d after a significant upgrade to global GDP prospects in the recent IMF economic outlook. While this looks consistent with historical elasticity trends, we also reflect persistent downside economic risks, via a lower growth scenario nearer 1.2 mb/d. In our base projection however, global GDP growth now stands at +3.8% for 2010 versus an earlier estimate of +3.1%. The stronger economic growth is partly offset by a higher crude price assumption of $75/bbl for 2010, based on the prevailing futures strip. Since we first released detailed 2010 projections back in July, the outlook for OECD economic growth has improved from around zero to +2.1%. But over the same period, expected OECD demand has barely changed, averaging 45.5 mb/d this month versus an estimate of 45.2 mb/d then. Even the recent record US and European winter snows look unlikely to revive OECD demand – which remains flat at best in 2010 – an 'oil-less' recovery indeed. Meanwhile, forecast 2010 non-OECD demand has risen from 40 mb/d last July to 41 mb/d now (partly on a higher 2009 base). Anticipated GDP growth here has gone from 4.1% to 6.1%. Global oil demand now takes its cue primarily from rising emerging country incomes.

This should come as little surprise: A diminishing number of OECD countries use oil for heating, power or industrial processes, and competition from cheap spot natural gas will likely further cap discretionary use this year. Oil use in OECD power generation has already fallen by 40% since 2000. We mentioned in the 2009 *MTOMR* how structural changes in the automobile, aviation and power generation sectors suggest the use of cleaner, more efficient technologies. Environmental imperatives mean that gas, renewables and nuclear power will increasingly be preferred, even if binding climate change targets are stalled for now. Transportation oil use may still grow in the OECD, but here too vehicle efficiency standards and the penetration of biofuels, hybrid and electric vehicles will limit requirements for refinery-sourced gasoline and diesel. So demand growth in the OECD may well have peaked, with all the negative consequences for OECD refining this implies. In contrast, the thirst for oil among emerging economies looks unlikely to diminish anytime soon, absent weaker than expected economic recovery.



Crude prices have eased in February after a December/January cold snap, under the influence of high inventories borne of persistent market contango. The influence of the dollar trade, which showed a persuasive correlation with crude prices for much of 2009, ebbed in December and January, but may have come back with a bang in early February, this time acting as a drag on prices as the dollar strengthened due to weaker European financial markets. This factor seems to have trumped renewed geopolitical risks (in Nigeria and Iran) and rising NYMEX open interest to push prices back below $75/bbl.

Questions continue to swirl over the impact that financial sector reform will have on commodity markets. In the US, Congress is examining legislation that would extend CFTC oversight to the OTC derivatives markets, albeit with significant exemptions for hedging-related trades. The CFTC proposed energy commodity position limits in January, but arguably at a level high enough to prevent migration off exchange or to markets such as the UK, where position limits are off the agenda for now. In contrast, proposals from the Obama administration aimed at curbing banks' proprietary trading were seen by some as more likely to affect market liquidity, although others cite a likelihood that banks will simply revert to pre-2000 practice, circumventing restrictions by spinning off their trading affiliates into separate companies. Meanwhile, among policy makers the idea of consensus prices may be gaining ground against that of a managed price band, perceived now by many as being unworkable if not downright undesirable. We look forward to examining these issues among others in a price formation forum in late February in Tokyo, co-hosted by the IEA and Japan's IEEJ and METI.

DEMAND

Summary

- **Forecast global oil demand** has been revised up by 50 kb/d for 2009 and by 170 kb/d for 2010. More robust economic projections by the International Monetary Fund, notably for 2010 (annual global GDP growth of +3.8%), are partly counterbalanced by a higher price assumption and persistently weak preliminary OECD oil demand data. Global oil demand is now estimated at 84.9 mb/d in 2009 (-1.5% or -1.3 mb/d year-on-year and +50 kb/d higher compared with our last report). In 2010, demand is expected to rise to 86.5 mb/d (+1.8% or +1.6 mb/d versus 2009 and +170 kb/d higher than previously expected). Growth comes entirely from non-OECD countries, where oil's income elasticity is more pronounced. However, should global economic growth in 2010 fail to live up to expectations, oil demand could be around 400 kb/d lower.

- **Forecast OECD oil demand** remains largely unchanged for both 2009 and 2010, despite improved economic prospects. Although naphtha demand has shown a remarkable recovery, preliminary data for most product categories and countries remain persistently weak. Oil demand is now seen falling by 4.4% year-on-year (-2.1 mb/d) to 45.5 mb/d in 2009 and stagnating at that level in 2010. The outlook for this year is predicated on the basis of ongoing structural trends, with the continuous decline in heavier products offsetting modest growth in lighter products. Overall, this supports contentions of an 'oil-less' recovery, thus reinforcing the argument that demand has probably peaked in the OECD.

Global Oil Demand (2008-2010)

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.4	3.3
Americas	30.5	30.4	29.6	29.9	30.1	29.3	28.8	29.3	29.5	29.2	29.3	29.3	29.8	29.8	29.5
Asia/Pacific	26.7	25.7	25.0	25.1	25.6	25.7	26.0	25.9	26.8	26.1	26.8	26.6	26.3	27.1	26.7
Europe	16.1	15.8	16.2	16.2	16.1	15.6	15.0	15.2	15.3	15.3	15.5	15.1	15.4	15.4	15.3
FSU	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	3.9	3.9	4.1	3.9	4.2	4.1	4.1
Middle East	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.1	7.5	7.6
World	**87.4**	**86.3**	**85.8**	**85.4**	**86.2**	**84.5**	**84.1**	**85.3**	**85.9**	**84.9**	**86.1**	**85.8**	**86.9**	**87.2**	**86.5**
Annual Chg (%)	1.1	0.9	-0.5	-2.7	-0.3	-3.4	-2.6	-0.7	0.6	-1.5	1.9	2.0	1.9	1.5	1.8
Annual Chg (mb/d)	1.0	0.8	-0.5	-2.4	-0.3	-2.9	-2.2	-0.6	0.5	-1.3	1.6	1.7	1.6	1.3	1.6
Changes from last OMR (mb/d)	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.02	0.16	0.05	0.06	0.16	0.15	0.30	0.17

- **Forecast non-OECD oil demand** has been adjusted up for both 2009 and 2010, on the back of higher economic forecasts and yet again higher-than-expected demand readings from China and other Asian countries. Demand in 2009 is now expected to average 39.4 mb/d (+2.0% or +0.8 mb/d year-on-year and +40 kb/d higher when compared with our previous assessment). In 2010, demand is expected to increase to 41.0 mb/d (+4.0% or +1.6 mb/d versus 2009 and +170 kb/d higher than previously anticipated), assuming that stimuli programmes will only be gradually withdrawn, notably in China, where the imperative to sustain economic expansion may arguably take precedence over inflationary concerns.

Global Overview

This report integrates the latest IMF GDP forecasts, which were released in late January. Although the updated growth projections are marginally higher for 2009 – the global economic contraction is now expected at -1.0%, rather than -1.2% – they were revised sharply up for 2010 relative to the last *World Economic Outlook* (October 2009). The Fund now expects global economic activity to rise by 3.8% year-on-year, up by 0.8 percentage points or almost a quarter versus the October assessment. Interestingly, the revisions were almost equally split between OECD (+0.7 percentage points) and non-OECD countries (+0.9 percentage points). Nonetheless, emerging and developing countries remain the key driving force

of the global recovery, expanding collectively by +6.1%, roughly three times as fast as the OECD (+2.1%). In general terms, economic growth will be strong in most non-OECD areas, but Asia – and particularly China – will clearly lead the pack.

In addition to incorporating these higher GDP forecasts within our models, we have also adjusted our nominal price assumptions to roughly $58/bbl in 2009 (based on actual data) and $75/bbl in 2010 (based on the most recent futures curves) – some $1/bbl and $4/bbl higher than previously assumed. The higher price, combined with persistently weak preliminary oil demand data for OECD economies, partly counterbalances these GDP changes.

Real GDP Growth
OMR dated 11 February 2010

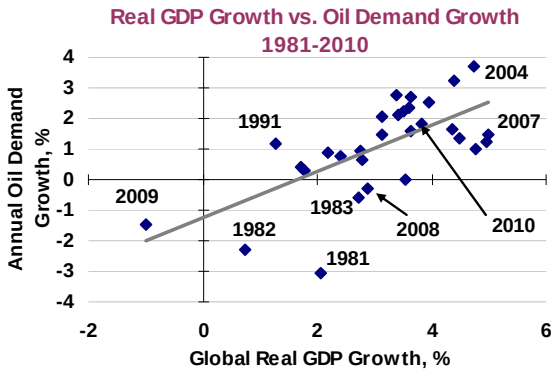
% change	2009	2010
WORLD	**(1.0)**	**3.8**
OECD	**(3.4)**	**2.1**
OECD, North America	(2.9)	2.8
OECD, Europe	(3.9)	1.2
OECD, Pacific	(3.4)	2.3
Non-OECD	**2.3**	**6.1**
Africa	2.1	4.2
Latin America	(0.8)	3.5
China (excl. Hong Kong)	8.7	10.0
Other Asia	2.6	6.0
Non-OECD Europe	(4.0)	1.1
FSU	(8.1)	3.5
Middle East	1.8	4.2

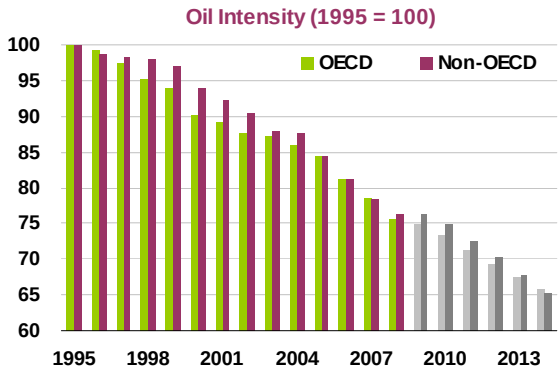
Current vs. Previous
OMR dated 9 October 2009

WORLD	**0.2**	**0.8**
OECD	**0.2**	**0.7**
OECD, North America	0.2	1.1
OECD, Europe	0.2	0.5
OECD, Pacific	0.3	0.2
Non-OECD	**0.1**	**0.9**
Africa	0.1	0.2
Latin America	0.1	0.8
China (excl. Hong Kong)	0.2	1.0
Other Asia	0.4	1.0
Non-OECD Europe	0.9	0.7
FSU	(0.9)	1.6
Middle East	0.2	0.1

Sources: IMF, IEA

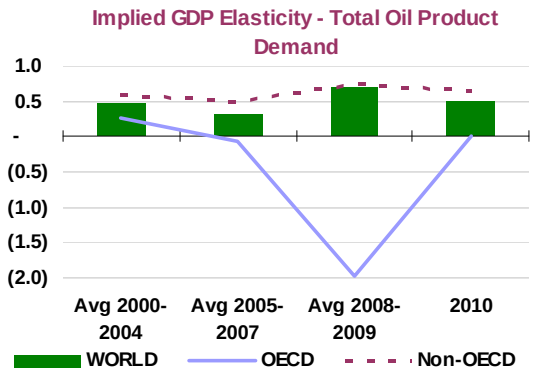
Global oil demand is now estimated at 84.9 mb/d in 2009 (-1.5% or -1.3 mb/d year-on-year and +50 kb/d higher compared with our last report). In 2010, oil demand is expected to rise to 86.5 mb/d (+1.8% or +1.6 mb/d versus 2009 and +170 kb/d higher than previously expected), similar to the absolute level recorded in 2007. This year's growth will come entirely from non-OECD countries (+4.0%), where oil demand is highly sensitive to economic activity. By contrast, oil demand in the OECD is poised to stagnate, despite improved economic prospects. This is largely due to structural reasons: the continuous decline in the demand for heavier products, particularly heating oil and residual fuel oil, is increasingly offsetting modest growth in lighter product categories. In addition, the one area that drove OECD oil demand growth in recent years – North America – has virtually stalled as a result of the sharp economic recession, cheaper energy alternatives (natural gas and coal) and behavioural changes (notably the smaller size and greater efficiency of new vehicles sold).

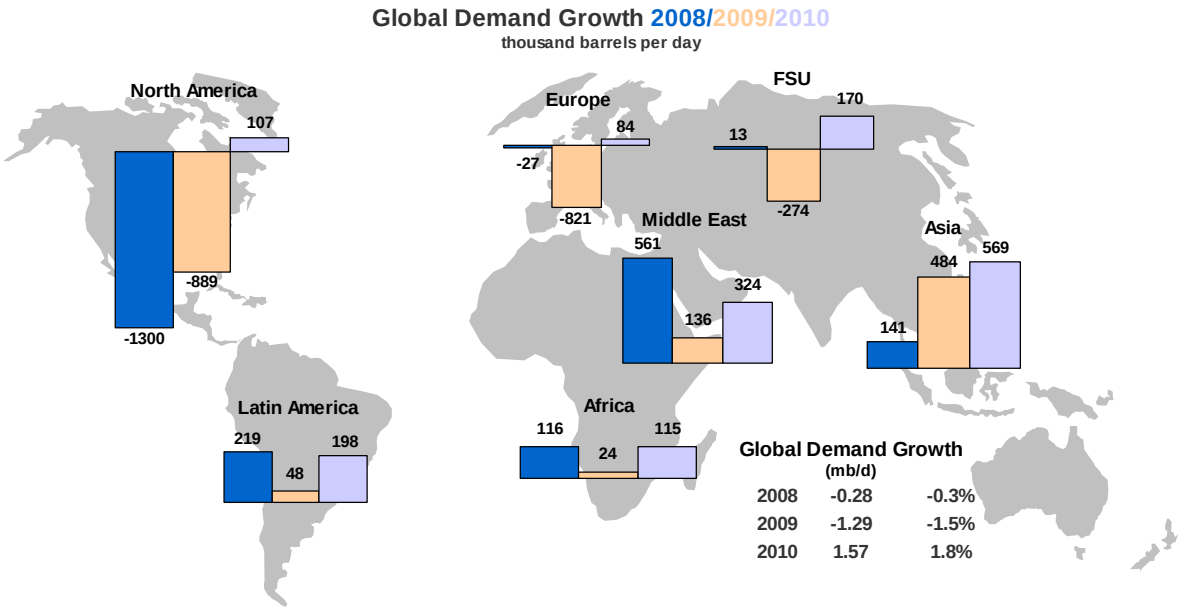




Relative to GDP growth, these oil demand projections, particularly for 2010, seem well within historical trends – as opposed to outliers that resulted from specific circumstances (the oil shocks and accelerated OECD efficiency improvements in the 1980s or the Chinese 'gasoil shock' in 2004). This implies a global elasticity of roughly 0.5. Admittedly, this implied GDP elasticity is not strictly speaking an income elasticity as it does not strip out the dramatic price rise since the mid-2000s (which was significant for the OECD, but less so in countries with administered prices). Nonetheless, the outlook captures the price effect through the continuous decline in oil intensity, which illustrates expected efficiency gains.

More interestingly, perhaps, is the expected relative evolution of oil demand in OECD and non-OECD countries. The former featured a markedly declining implied GDP elasticity during the 2000s, dramatically amplified during the recession (as oil demand fell much faster than economic activity over 2008-2009) but expected to return to roughly zero in 2010. By contrast, non-OECD countries presented a more stable GDP elasticity, rising during the recession on the back of stimulus programmes and falling to almost pre-crisis levels in 2010 (about 0.65). The share of non-OECD oil demand relative to global demand has thus risen from 38% in 2000 to 46% in 2009. Yet this in itself highlights the risks to the outlook. On the one hand, OECD demand could decline even faster in 2010, but this would imply a deeper structural change than currently anticipated – i.e., far greater demand destruction than demand suppression, although this will be impossible to prove until the economic recovery takes hold. As much as we have advanced the hypothesis of significant demand destruction in the OECD, these structural changes will take time to become fully apparent. On the other hand, expectations of rapid non-OECD demand growth rest on the assumption that stimulus programmes will only be gradually withdrawn. In China, in particular, continued economic expansion may arguably take precedence over inflationary pressures.





Known Unknowns

Although the global economy is clearly rebounding from the late 2008 and early 2009 recession, serious threats remain. Such risks could derail the recovery and have been extensively flagged by numerous observers:

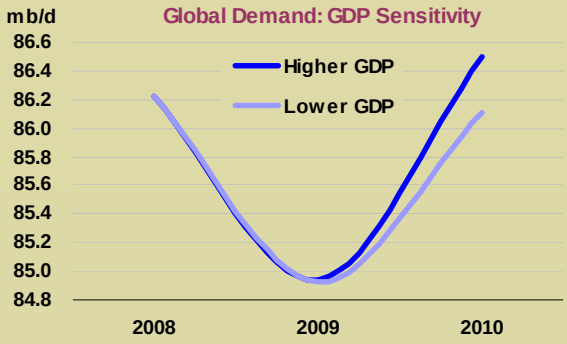
- Mounting and potentially unsustainable public debt in most advanced economies, evidenced by the turmoil that has engulfed Greece in recent weeks and that may extend to other European economies, with unpredictable effects upon the euro's credibility;
- A degrading fiscal position, which may force OECD governments to tighten fiscal and monetary policy amid rising unemployment, weak domestic demand as a result of the recession (potentially exacerbated by ballooning fiscal deficits that may prompt consumers to save) and continued private-sector deleveraging;

Known Unknowns *(continued)*

- Persistent global imbalances, resulting from exchange-rate distortions, as long as capital controls in China keep the yuan pegged to the dollar (thus effectively subsidising exports and imposing a tariff on imports);
- Rising protectionism, if countries with large current account surpluses (such as China or Germany) fail to boost domestic demand (particularly consumption, rather than investment) and reduce their dependence upon export-led growth, while other large countries, such as Brazil or Japan, attempt to limit their own currency appreciation to maintain competitiveness;
- Concerns that the Chinese economy, which has brought in substantial imports of commodities and industrial goods (particularly from other Asian countries), is overheating, obliging the government to suddenly withdraw its massive stimuli and hence engineer a sharp slowdown; and;
- The risk that moves to tighten the regulation of financial activities, particularly in the US, might lead to unintended consequences, such as a fall of liquidity in key markets and increased commodity price volatility.

Given such uncertainty, this report includes once again a sensitivity analysis, with a 'higher' GDP scenario, based on the IMF January update, and a 'lower' one, based on the latest consensus forecasts (January's survey from Consensus Economics). It must be emphasised that this approach is merely illustrative. It does not imply a probability of occurrence and ignores the iterations between economic activity and the oil price (held unchanged in both scenarios). Its purpose is simply to identify the potential range of global 2010 oil demand.

As noted, under the higher GDP case (+3.8% in 2010), demand would reach 86.5 mb/d, +1.8% versus 2009. By contrast, under the lower case (+3.0%), demand could be some 390 kb/d lower, at 86.1 mb/d, still below 2008 levels. This would imply growth of +1.4%, with the more GDP-sensitive non-OECD countries bearing the brunt of the difference (-275 kb/d, compared with -115 kb/d for the OECD). The asymmetry of this sensitivity analysis versus our GDP-derived adjustment is simply due to the incorporation of demand baseline and price assumption adjustments within this month's outlook.



OECD

Preliminary data indicate that OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) fell by 1.6% year-on-year in December. In **OECD Europe**, oil product demand shrank by 3.9% year-on-year, despite strong naphtha growth and modest diesel gains. In **OECD Pacific**, demand contracted by 1.1%, as growth in LPG and naphtha failed to offset losses in all other product categories. In **OECD North America** (which includes US Territories), demand declined by only 0.3%, as the rebound in light products (LPG, naphtha, gasoline and jet fuel/kerosene) nearly countered the decline in heating oil and residual fuel oil deliveries.

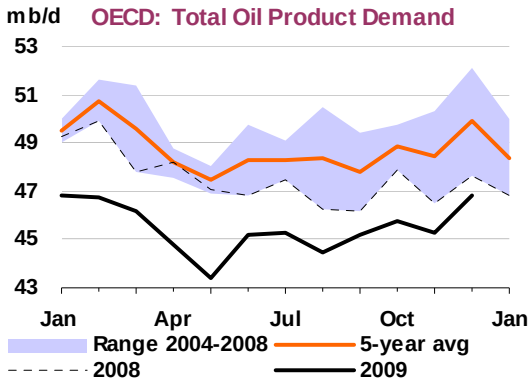
Revisions to November preliminary data were marginal (+40 kb/d), with positive changes in North America and the Pacific exceeding negative adjustments in Europe. As such, November demand contracted by a largely unchanged 2.6% year-on-year. On a yearly basis, OECD oil demand is broadly untouched when compared with last month's report. Demand is still expected to contract by 4.4% in 2009 to 45.5 mb/d and remain flat in 2010.

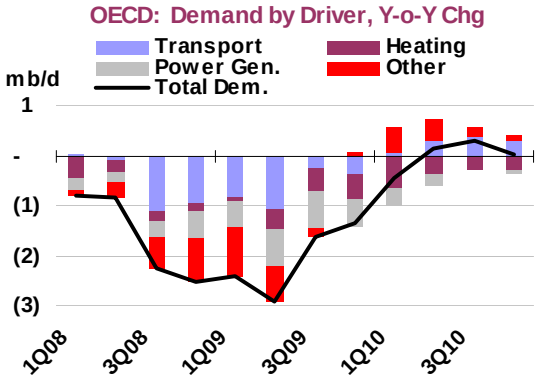
OECD Demand based on Adjusted Preliminary Submissions - December 2009

(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.54**	**0.2**	**1.71**	**4.0**	**3.67**	**1.2**	**0.95**	**-19.5**	**0.94**	**-20.8**	**5.87**	**5.07**	**23.68**	**-0.3**
US50	8.94	0.1	1.51	4.6	3.16	0.2	0.44	-29.9	0.48	-36.5	4.38	3.4	18.91	-1.2
Canada	0.73	-0.9	0.11	2.5	0.19	0.2	0.37	-1.6	0.13	-4.2	0.76	12.5	2.29	3.1
Mexico	0.82	2.2	0.06	-4.8	0.29	0.0	0.12	0.0	0.27	13.2	0.68	8.4	2.24	4.6
OECD Europe	**2.19**	**-4.8**	**1.24**	**-1.5**	**4.16**	**1.1**	**2.23**	**-13.3**	**1.40**	**-17.4**	**3.46**	**4.0**	**14.69**	**-3.9**
Germany	0.44	-5.3	0.18	10.7	0.64	6.8	0.40	-37.4	0.15	-10.8	0.63	41.5	2.43	-1.6
United Kingdom	0.35	-4.2	0.39	-5.3	0.38	1.2	0.12	-6.5	0.09	3.8	0.31	-11.6	1.64	-4.6
France	0.20	-2.5	0.14	-5.9	0.69	3.6	0.45	-2.2	0.09	-32.6	0.50	-3.7	2.05	-2.9
Italy	0.25	-6.0	0.06	3.0	0.56	2.6	0.14	-1.8	0.13	-50.6	0.32	-5.9	1.47	-9.9
Spain	0.14	-6.7	0.11	-3.3	0.47	-0.5	0.26	-14.4	0.20	-9.1	0.30	-4.5	1.47	-6.0
OECD Pacific	**1.65**	**-1.7**	**1.24**	**-4.1**	**1.20**	**-5.0**	**0.49**	**-8.3**	**0.74**	**-15.3**	**3.16**	**7.7**	**8.48**	**-1.1**
Japan	1.06	-1.4	0.86	-4.4	0.57	-2.2	0.36	-6.9	0.36	-26.9	1.78	3.8	4.99	-3.1
Korea	0.19	-7.7	0.24	-5.0	0.28	-9.0	0.13	-11.6	0.35	1.9	1.20	16.6	2.40	4.5
Australia	0.35	-0.4	0.11	-0.4	0.29	-6.7	0.00	-15.1	0.03	-23.4	0.15	-5.5	0.93	-4.2
OECD Total	**14.38**	**-0.8**	**4.19**	**-0.1**	**9.04**	**0.3**	**3.68**	**-14.4**	**3.08**	**-18.0**	**12.48**	**5.4**	**46.86**	**-1.6**

* Including US territories





These small revisions to the OECD outlook may seem counterintuitive, given higher GDP assumptions, notably for 2010, and the prevalence of very cold temperatures. As noted, several ongoing trends have rendered OECD oil demand less sensitive to economic growth and, increasingly, to extreme winter conditions, as discussed below. Moreover, demand in the largest OECD consumer – the United States – remains stubbornly weak, as suggested by preliminary weekly data for January, despite signs of rebounding economic activity. This recovery risks being 'oil-less' as far as the OECD is concerned, potentially supporting the argument that OECD demand has peaked.

Total OECD Demand by Product

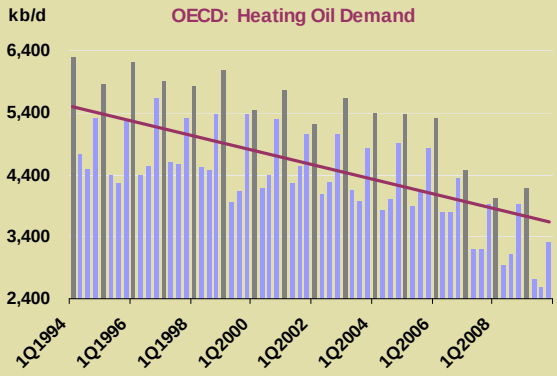
(million barrels per day)

	2008	2009	4Q08	1Q09	2Q09	3Q09	Sep 09	Oct 09	Nov 09*	Latest month vs. Oct 09	Latest month vs. Nov 08
LPG & Ethane	4.66	4.61	4.55	4.83	4.36	4.37	4.37	4.66	5.03	0.37	0.54
Naphtha	3.06	2.98	2.86	2.96	2.86	2.96	3.06	3.01	3.17	0.17	0.30
Motor Gasoline	14.41	14.40	14.37	14.00	14.55	14.75	14.39	14.37	14.14	-0.22	-0.05
Jet & Kerosene	3.97	3.75	3.89	3.99	3.53	3.63	3.57	3.68	3.67	-0.01	-0.13
Gas/Diesel Oil	13.02	12.28	13.43	13.09	11.78	11.74	12.19	12.72	12.14	-0.57	-0.88
Residual Fuel Oil	3.66	3.16	3.63	3.61	3.07	2.90	2.86	3.08	3.03	-0.05	-0.50
Other Products	4.78	4.30	4.62	4.08	4.30	4.65	4.78	4.27	4.05	-0.22	-0.50
Total Products	**47.57**	**45.49**	**47.34**	**46.57**	**44.44**	**44.99**	**45.20**	**45.78**	**45.25**	**-0.53**	**-1.23**

* Latest official OECD submissions (MOS)

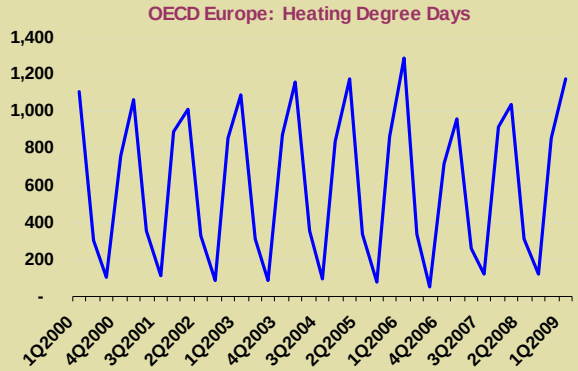
A Heated Debate: Will The Cold Spell Boost Winter Demand?

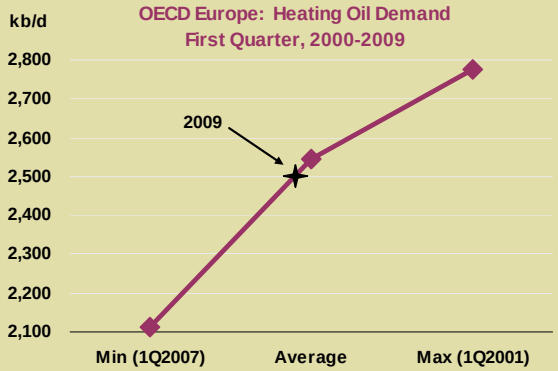
OECD oil demand has traditionally followed a clear seasonal pattern, with demand peaking in the first quarter as winter sets in, thus boosting demand for heating and electricity. Yet the cold wave that hit the northern hemisphere in December and January has not produced any noticeable surge in oil demand, judging by preliminary data, which admittedly could still be revised. The reason is largely structural. As this report has often noted, the share of oil for heating and power generation in the OECD has been shrinking uninterruptedly over the past decade. Other energy sources, notably natural gas, renewables and nuclear power, are becoming the fuels of choice for both purposes, displacing both distillate and residual fuel oil. The dynamics of heating oil (HO) demand are particularly noteworthy.



Nowadays, only a handful of OECD countries rely on oil for heating. In North America, HO is essentially burned in the US East Coast (about 640 kb/d on average in 1Q09) and southeastern Canada (360 kb/d). In Europe, the largest heating oil market is Germany (680 kb/d), closely followed by France (450 kb/d), and more distantly by Spain (270 kb/d) and several other countries consuming around 140 kb/d on average (Belgium, Greece, Italy, Switzerland and the United Kingdom). In the Pacific, HO demand in Japan (440 kb/d) and Korea (120 kb/d) is dwarfed by kerosene use, which is the region's winter fuel of choice. Overall, 1Q09 HO use (4.2 mb/d) accounted for about 9% of total OECD oil demand, compared with almost 14% in the early 1990s. Over the past 15 years, OECD first-quarter HO demand has declined by about a third (or approximately 2 mb/d).

Europe, which accounted for roughly two-thirds of total OECD HO demand in 2009, features the highest HO demand correlation with heating degree days (HDDs), at 74% over the past ten years. This affords several interesting observations: although 1Q06 was the coldest quarter over the past ten years, HO demand actually peaked in 1Q01; in 1Q09, the second-coldest quarter during the same period, HO demand was approximately 300 kb/d lower than in 1Q01, and only 400 kb/d higher than in the warmest quarter (1Q07). In terms of quarter-on-quarter growth, 1Q09 HO demand rose by about half as much as in 1Q06 (+130 kb/d versus +220 kb/d).

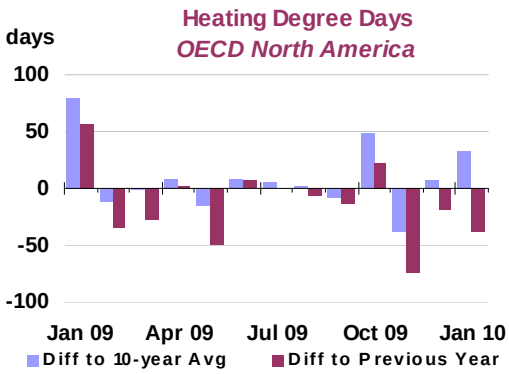




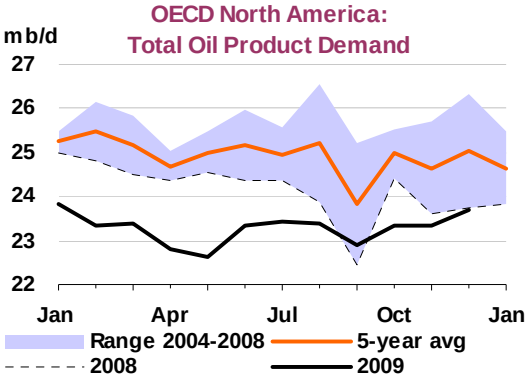
In sum, there are clearly structural forces at play behind the decline in OECD HO demand. As such, even if 1Q10 proves to be as cold as 1Q09, the HO surge – and the concomitant fall in distillate stocks – predicted by many observers is unlikely to materialise. Indeed, OECD HO demand will probably be lower than last year. This report takes into account the 10-year average of HDDs when projecting HO demand, but it also attempts to incorporate the observed declining trend, taking into account a number of factors (such as natural gas penetration, the relative prices of alternative fuels, etc.). On that basis, we currently expect total OECD HO demand to average 3.7 mb/d in 1Q10, some 500 kb/d or 13% lower than in 1Q09.

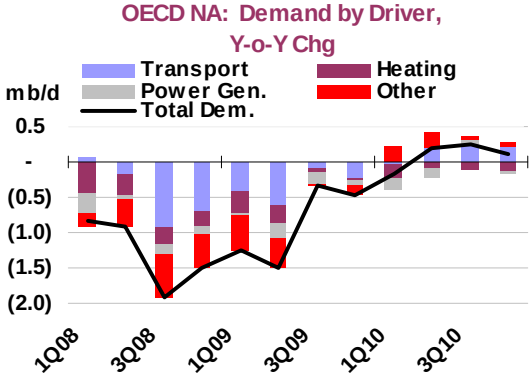
North America

Preliminary data show that oil product demand in North America (including US territories) contracted by -0.3% year-on-year in December. Excluding September 2009, the -0.3% year-on-year comparison was the most muted fall since December 2007, suggesting that steep oil demand declines for the region as a whole have begun to abate. This seems true for Canada and Mexico, which posted growth of 3.1% (estimated) and 4.6% (preliminary), respectively, in December. Canada has thus likely witnessed two consecutive months of annual demand increases, while Mexico has been in positive territory for the past four months. The US, by contrast, has continued to lag. The 50 states saw a yearly contraction of 1.2% in December, despite relatively cold weather (HDDs in that month were slightly higher than the 10-year average, but lower than in 2008).



Revisions to November preliminary data, at +300 kb/d, stemmed from a +60 kb/d upward change to Canada and a 235 kb/d upward revision to the US. As such, North American demand fell by 1.2% year-on-year in November versus the 2.5% previously estimated. The change was driven primarily by a large upward revision in US LPG/ethane demand, which was only partially offset by falls in gasoline and jet/kerosene in both the US and Canada. North American oil demand is thus estimated at 23.3 mb/d in 2009 (-3.7% or -0.9 mb/d versus 2008 and +25 kb/d versus our last report). In 2010, demand should rise to 23.4 mb/d (+0.5% or +110 kb/d versus 2009 and unchanged versus our last report) with GDP-driven increases in naphtha and transport fuels outweighing structural declines in heating oil and residual fuel oil.





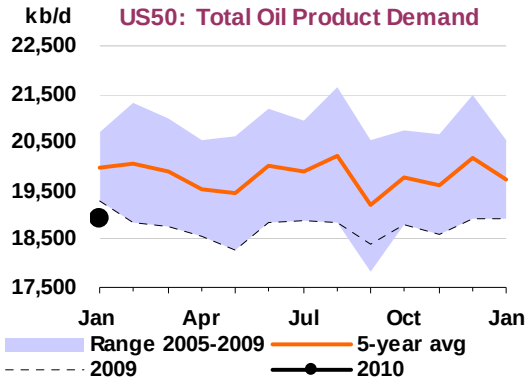
OECD North America Demand by Product
(million barrels per day)

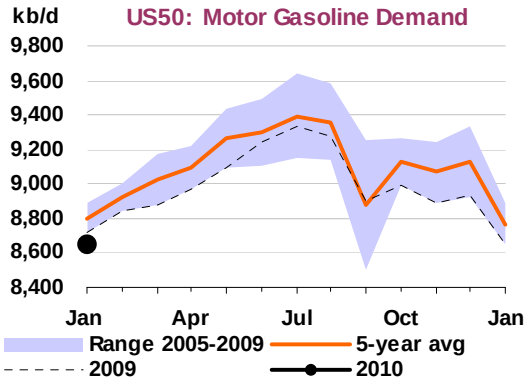
	2008	2009	4Q08	1Q09	2Q09	3Q09	Sep 09	Oct 09	Nov 09*	Latest month vs. Oct 09	Latest month vs. Nov 08
LPG & Ethane	2.72	2.77	2.66	2.88	2.51	2.62	2.62	2.91	3.32	0.40	0.63
Naphtha	0.36	0.30	0.33	0.29	0.33	0.31	0.29	0.26	0.31	0.05	-0.06
Motor Gasoline	10.51	10.54	10.50	10.30	10.63	10.74	10.46	10.55	10.40	-0.14	0.00
Jet & Kerosene	1.77	1.65	1.64	1.66	1.62	1.68	1.59	1.59	1.55	-0.03	-0.10
Gas/Diesel Oil	5.01	4.60	5.03	4.94	4.41	4.40	4.43	4.70	4.62	-0.08	-0.32
Residual Fuel Oil	1.10	0.97	1.06	1.08	0.98	0.87	0.82	0.98	0.92	-0.07	-0.03
Other Products	2.69	2.46	2.71	2.38	2.43	2.63	2.68	2.38	2.22	-0.16	-0.39
Total Products	**24.17**	**23.28**	**23.93**	**23.52**	**22.91**	**23.24**	**22.90**	**23.36**	**23.33**	**-0.03**	**-0.28**

* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data in the continental **United States** indicate that inland deliveries – a proxy of oil product demand – contracted by 1.9% year-on-year in January, following a fall of 1.2% in December and 2.4% in November. The January figure reversed a recent trend of diminishing demand

declines and seemingly belies more optimistic economic data. After growth of 0.2% in December, diesel in January reverted to a negative trend, shrinking 1.9% versus January 2009. Weather and continued interfuel substitution also played a role. Though colder than December, January 2010 was warmer than January 2009; as such, heating oil and residual fuel oil year-on-year comparisons were sharply negative.

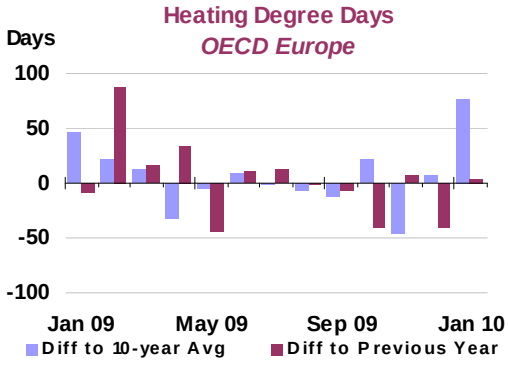




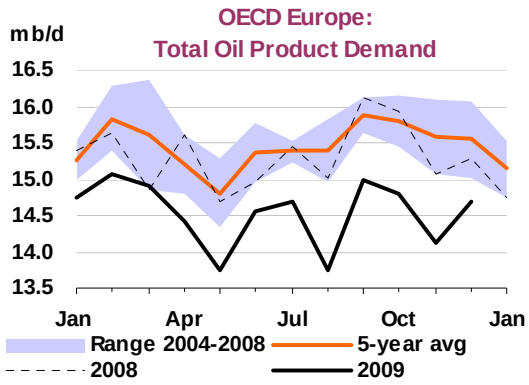
Recent economic readings have been more positive, but point at best to muted oil demand recovery in the near term. US real GDP growth in 4Q09 was preliminarily estimated at 5.7% on an annual basis, while December industrial production reached its highest level of 2009. Nevertheless, 4Q09 oil demand fell by 2.8%, or 530 kb/d, versus 4Q08, with diesel down by 7.9%, as other indicators – such as freight volumes – also continued to show year-on-year declines. Our 2009 US oil product demand outlook was revised up marginally by 20 kb/d to 18.7 mb/d (-3.9% year-on-year or -760 kb/d). Meanwhile, the more optimistic prognosis of 2.8% GDP growth for 2010 (versus 1.5% previously) may yield only subdued oil demand growth, led by diesel and jet/kerosene. Indeed, our higher price assumption, combined with increased interfuel substitution and much weaker-than-expected preliminary data for January, largely dampens the stronger GDP outlook. Our 2010 forecast has thus been slightly revised down (-35 kb/d), with demand expected to average 18.8 mb/d (+0.2% or +40 kb/d).

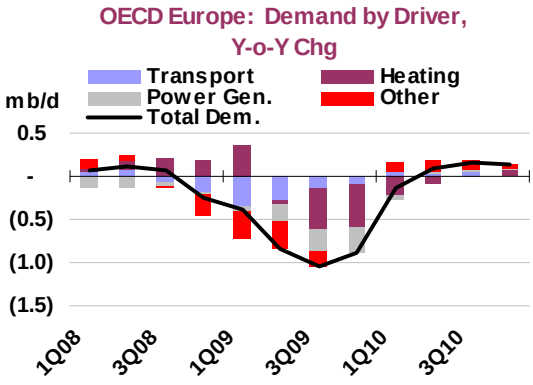
Europe

Oil product demand in Europe contracted by 3.9% year-on-year in December, according to preliminary inland data, with all product categories bar naphtha and diesel posting losses. As in the last few months, the fall was driven by weak deliveries of heating oil (-13.3%) and residual fuel oil (-17.4%), resulting from earlier heating oil restocking, cheaper natural gas and warmer temperatures relative to the same month in the previous year (HDDs were slightly higher than the 10-year average but markedly lower than in December 2008).



Nonetheless, the sharp rebound in naphtha deliveries in 4Q09 (+13.8% year-on-year) could signal a buoyant economic recovery, if petrochemicals – and hence naphtha demand – remains a reliable leading indicator. The surge, however, must be assessed vis-à-vis the collapse of the previous year: European demand in December 2008 had plummeted by 23.1% versus December 2007 – and despite the sharp increase, demand is still below 2007 levels. Moreover, the surge occurred essentially in Germany (+26.5% in 4Q09), which accounts for almost half of Europe's total naphtha demand, and is thought to have been largely export-driven, something borne out by still-muted expectations for European GDP growth from the IMF. Indeed, Germany's 4Q09 GDP appears to have stagnated, according to preliminary estimates, with domestic demand remaining anaemic if not declining.





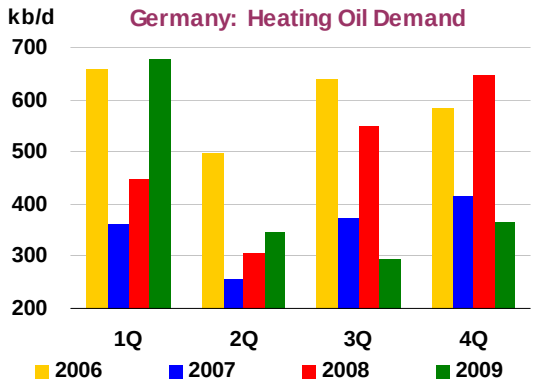
Meanwhile, the revisions to November preliminary demand data were hefty (-370 kb/d), mostly because of weaker-than-expected distillate and residual fuel oil deliveries. Admittedly, more than half of the total revisions were concentrated in heating oil, but other product categories bar naphtha and jet fuel/kerosene were also trimmed. OECD Europe oil demand actually plummeted by 6.2% during that month, much more than previously anticipated (-3.8% year-on-year). Overall, as in other OECD areas, the rebound in oil demand is likely to be modest despite slightly higher economic prognoses. Forecast oil product demand is slightly adjusted down by 20 kb/d on average to 14.5 mb/d in 2009 (-5.2% or -790 kb/d versus 2008) and to 14.6 mb/d in 2010 (+0.4% or +65 kb/d versus 2009).

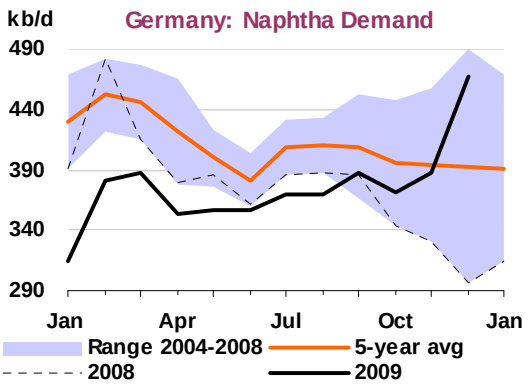
OECD Europe Demand by Product
(million barrels per day)

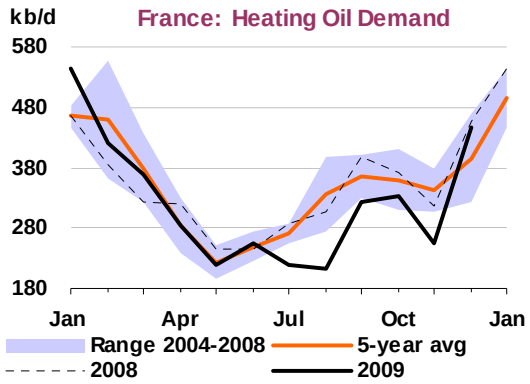
	2008	2009	4Q08	1Q09	2Q09	3Q09	Sep 09	Oct 09	Nov 09*	Latest month vs. Oct 09	Latest month vs. Nov 08
LPG & Ethane	1.03	0.97	1.00	1.05	0.99	0.89	0.86	0.91	0.89	-0.02	-0.07
Naphtha	1.06	1.00	0.96	1.03	0.89	0.99	1.04	1.04	1.10	0.06	0.14
Motor Gasoline	2.36	2.31	2.31	2.19	2.39	2.41	2.39	2.27	2.23	-0.04	-0.03
Jet & Kerosene	1.31	1.26	1.26	1.19	1.26	1.34	1.35	1.28	1.21	-0.08	0.03
Gas/Diesel Oil	6.33	6.09	6.69	6.51	5.81	5.84	6.25	6.35	5.88	-0.47	-0.52
Residual Fuel Oil	1.65	1.44	1.71	1.61	1.36	1.38	1.44	1.46	1.38	-0.09	-0.33
Other Products	1.58	1.47	1.50	1.33	1.53	1.63	1.65	1.49	1.45	-0.04	-0.15
Total Products	**15.33**	**14.54**	**15.43**	**14.91**	**14.23**	**14.47**	**14.98**	**14.81**	**14.13**	**-0.68**	**-0.94**

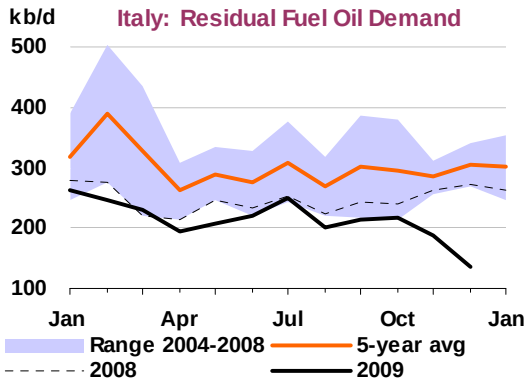
* Latest official OECD submissions (MOS)

Preliminary data indicate that **German** oil product demand fell by 1.6% year-on-year in December, with weak deliveries of heating oil (-37.4%) and residual fuel oil (-10.8%) offsetting the spectacular surge in naphtha demand (+57.9%). Interestingly, consumer heating oil stocks fell to 61% of capacity by end-December, roughly at the levels recorded in early 2009 prior to the dramatic stockbuild that began in March. However, this may not signal another heating oil stocking binge in 1H10, since part of the reason why German consumers opted to replenish their tanks early last year rather than in the third quarter, as they traditionally do, is that oil prices had plummeted as a result of the global recession.





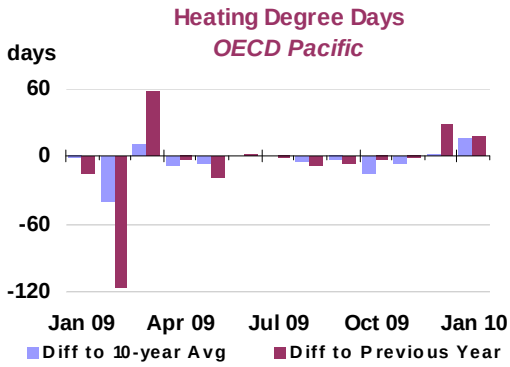




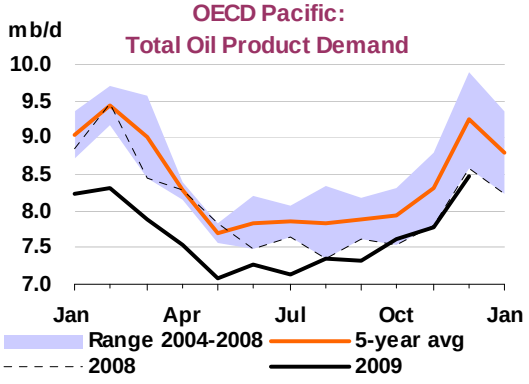
In **France**, total oil product deliveries contracted by 2.9% year-on-year in December, despite more seasonal heating oil deliveries. Heating oil demand was well above the five-year average, although below last year's level (-2.2%). In fact, all product categories bar diesel and 'other products' continued to post negative readings. Meanwhile, **Italian** oil product demand plummeted by 9.9% in December, mostly as a result of very weak residual fuel oil deliveries (-50.6%). This provides further evidence of interfuel substitution in favour of natural gas, as residue used to be the fuel of choice whenever hydropower supplies were affected by lack of rain (as during most of 4Q09). However, this trend could be partially reversed as low contract natural gas prices eventually catch up with higher oil prices.

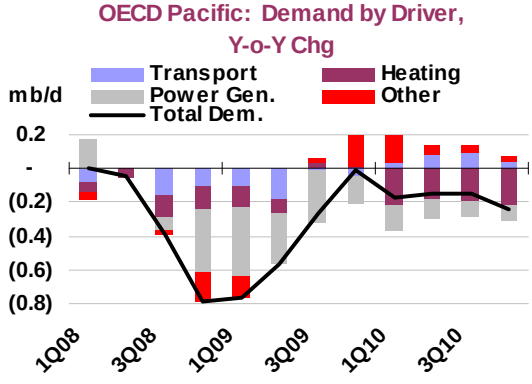
Pacific

Oil product demand in the Pacific fell in December (-1.1% year-on-year), according to preliminary data. The sharp rebound in naphtha deliveries (+15.5%) and strong growth in LPG demand (+2.6%) failed to offset losses in all other product categories. Jet fuel/kerosene, in particular, declined by 4.1%, despite colder temperatures, notably relative to the previous year (kerosene is used for heating in both Japan and Korea). Regional demand continues to be pressured down by poor readings in Japan and despite solid growth in Korea.



November revisions were positive (+100 kb/d), on the back of stronger-than-expected Japanese deliveries of gasoil and residual fuel oil. OECD Pacific oil demand contracted by only 0.1% during that month, much less than previously anticipated (-1.4% year-on-year). Yet the outlook has been marginally revised up. Indeed, the recent IMF update lifted GDP projections for all countries bar Japan, for which the prognosis was actually trimmed slightly. This reflects ongoing worries about the health of the Japanese economy, the largest in the region. Given the weight of Japan and its continued, structural





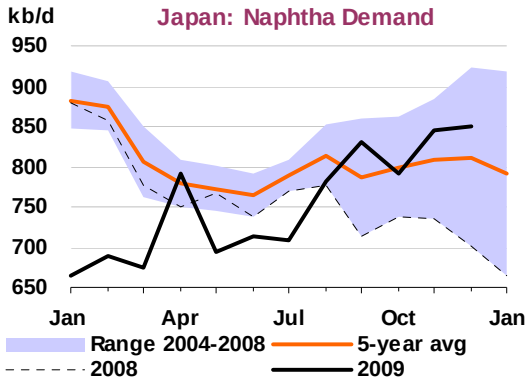
decline in oil demand, OECD Pacific total oil demand is estimated at 7.7 mb/d in 2009 (-5.0% or -400 kb/d on a yearly basis and +10 kb/d versus our last report) and at 7.5 mb/d in 2010 (-2.3% or 180 kb/d versus 2009 and +20 kb/d compared with our previous assessment).

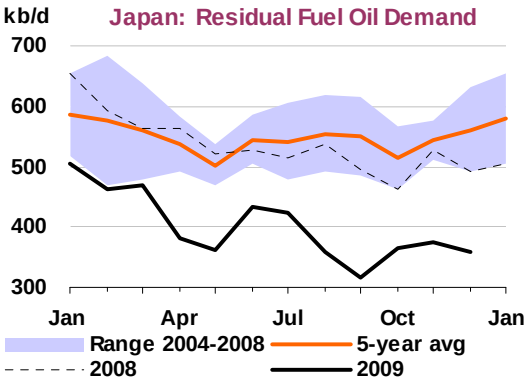
OECD Pacific Demand by Product
(million barrels per day)

	2008	2009	4Q08	1Q09	2Q09	3Q09	Sep 09	Oct 09	Nov 09*	Latest month vs. Oct 09	Latest month vs. Nov 08
LPG & Ethane	0.90	0.87	0.90	0.90	0.85	0.86	0.88	0.84	0.82	-0.02	-0.01
Naphtha	1.64	1.68	1.56	1.64	1.64	1.66	1.73	1.71	1.77	0.06	0.22
Motor Gasoline	1.54	1.55	1.56	1.51	1.52	1.60	1.54	1.55	1.51	-0.04	-0.02
Jet & Kerosene	0.89	0.85	0.99	1.15	0.66	0.60	0.63	0.81	0.91	0.10	-0.06
Gas/Diesel Oil	1.68	1.59	1.70	1.64	1.56	1.49	1.51	1.67	1.65	-0.02	-0.04
Residual Fuel Oil	0.91	0.75	0.86	0.92	0.73	0.65	0.60	0.64	0.74	0.10	-0.14
Other Products	0.50	0.37	0.40	0.38	0.33	0.39	0.44	0.40	0.38	-0.02	0.04
Total Products	**8.07**	**7.67**	**7.97**	**8.14**	**7.30**	**7.27**	**7.33**	**7.61**	**7.78**	**0.17**	**-0.01**

* Latest official OECD submissions (MOS)

According to preliminary data, **Japanese** oil demand fell by 3.1% year-on-year in December, with all product categories bar naphtha posting losses. Here too, the strong recovery of naphtha deliveries (+21.3%) was likely export-driven, rather than related to buoyant domestic demand. Admittedly, the weakness in overall demand is also due to interfuel substitution in favour of natural gas and rising nuclear power generation (December's nuclear utilisation rate, at 74%, was the highest since August 2006). This continues to curb demand for residual fuel oil (-26.9%) and 'other products' (-17.8%), which include direct crude burning.





The Japanese government has provided further guidelines on how the ¥25/litre ($0.28/litre) 'provisional' gasoline tax might be suspended. The tax, introduced in 1974 to fund road construction, was originally due to expire next March, but it will be maintained at least during the next fiscal year (April-March). According to the government's tax commission, the tax would be suspended if the national average retail price for regular unleaded gasoline exceeded ¥160/litre ($1.80/litre) for three consecutive months, and would be reimposed if the average price fell below ¥130/litre ($1.46/litre) for another three consecutive months. The measure must still be approved by parliament, and it remains unclear whether the tax would be wholly or partly suspended, and perhaps more importantly, who would bear the burden – i.e., the government or refiners holding tax-inclusive stocks. However, some observers suggest that the measure is largely symbolic, as the suspension trigger would require crude oil prices to exceed $100/bbl – an eventuality not presently suggested by prevailing futures strips.

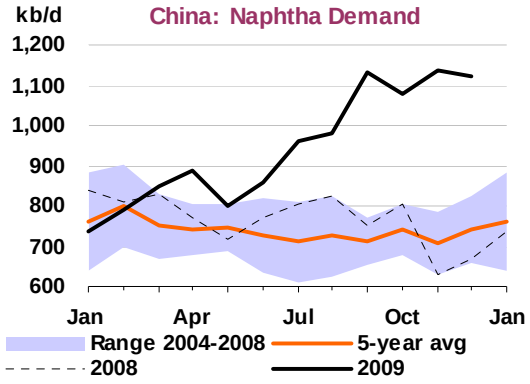
Non-OECD

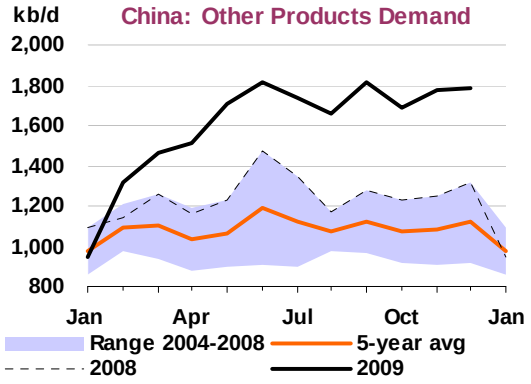
China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) posted the fourth consecutive month of double-digit growth, surging by 17.5% year-on-year in December. All product categories bar gasoline and residual fuel oil posted gains, most notably naphtha (+67.9%), gasoil (+25.4%) and 'other products' (+35.7%). The growth of those three products is commensurate with rising industrial activity and, more generally, buoyant economic growth on the back of government-directed stimuli. GDP expanded by 10.7% year-on-year in 4Q09, according to official statistics, putting yearly growth at +8.7%, well above the government's avowed target of 8%.

The fall in gasoline demand, meanwhile, is probably related to data issues and stocking, as discussed in previous months. A similar point could be made regarding Sinopec's recently announced 2009 sales, which at first glance were puzzlingly low. Indeed, the state-owned company, which is the country's largest refiner and retailer, only reported figures for three products (gasoline, gasoil and jet fuel/kerosene) and provided no data on stocks.

The IMF now expects Chinese economic growth to reach +10% in 2010, a full percentage point higher versus its October assessment. This, coupled with higher than expected 4Q09 data (November's figure was revised up by 190 kb/d), suggests that oil demand, at 8.5 mb/d in 2009, rose by as much as +7.7% year-on-year (+610 kb/d), about 35 kb/d more than previously anticipated and equivalent to an astonishing 75% of total non-OECD oil demand growth. Meanwhile, the higher GDP assumption has resulted in a +75 kb/d adjustment to the 2010 prognosis, with demand projected to average 8.9 mb/d in 2010 (+4.7% or +400 kb/d versus 2009), equivalent to a lesser 25% of non-OECD growth.





This outlook assumes that the Chinese government will continue to favour growth as long as inflation remains moderate. From that perspective, recent moves to curb lending and pre-emptively tame inflationary pressures could be interpreted as an attempt to merely rein in credit excesses, rather than signalling a fundamental change regarding the direction of macroeconomic policy. If this assessment

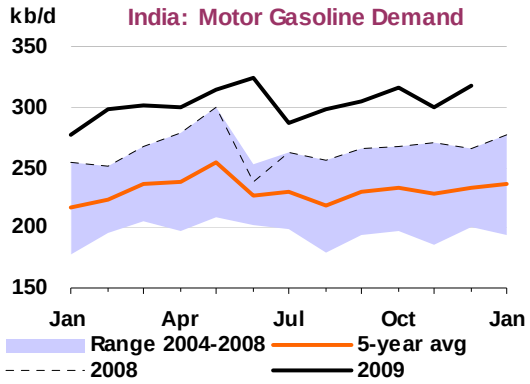
China: Demand by Product
(thousand barrels per day)

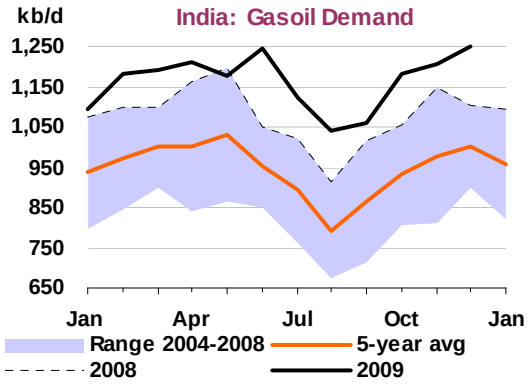
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	793	85	56	13.0	7.5
Naphtha	768	945	1,050	177	104	23.0	11.1
Motor Gasoline	1,493	1,538	1,611	45	73	3.0	4.7
Jet & Kerosene	292	345	360	52	15	18.0	4.5
Gas/Diesel Oil	2,837	2,758	2,909	-79	151	-2.8	5.5
Residual Fuel Oil	603	576	535	-28	-41	-4.6	-7.1
Other Products	1,246	1,601	1,642	355	42	28.5	2.6
Total Products	**7,892**	**8,500**	**8,900**	**607**	**400**	**7.7**	**4.7**

proves to be correct, our oil demand forecast could well be revised up over the course of the year. The outlook for 'other products', in particular, could well surprise on the upside if investment in infrastructure projects within China continues apace. Similarly, naphtha demand could be stronger if all the planned ethylene capacity additions (+25% in 2010, according to some estimates) come on stream. On the downside, though, economic growth could be less buoyant if China's exchange-rate policies prompt a protectionist backlash among its main trading partners.

Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – rose by 2.7% year-on-year in December, a slower pace when compared with most of 2009. As in previous months, demand for gasoline continued to race ahead (+19.4%), with car sales rising by 40.3% year-on-year in December, supported by easier credit and relative to a lower base. It was closely followed by gasoil (+13.5%) and 'other products' (+16.4%), both sustained by rising irrigation and power generation needs in agricultural states (although the harvest season has ended, northern areas have faced a severe winter) and by robust manufacturing activity. By contrast, naphtha sales were reportedly down by 47.4% – albeit upward revisions to preliminary data, a feature throughout 2009, were again evident in November (+80 kb/d, showing a decline of 3.1% instead of -28.3%). Nonetheless, the structural decline of naphtha in favour of natural gas seems well underway (naphtha demand fell by about 3% year-on-year in 2009).





India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	408	427	445	19	18	4.6	4.3
Naphtha	310	319	285	9	-34	2.8	-10.6
Motor Gasoline	265	303	337	38	34	14.4	11.2
Jet & Kerosene	299	299	307	1	8	0.2	2.6
Gas/Diesel Oil	1,078	1,163	1,255	85	93	7.9	8.0
Residual Fuel Oil	394	391	389	-3	-1	-0.8	-0.3
Other Products	381	398	406	17	8	4.5	2.1
Total Products	**3,134**	**3,299**	**3,425**	**165**	**126**	**5.2**	**3.8**

Time To Tackle Subsidies?

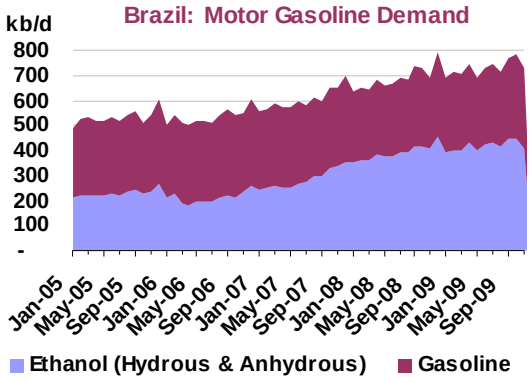
In early February, a government panel set up last September submitted its findings regarding the question of how to establish a viable and sustainable system of pricing of petroleum products in India. The expert group – the third of its kind after earlier committees set in 2006 and 2008 – came up with a similar recommendation as its predecessors: the government should fully liberalise gasoline and gasoil prices (ex-refinery and retail prices) and reduce the highly distorting subsidy on cooking fuels (LPG and kerosene).

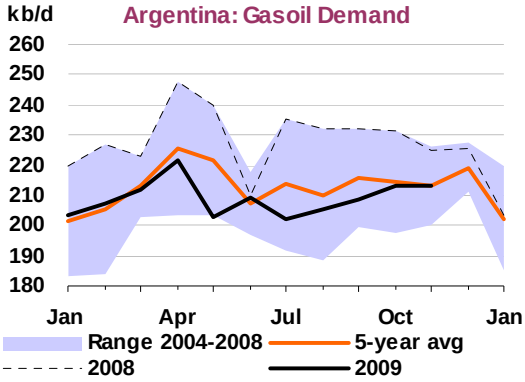
Time To Tackle Subsidies? (continued)

In terms of specific measures, the panel advocates sharply raising end-user LPG and kerosene prices, by 35% and 67%, respectively (albeit both fuels would still be sold at prices well below international benchmarks). The subsidy would be partly financed by a special oil tax levied on state-owned exploration companies if international oil prices exceeded $60/bbl. In addition, a further excise duty would be levied on diesel cars in order to discourage the ongoing dieselisation of the fleet, which has been prompted by the current price differential in favour of diesel. Arguing that diesel has a social function, the panel deemed it preferable to raise taxes on private diesel cars rather than equalising the taxes applied to both fuels.

It remains to be seen whether the government will follow these recommendations, as recent efforts to align domestic and international prices have met with mixed success. Some reports suggest that the government may opt for a dual strategy, namely liberalise gasoline prices but only gradually raise diesel prices in order to contain inflation. This would help diminish the subsidy-related losses incurred by the three state-owned oil companies (IOC, BPCL and HPCL). Last January, the Finance Ministry compensated them with Rs 120 billion ($2.6 billion) for losses incurred over April-December 2009 (roughly half of what the companies had requested). For the whole fiscal year, losses are expected to reach some Rs 450 billion. Private players (Reliance, Essar and Shell) – although technically not obliged to supply the domestic market, as opposed to state-owned companies – have also repeatedly argued that they too deserve some type of compensation for selling oil products at a loss.

In **Brazil**, a disappointing sugar harvest and ethanol production over the past six months continued to influence the transportation fuel mix. Hydrous ethanol prices have risen to levels above 70% of gasoline – the level at which they lose competitiveness versus fossil fuels – in the majority of Brazilian states. High costs for anhydrous ethanol, which is blended directly into the gasoline pool, have prompted the government to reduce mandated blending volumes from 25% to 20% for 90 days starting 1 February. The government has reduced taxes on gasoline by $0.12/litre in a further effort to control fuel price inflation. Nevertheless, Brazil's foreign trade commission decided to delay until June a potential tariff cut on imported ethanol from 20% to zero, which may have resulted in the rare importation of US supplies and eased price pressures for domestic consumers. By contrast, Brazilian biodiesel, whose output rose through much of 2009, continued to expand on the demand side with the introduction of a nationwide 5% blend in the diesel pool on 1 January.





In **Argentina**, meanwhile, the government announced the introduction of a 5% biodiesel blend. Originally envisaged to begin on 1 January, the B5 mandate was delayed up due to disagreement with refiners over the incursion of blending costs. The pricing dispute was resolved with the government agreeing to pass those costs on to prices at the pump.

SUPPLY

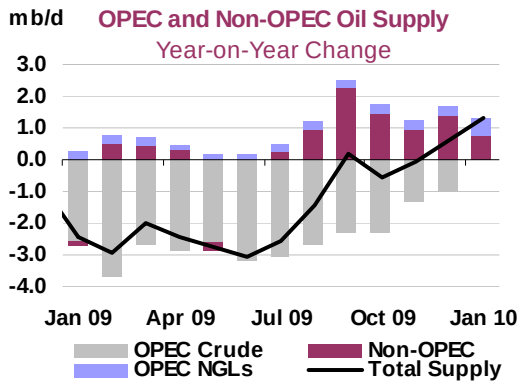
Summary

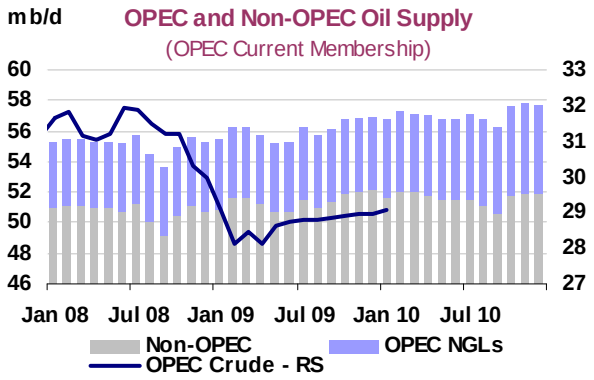
- **Global oil supply fell by 45 kb/d to just above 85.8 mb/d in January**, with a 415 kb/d gain in total OPEC output (mostly NGLs) offset by a 460 kb/d dip in non-OPEC production. Year-on-year, global output was 1.3 mb/d higher, with increases shared between non-OPEC and OPEC NGL production, while OPEC crude output was unchanged.

- **Non-OPEC supply dipped by 460 kb/d in January 2010 to 51.6 mb/d** on a seasonal drop in OECD crude and NGL output and problems at some Chinese fields due to extreme weather. Average 2009 production is now estimated 70 kb/d higher at 51.4 mb/d as robust end-2009 US and North Sea production and some NGL/non-conventional baseline changes more than offset disrupted Chinese oil output. 2010 supply is revised up by 120 kb/d to 51.6 mb/d on improved US and North Sea crude prospects.

- **Crude oil supply from OPEC averaged 29.1 mb/d in January**, up by 105 kb/d compared with the previous month. Output by OPEC-11, which excludes Iraq, was up by 135 kb/d to 26.6 mb/d in January, with the group producing about 1.8 mb/d above its 24.845 mb/d output target. The call on OPEC crude and stock change for 2010 has been revised up by 300 kb/d, to 29.4 mb/d due to higher demand projections.

- **OPEC condensate and natural gas liquids (NGL) production** is forecast to post strong gains in 2010, of 800 kb/d to 5.5 mb/d, but just over half of the increase is related to ramp-up in 2009 project start-ups. Total OPEC condensates and NGLs averaged 4.7 mb/d in 2009, up by 250 kb/d over 2008 levels but 305 kb/d lower than forecast in December 2009.





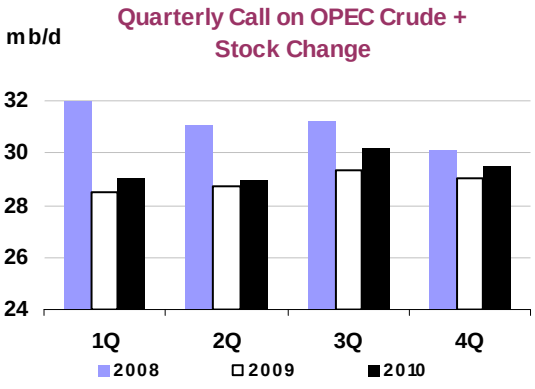
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

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

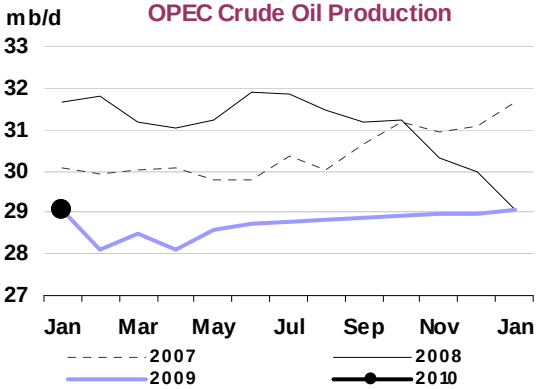
OPEC Crude Oil Supply

Crude oil supply from OPEC averaged 29.1 mb/d in January, up by 105 kb/d compared with the previous month. December output was revised down by 80 kb/d, largely due to lower than previously estimated output from Saudi Arabia.

Output by OPEC-11, which excludes Iraq, was up by 135 kb/d to 26.6 mb/d in January, with the group producing about 1.8 mb/d above its 24.845 mb/d output target. Relative to targeted output cuts, OPEC's compliance rate slipped to just 58% in January compared with 61% the previous month.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC production has hovered in a fairly narrow range of between 28.8 mb/d and 29.1 mb/d over the past six months, with lower Iraqi output offset by a steady uptick in Nigerian volumes. However, the worsening political crisis in **Nigeria** given ailing president Yar'Adua's prolonged absence from the country has crippled the government's functioning and led to rebel groups formally calling off the six-month ceasefire effective 30 January, arguing the government has failed to deliver on its end of the arms-for-amnesty agreement. On 31 January, a day after the Movement for the Emancipation of the Niger Delta (MEND) suspended the cease fire, Shell reported three key oil flow stations and pipelines handling Forcados crude were sabotaged, forcing the company to shutter 150 kb/d of production. Earlier, rebels kidnapped four Shell contract workers on 12 January. Chevron's operations were also attacked in early January, forcing the shut-in of some 20 kb/d.

Nigeria's January production was down by 10 kb/d, to around 2 mb/d. Nigerian crude output could average below 1.9 mb/d in February if these shut-ins persist,

However, after weeks of contentious debate among the country's leaders, Nigerian Vice President Goodluck Jonathan was officially granted presidential powers on 9 February, which many hope will put an end to the crisis. MEND has yet to announce whether it will honour the ceasefire agreement following the appointment of Jonathan as acting President. Moreover, the government still has many challenges to contend with in the near term, including election reform ahead of the 2011 elections and the controversial new 'Oil Industry Bill'. In addition, the political upheaval is delaying contract renewals with foreign operators and formal approval for development of new projects, with deep-water production plans at risk of delays given the high costs and long lead times involved. Shell, the country's oldest and largest producer partner as well as the principal target of militant attacks, announced in mid-January it was downsizing its operations in Nigeria.

Crude oil production in **Angola** edged higher in January, up by 40 kb/d to 1.89 mb/d. Preliminary loading schedules indicate output is on course to rise a further 50 kb/d in February.

OPEC Crude Production

(million barrels per day)

	Nov 2009 Supply	Dec 2009 Supply	Jan 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Jan 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.24	1.25	1.25	1.40	0.15	0.200	60%
Angola	1.88	1.85	1.89	2.10	0.21	0.244	0%
Ecuador	0.46	0.46	0.46	0.50	0.04	0.067	57%
Iran	3.70	3.72	3.70	4.00	0.30	0.562	20%
Kuwait[2]	2.28	2.29	2.29	2.65	0.36	0.374	86%
Libya	1.52	1.52	1.52	1.70	0.18	0.252	71%
Nigeria[3]	1.98	2.01	2.00	2.60	0.60	0.319	0%
Qatar	0.77	0.80	0.80	0.90	0.10	0.122	49%
Saudi Arabia[2]	8.22	8.12	8.20	12.00	3.80	1.318	95%
UAE	2.27	2.28	2.29	2.70	0.41	0.379	95%
Venezuela[4]	2.20	2.19	2.22	2.40	0.18	0.364	41%
OPEC-11	**26.52**	**26.49**	**26.62**	**32.95**	**6.32**	**4.201**	**58%**
Iraq	2.45	2.48	2.45	2.60	0.15		
Total OPEC	**28.97**	**28.97**	**29.07**	**35.55**	**6.47**		
(excluding Iraq, Nigeria, Venezuela					*5.55)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 450 kb/d in January.

Saudi Arabia's production in January was pegged at 8.2 mb/d, slightly higher than a revised 8.1 mb/d for December. The downward revision in December's output is in line with reduced domestic refinery crude runs due to scheduled maintenance work. Despite lower output, crude exports were up in December and tanker data suggest shipments continued at these higher levels in January. Saudi Aramco shut in the 325 kb/d crude distillation unit at the Ras Tanura refinery from mid-December to late January for maintenance work.

UAE production was also up in January, by 10 kb/d to 2.29 mb/d. Volumes are expected to edge a bit lower in February, however. State-owned ADNOC tightened contract allocations for Asian buyers in February for lighter crudes while increasing heavier Upper Zakum. Murban volumes were cut by 13% versus 10% in January while Lower Zakum and Umm Shaif supplies were reduced by 15% compared with 10%. By contrast, Upper Zakum supply cuts were eased somewhat in February, 10% versus 20% the previous month. For March ADNOC reversed February cuts for the lighter crudes, to just 10% below allocations while heavier Upper Zakum cuts were increased to 15%.

Iraqi output was slightly lower by around 30 kb/d in January, at 2.45 mb/d, due to weather related-disruptions at the southern Basrah ports. Total exports are estimated at 1.93 mb/d for January versus 1.98 b/d in December. Crude oil exports from the Basrah terminals were down 85 kb/d, to 1.45 mb/d. Exports of Kirkuk crude rose by around 30 kb/d, to 475 kb/d in January.

Plans have been put forward by the regional government to allow exports from the Kurdish region, which were halted in October, to resume. Production from the Tawke and Taq Taq fields has been reduced to a combined 20 kb/d compared with an earlier 100 kb/d due to a dispute between Baghdad and the Kurdish Regional Government (KRG) over the legitimacy of the latter's contract awards to foreign operators, profit sharing proposals and payment issues for past exports. Negotiations on the broader issues have been sidelined until after the 7 March elections, but in a bid to show some progress to the 30 some companies that have signed contracts, the KRG have proposed that the companies could resume exports but only be paid for the cost of producing the crude, not the sale price collected by SOMO. The KRG officials argue this is a step forward in the protracted negotiations and Baghdad is reportedly reviewing the proposal.

OPEC NGLs

OPEC condensate and natural gas liquids (NGL) production is forecast to post strong gains of 800 kb/d, to 5.46 mb/d, in 2010 but nearly a quarter of the increase is due to delays in project start-ups last year. Total OPEC condensates and NGLs averaged 4.65 mb/d in 2009, up by 250 kb/d over 2008 levels but 210 kb/d lower than forecast in December 2009. We have undertaken an extensive review of NGL prospects worldwide in recent months.

Saudi Arabia's condensate and NGL production is estimated at 1.39 mb/d in 2009 and rising to 1.56 mb/d in 2010, down about 40 kb/d from the January forecast. Saudi Aramco announced in mid-January that the gas processing plant at the 500 kb/d Khursaniyah oilfield was finally being commissioned, with the first unit brought online at end-January and the second unit slated for start-up in late March or April. The plant is expected to produce 290 kb/d of condensate and NGLs. Saudi Arabia earlier reported that start-up of the Khursaniyah gas processing facility would commence in 3Q09 but technical issues delayed start-up. Originally planned to start in late 2007, the project has been beset by construction, engineering and staffing delays. Crude production from Khursaniyah started in September 2008 even though the gas plant was not finished.

Given the project's history, a slow ramp-up has been factored into our forecast for 2010. Saudi condensates and NGLs are now forecast to rise from an average 1.38 mb/d 4Q09 to 1.61 mb/d by 4Q10. Start-up of the 310 kb/d Hawiyah NGL complex in 3Q09 is expected to add about 70 kb/d to supply in 2010.

OPEC Condensate, NGLs and Non-Conventional Production

(thousand barrels per day)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	2009	2010
Algeria	625	625	630	630	667	667	667	667	627	667
Angola	50	50	50	50	50	50	50	50	50	50
Ecuador	2	2	2	2	2	2	2	2	2	2
Iran	516	516	526	526	542	552	607	637	521	585
Iraq	32	32	32	32	36	36	36	36	32	36
Kuwait	190	190	190	190	195	195	195	195	190	195
Libya	117	117	114	114	112	112	109	109	115	111
Nigeria	219	205	300	364	357	374	408	407	272	387
Qatar	624	676	776	806	936	941	1,061	1,101	721	1,010
Saudi Arabia	1,473	1,373	1,353	1,378	1,495	1,535	1,605	1,605	1,394	1,560
UAE	525	515	515	520	532	562	662	812	519	643
Venezuela	210	210	210	210	210	210	210	210	210	210
Total OPEC	**4,582**	**4,510**	**4,697**	**4,821**	**5,134**	**5,236**	**5,612**	**5,831**	**4,653**	**5,455**
Vol. Change	*58*	*-72*	*187*	*124*	*313*	*102*	*376*	*219*	*253*	*802*

Iran's condensate and NGL production is estimated at 520 kb/d for 2009, up 80 kb/d from the previous year but 75 kb/d below the December 2009 *MTOMR* estimate. The lower estimate is largely due to delays at the South Pars 8, 9 and 10 phases. The onshore gas processing facilities of South Pars phases 9 and 10 started operation in early 2009 but the facilities are currently running gas supplied from South Pars phases 6 and 7.

Construction of the offshore facilities for phases 9 and 10 is well behind schedule due to problems procuring wellhead equipment as a result of US sanctions. Previously, phase 9 was slated to be completed in February 2009 and phase 10 offshore activities were to be completed by October 2009. Currently, of the 24 wells that are scheduled to be drilled, only 12 have been completed. Against this backdrop, we assume roughly 50% of this capacity will start-up in the latter half of 2010 and that the full 152 kb/d of condensate and NGLs capacity of phases 6-8 will not be operational until the end of 2011. Total Iranian NGL production capacity is now forecast to increase from 520 kb/d in 2009 to 585 kb/d in 2010.

In **Algeria**, lower than expected associated condensate output from the country's largest gas field, Hassi R'Mel, is largely behind downward baseline revisions which average 80 kb/d between 2003 and 2008. Expansion of the Hassi R'Mel – Arzew NGL pipeline last year enabled output at the field to increase in 2009. Total Algerian NGL output is estimated at 625 kb/d in 2009, rising to 665 kb/d in 2010.

Nigeria will also post an increase of 115 kb/d this year, to around 385 kb/d, as the Akpo condensate field slowly ramps up output after start-up in 1Q09, produces at its full 175 kb/d capacity in 2010.

Qatar and the **UAE** will also post significant increases in 2010 as new projects ramp up. Qatar's condensate and NGLs are slated to rise by 290 kb/d, to 1.0 mb/d. Ras Gas 3 and 4 started production in 4Q09 and will slowly ramp up to capacity by early 2011, with output of condensate of 100 kb/d and NGLs of 45 kb/d. Qatargas 3 is forecast to commence production of mostly condensate in 3Q10 and reach capacity of 70 kb/d sometime in 2012. The al Khaleej 2 project was brought online also in 3Q09 and will steadily build up to 40 kb/d of condensate and 32 kb/d of NGL this year.

The UAE is on course to increase output by 125 kb/d, to 645 kb/d, in 2010 following the start-up of the OGD Habshan in 3Q10, with peak capacity of 120 kb/d each of condensate and NGLs expected to be reached in 2011.

Non-OPEC Overview

Total 2009 non-OPEC liquids supply (including biofuels) is adjusted up by 70 kb/d to 51.4 mb/d on marginally better-than-expected late-year US, North Sea and Russian output, as well as some baseline revisions to NGL supply and South African non-conventional oil production. These upward adjustments more than offset lower Chinese crude output in November and December as well as a downward adjustment to Chinese coal-to-liquids (CTL) supply.

Non-OPEC Supply

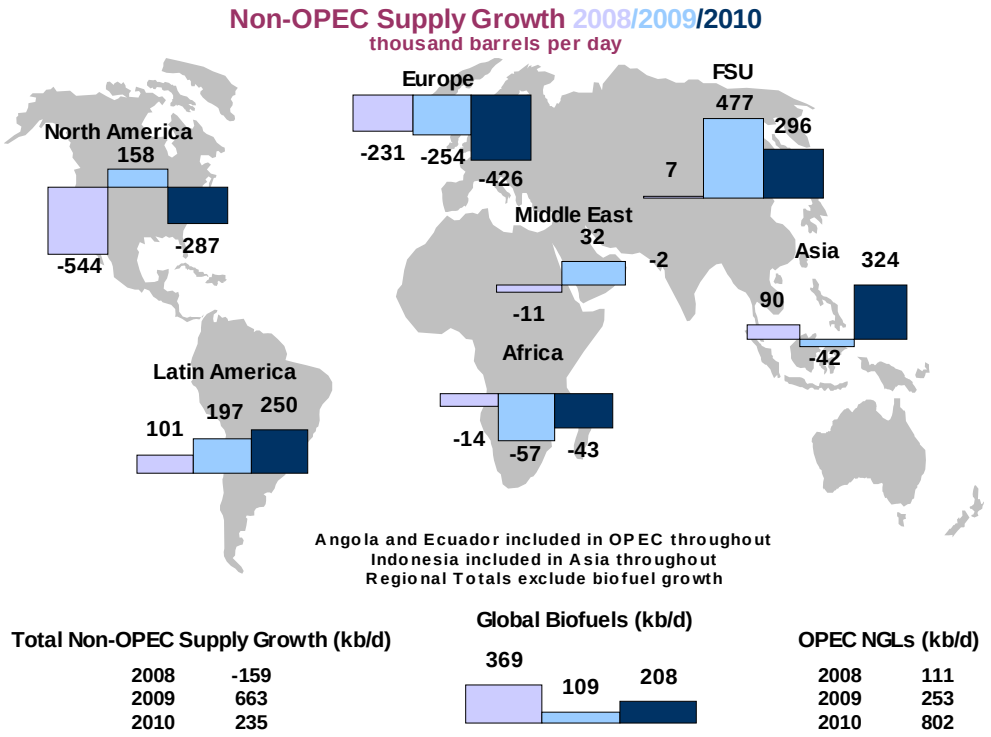
(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.2	14.0	13.6	13.8	13.9	14.2	13.9	14.2	14.4	14.2	14.2	14.1	13.7	13.9	14.0
Europe	4.9	4.8	4.5	4.8	4.8	4.9	4.5	4.2	4.5	4.5	4.4	4.0	3.9	4.1	4.1
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.0**	**19.1**	**19.6**	**19.3**	**19.2**	**18.9**	**18.3**	**18.8**	**18.8**
Former USSR	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.6	13.3	13.7	13.7	13.4	13.6	13.6
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	4.0	4.0	4.0	4.0
Other Asia	3.7	3.6	3.6	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7
Latin America	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.6	4.7	4.6
Middle East	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Non-OECD	**28.8**	**28.8**	**28.7**	**28.8**	**28.8**	**29.0**	**29.3**	**29.5**	**29.7**	**29.3**	**30.0**	**30.1**	**30.1**	**30.4**	**30.1**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.1**	**50.9**	**50.2**	**50.7**	**50.7**	**51.4**	**50.9**	**51.3**	**52.0**	**51.4**	**51.9**	**51.6**	**51.1**	**51.9**	**51.6**
Annual Chg (mb/d)	-0.1	-0.1	-0.3	-0.2	-0.2	0.3	0.0	1.1	1.2	0.7	0.5	0.7	-0.2	-0.1	0.2
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.2	0.2	0.1	0.1

The 2010 non-OPEC supply forecast was revised up by a total of 120 kb/d to 51.6 mb/d, largely on improved prospects for US Other Lower-48 and GOM crude, as well as NGL and 'other hydrocarbons', including fuel ethanol. The outlook for Norway, Mexico and the UK also improved slightly. Meanwhile, the Russia forecast was revised down on stalled development at the Sakhalin-1 complex, while the above-mentioned problems in China and the CTL downward revision also feed into 2010.

2010 growth is now seen at 235 kb/d, up from the 185 kb/d forecast in last month's OMR, with a strong increase in the non-OECD of 780 kb/d more than offsetting a decline of 540 kb/d in the OECD (lower refinery processing gains balance a further increase in 'other biofuels'). Within the OECD, Norway and

the UK see a combined drop of around 400 kb/d, as a string of new small field start-ups fails to offset a decline in mature assets. Mexico, the US and Canada will also see output drop by a combined 200 kb/d, in the US's case after a bumper, hurricane-free year that saw 560 kb/d growth. In sharp contrast to the decline elsewhere in the OECD, Australia and New Zealand will deliver a 70 kb/d increase in OECD Pacific output in 2010, as new fields come online.



In the non-OECD, forecast 2010 growth centres on the FSU, Brazil, China and India, with the largest country increments to come from Brazil (+220 kb/d, including fuel ethanol), China (+170 kb/d) and Azerbaijan (+120 kb/d). Russia is expected to contribute a further 100 kb/d as a group of new fields ramps up to peak capacity, while Colombia, India and Kazakhstan will each deliver around 70 kb/d. The only region to show a net decline is Africa, where the much-heralded start-up of initial volumes from the huge Jubilee project in Ghana and small increments in Mauritania, Gabon and Chad will be offset by decline at some mature producers such as Egypt, Equatorial Guinea, Cameroon and Ivory Coast, leading to an overall net drop for the region of 40 kb/d.

Non-OPEC Supply - Revisions from last OMR

(thousand barrels per day)

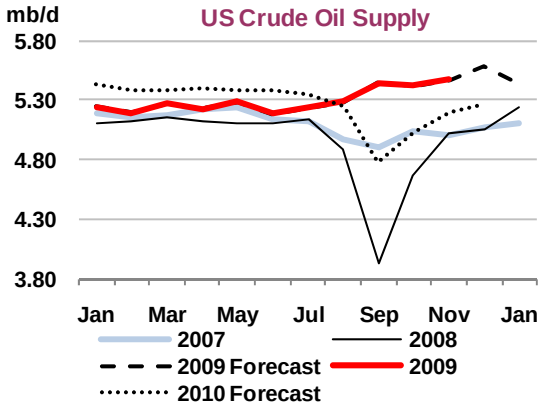
	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	2006	2007	2008	2009	2010
North America	0	-1	227	100	6	0	0	0	107	11	205	107	97	0	0	0	27	105
Europe	0	2	135	95	130	-1	0	0	77	110	41	61	52	0	0	2	19	66
Pacific	0	0	-36	-4	-10	0	0	0	-13	-23	-37	-37	-35	0	0	0	-3	-33
Total OECD	**0**	**2**	**326**	**191**	**126**	**-1**	**0**	**0**	**171**	**98**	**208**	**131**	**114**	**0**	**0**	**2**	**43**	**138**
Former USSR	11	11	-35	35	32	10	11	10	4	2	-24	-10	-72	8	8	8	9	-26
Europe	0	-1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
China	-10	-15	-142	-182	-233	0	0	-7	-113	-103	-40	-45	-56	0	0	0	-30	-61
Other Asia	4	24	45	0	-19	8	2	9	23	-19	-10	8	4	-22	-12	7	10	-4
Latin America	-12	-12	-12	24	-4	-13	-12	-12	0	-3	-3	6	29	0	0	-1	-9	7
Middle East	38	42	46	18	19	4	8	24	35	20	24	27	30	-7	-15	-2	18	25
Africa	18	40	23	20	40	20	20	19	28	40	40	40	40	27	22	20	22	40
Total Non-OECD	**48**	**89**	**-75**	**-87**	**-166**	**30**	**28**	**44**	**-23**	**-63**	**-15**	**26**	**-25**	**6**	**4**	**32**	**20**	**-19**
Processing Gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Biofuels	-20	11	17	29	1	0	0	0	21	1	-4	-2	-2	0	2	2	9	1
Total Non-OPEC	**28**	**102**	**269**	**134**	**-39**	**29**	**28**	**44**	**169**	**36**	**189**	**155**	**87**	**6**	**6**	**36**	**72**	**120**

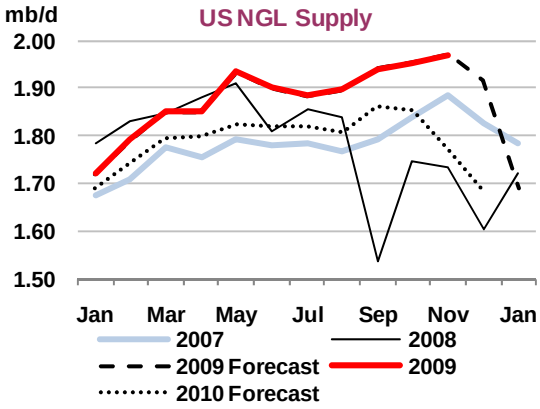
OECD

North America

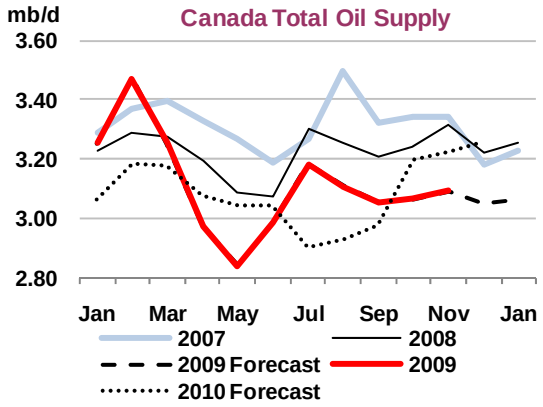
US – January Alaska actual, others estimated: While September and October US oil production was unrevised, November output was adjusted up by 190 kb/d to 8.4 mb/d on a combination of higher Other Lower-48, NGL and fuel ethanol production. November production also picked up month-on-month by 125 kb/d and is expected to grow again in December, before plunging again in January, based largely upon assumed lower NGL output, which in turn is premised on forecast lower gas production. Crude output is also forecast to fall, based upon preliminary weekly data.

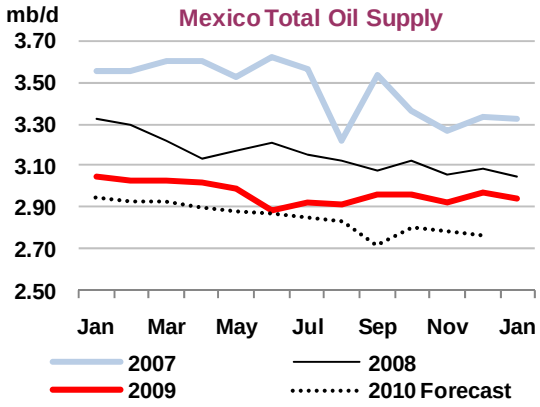
Total US supply in 2009 averaged 8.1 mb/d and is set to dip slightly to 8.0 mb/d in 2010. Net growth is assumed in onshore Texas and some key Lower-48 states including Oklahoma, Utah and New Mexico, which have seen rising output throughout 2009 and forecasts of a resurgence in drilling, while Gulf of Mexico crude production is set to increase by a further 100 kb/d in 2010, despite an assumed hurricane adjustment in 2H10 of -115 kb/d. But these increments will be offset by further decline in Alaska, California and NGLs.





Canada – Newfoundland – December actual, others October/November actual: Canadian oil production was only partly revised for 4Q09, given proposed changes to the breakdown of production data reported by *Statistics Canada*. The planned new split will likely move some bitumen production into the synthetic crude category. However, until *StatCan* makes available an historical series of its new breakdown, we will not yet incorporate these changes.





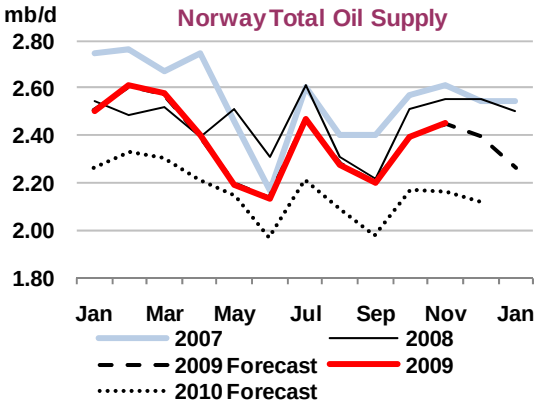
Separately, preliminary end-2009 data for the various synthetic crude mining/upgrading companies prompted a small upward revision to November and December output. A reported outage at the Syncrude complex in January 2010 was not quantified, but we have assumed output was down by 50 kb/d. December data for the Hibernia, Terra Nova and White Rose fields offshore Newfoundland were

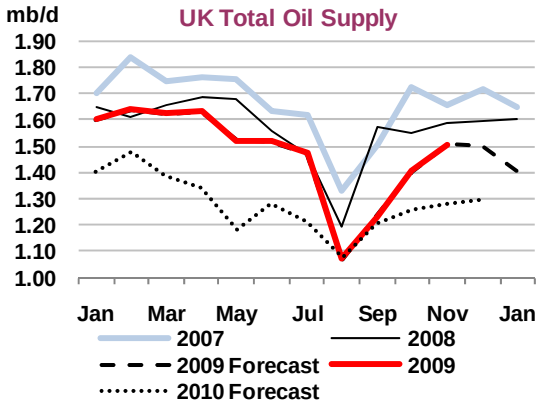
reported 50 kb/d lower than forecast, which was partly carried through into the 2010 forecast, when they collectively average nearly 300 kb/d. Further work on reappraising NGLs prompted a 25 kb/d hike in the 2010 forecast to a level of 640 kb/d. In sum, Canadian total oil supply in 2009 was left unchanged at 3.1 mb/d, and is forecast to remain flat at 3.1 mb/d in 2010, as growth in synthetics, Newfoundland crude and NGLs offsets lower bitumen and onshore conventional output.

Mexico – December actual: Mexican crude and NGL production in December, at just under 3.0 mb/d, were 25 kb/d and 15 kb/d higher than expected respectively, and were 50 kb/d higher than in November. After several months of slowing decline, workhorse field Cantarell's output fell by 35 kb/d to 530 kb/d in December, down 280 kb/d or a steep 35% year-on-year. Partly offsetting this, production at the Ku-Maloob-Zaap (KMZ) field rose 35 kb/d in December, to 835 kb/d, which is around 55 kb/d or 7% up on December 2008. KMZ production is thus at a new record high and is forecast to rise slightly higher, to an average 840 kb/d in 2010, though this and other new fields' output is not expected to offset forecast further decline at Cantarell. Total Mexican oil supply is expected to fall from 3.0 mb/d in 2009 to a marginally upward-revised 2.9 mb/d in 2010.

North Sea

Norway – November actual, December provisional: Norwegian oil production data for November prompted a +25 kb/d upward revision to 2.5 mb/d, as crude output picked up slightly. Meanwhile, preliminary data for December brought a similar-sized downward adjustment. In January, shut-ins related to extremely cold temperatures affected the Ormen Lange complex, as well as the Kaarstoe gas processing plant, but in the end, affected gas liquids volumes appear to have been relatively small, after problems were resolved within days. Despite a downward adjustment to the total NGL figure, the forecast sees an overall upward revision for oil as a whole of 35 kb/d for 2010 on better prospects for crude production, based upon recent performance and loading schedules for 1Q10. 2009 total oil supply is now seen at 2.4 mb/d, falling to 2.2 mb/d in 2010.





UK – November actual: Total UK oil production levels in November (reported) and December (estimated) were each revised up by around 110 kb/d to 1.5 mb/d, as the year ended with fewer outages and lower seasonal maintenance than usual. The UK's largest field, for instance, Buzzard, is expected to have been back near full capacity of around 220 kb/d in November, following three months' maintenance. Despite a fire shutting in the Erskine platform in late January, better-than-expected end-2009 and preliminary loading schedules for early 2010 prompted a +25 kb/d upward adjustment for total UK supply in 2010, now forecast to average 1.3 mb/d, down from 1.5 mb/d in 2009 and weighted towards seasonal first-quarter peak output and heavy maintenance in 3Q10.

The UK authorities have just launched the country's largest-ever upstream licensing round, with over 2,800 licenses available to potential bidders. Keen to slow a steady decline in output, which has seen UK oil production fall from its high of 2.9 mb/d in 1999 and has led to the country becoming a net importer

of oil since 2006, the UK government is also offering significant tax breaks for fields developed West of Shetlands, considered the area with the most undeveloped potential.

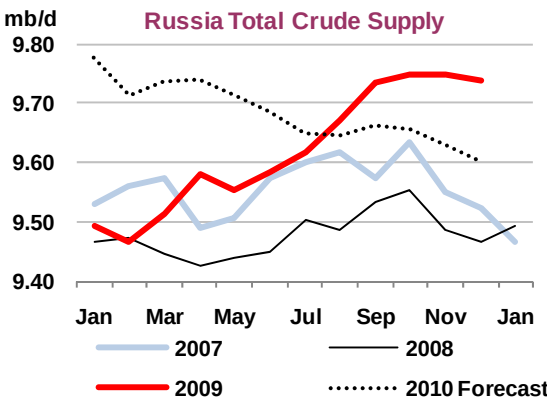
Denmark – December actual: November and December oil production data for Denmark were only marginally revised, with production running at a steady 245 kb/d. The Siri field restarted output at the end of January 2010, as anticipated, and should see output rise to around 20 kb/d, with the addition of oil from the nearby Nini complex. Total Danish oil supply is now seen to average 260 kb/d in 2009 and stay flat around the same level in 2010.

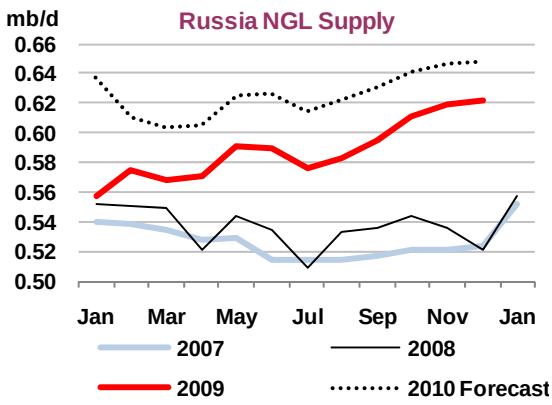
Pacific

Australia – November actual: Australian oil production in November was revised down 20 kb/d to 545 kb/d, with both crude and NGL output coming in marginally lower than expected. In mid-January, a well at the 35 kb/d Montara project in the Timor Sea, which had suffered an oil spill in August, followed by a fire in November, was finally capped. The affected drilling rig will have to be completely overhauled or replaced, and initial production volumes are expected to be delayed until at least 2H11, as compared with a previously-planned start-up date a year earlier. However, February 2010 should see the start-up of the Pyrenees and Van Gogh fields, with peak capacity of 90 kb/d and 60 kb/d respectively, although the ramp-up at Pyrenees is now expected to be slower than thought, resulting in a 30 kb/d downward revision to the 2010 forecast. Total Australian oil production is now estimated to have averaged 560 kb/d in 2009 and is set to rise to 610 kb/d in 2010, largely based on the new start-ups of predominantly heavy sweet crude.

Former Soviet Union (FSU)

Russia – December actual, January provisional: Russian oil supply in December 2009 was revised up by 35 kb/d to 10.4 mb/d, as output at the three production sharing agreements (PSAs) Sakhalin 1, Sakhalin 2 and Kharyaga was reported higher than in preliminary data. In addition, and following on from changes described in the report published on 11 December 2009, our reappraisal of NGL production has led us to recategorise liquids production by independent Novatek as condensate, rather than, as previously, crude. Crude and condensate production by company is not disaggregated in official production figures, so this report will in future count combined Gazprom and Novatek liquids production as a proxy for condensate output (just under 400 kb/d in December 2009). In addition, we estimate that another 230 kb/d of NGL was produced from gas processing plants in December. This recategorisation, which we have extended historically and in our forecast, leads to a further small upward volumetric revision, due to condensate's higher barrels per tonne conversion factor. Total Russian oil production is now seen to have averaged 10.2 mb/d in 2009, having grown 200 kb/d from 2008.





The 2010 forecast is nudged down by 40 kb/d, but still rises to 10.3 mb/d, with lower forecast production now expected from Gazprom, Surgutneftegaz and the Sakhalin 1 PSA. The latter is now forecast to

produce 170 kb/d in 2010 according to our own estimate, unchanged from 2009, as natural decline is only just offset by the anticipated start-up of the Odoptu field in 3Q10. Disagreement between the Sakhalin regional government and the consortium developing Sakhalin 1 looks set to delay development and drilling activity, causing the downward revision. All told, rising 2010 supply derives largely from further gains at new fields, including Rosneft's Vankor, Lukoil's Yuzhno Khylchuyuskoye and Yuri Korchagin (the latter to start-up in early 2010), TNK-BP's Uvat expansion and growth at Sakhalin 2.

Further Uncertainty Over Eastern Siberian Tax Breaks

In late January, Russia's Finance Ministry caused a further twist to the saga surrounding preferential tax treatment of Eastern Siberian exports, when it made headlines calling for the abolition of favourable duties, fearing substantial fiscal shortfalls. Most analysts consider that the prospect of those tax breaks was one of the reasons East Siberian oil fields got a boost last year, contributing to a further year of growth in Russian oil production, when there had previously been a widespread perception that output would decline in 2009 for a second year running.

The Finance Ministry's argument was apparently based upon persistently high international oil prices and seemingly favourable transport tariffs through the new Eastern Siberia-Pacific Ocean (ESPO) pipeline, as well as related rail routes. But the Energy Ministry countered with statements that the tax breaks (currently applicable to 22 select fields) would stay in place. Seemingly conflicting statements are not uncommon from the Russian ministries involved in what is the country's largest single source of income, but uncertainty over the export duty regime is seen by most oil producers as detrimental to planning.

Deputy Prime Minister Sechin later weighed in, again confirming that the tax breaks would stay, though hinting that one idea might be to limit them to crude volumes flowing through the ESPO. His voice carries much weight, given that he is in overall charge of Russian oil policy and is also chairman of state-owned giant Rosneft (which is developing Eastern Siberia's currently largest oil field Vankor, itself one of the single biggest factors behind Russia's surge in oil production in 2009 and a beneficiary of the tax breaks).

But the uncertainty surrounding fiscal policy will likely remain a problem for companies seeking to develop upstream assets in frontier areas such as Eastern Siberia, but also the Caspian, the Barents Sea and others that have so far remained largely undeveloped. Despite assurances that the export duty holiday will stay, the duty itself (and its exemption) are recalculated and imposed on a monthly basis by executive decree, as opposed to being enshrined in law. Sustaining oil production at present levels will require substantial new field development, something that is only likely with greater fiscal stability.

FSU net exports rose further in December, to 9.2 mb/d, as crude oil shipments from the Baltic bounced back to seasonal levels following the end of maintenance on the pipeline leading to Primorsk. Volumes from the Black Sea and via the BTC and Druzhba pipelines remained almost unchanged, while the first shipments from the freshly inaugurated Kozmino terminal on the Pacific Coast balanced a dip in exports from Varandey in the Arctic. Product export volumes rose slightly to 2.6 mb/d in December as a drop in fuel oil shipments was offset by increases in gasoil and other product exports.

Exports of the new Eastern Siberia-Pacific Ocean (ESPO) blend from Kozmino commenced, with nine cargoes loading in January, and February loading schedules indicating a further ten tankers set to leave the Pacific coast terminal. Reportedly, several of these ESPO blend crude cargoes are currently stored on vessels as floating storage because of the crude's untested quality. With shipments scheduled at around 250 kb/d for the meantime, the port will become the third largest Russian oil-exporting outlet. Last year, Novorossiysk in the Black Sea handled around 900 kb/d and Primorsk in the Baltic loaded around 1.5 mb/d. However, new schedules show that volumes delivered to main ports on the Baltic and the Black Sea decreased, confirming the theory of an eastward shift from traditional export routes. Yet lower prospective export volumes to Europe during the first two months of 2010 may also be attributed to

reduced volumes due to low temperatures, frozen seas in the Baltic, a trade dispute between Russia and Belarus and February maintenance at the pipeline leading to Primorsk, although the latter will have been partially offset by additional shipments from Gdansk.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	1Q2009	2Q2009	3Q2009	4Q2009	Oct 09	Nov 09	Dec 09	Latest month vs. Nov 09	Latest month vs. Dec 08
Crude											
Black Sea	2.05	2.19	2.30	2.23	2.10	2.12	2.12	2.11	2.11	0.00	0.04
Baltic	1.46	1.62	1.57	1.66	1.61	1.65	1.69	1.58	1.67	0.09	0.01
Arctic/FarEast	0.30	0.48	0.46	0.45	0.48	0.51	0.50	0.50	0.52	0.02	0.14
BTC	0.67	0.81	0.74	0.80	0.82	0.87	0.85	0.89	0.88	-0.01	0.18
Crude Seaborne	**4.48**	**5.09**	**5.07**	**5.14**	**5.02**	**5.14**	**5.16**	**5.08**	**5.19**	**0.10**	**0.37**
Druzhba Pipeline	1.08	1.12	1.14	1.12	1.09	1.14	1.15	1.14	1.13	-0.01	-0.04
Other Routes	0.42	0.36	0.40	0.40	0.35	0.30	0.33	0.30	0.28	-0.02	-0.11
Total Crude Exports	**5.98**	**6.57**	**6.61**	**6.66**	**6.45**	**6.58**	**6.64**	**6.52**	**6.59**	**0.07**	**0.22**
Of Which: Transneft	3.99	4.19	4.22	4.27	4.12	4.16	4.21	4.08	4.19	0.11	-0.03
Products											
Fuel oil	1.09	1.08	0.96	1.16	1.16	1.03	0.98	1.08	1.05	-0.04	-0.02
Gasoil	0.94	0.98	1.10	0.95	0.97	0.91	0.87	0.91	0.95	0.04	-0.08
Other Products	0.59	0.69	0.73	0.79	0.63	0.60	0.56	0.62	0.63	0.01	0.07
Total Product	**2.63**	**2.75**	**2.78**	**2.89**	**2.76**	**2.54**	**2.40**	**2.61**	**2.62**	**0.01**	**-0.04**
Total Exports	**8.61**	**9.32**	**9.39**	**9.55**	**9.21**	**9.13**	**9.04**	**9.13**	**9.21**	**0.08**	**0.18**
Imports	0.04	0.04	0.04	0.05	0.04	0.04	0.03	0.05	0.04	-0.01	0.03
Net Exports	**8.57**	**9.28**	**9.35**	**9.50**	**9.17**	**9.09**	**9.01**	**9.08**	**9.17**	**0.09**	**0.15**

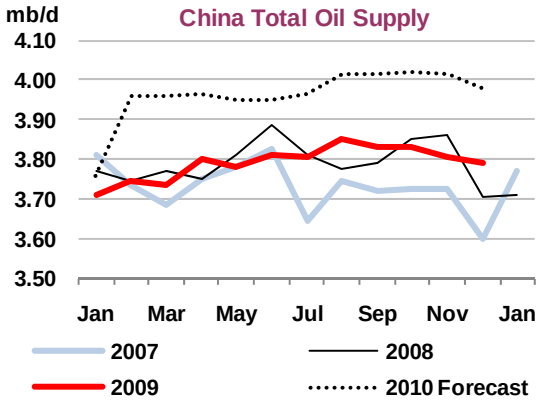
Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

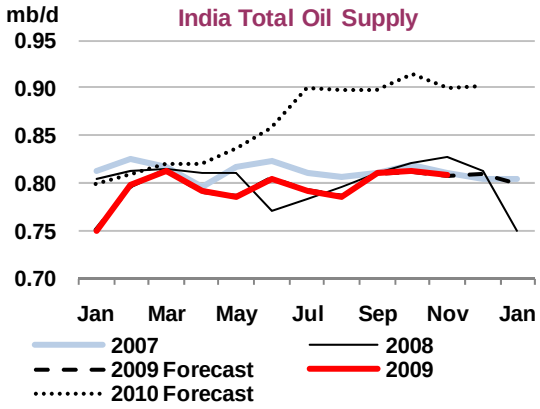
European countries breathed a sigh of relief as fears of reduced deliveries via the Druzhba pipeline did not materialise. An agreement between Russia and Belarus signed at the end of January after long negotiations reportedly promises 6.3 million mt/y (125 kb/d) of duty-free crude oil for Belarusian domestic consumption. The remaining 15 million mt/y (300 kb/d) for re-export as oil products will be liable for the standard full export duty rate and in return Russian companies agreed to pay 11% higher transit tariffs. The agreement will be reviewed in September 2010, but may be a source of further dispute before then when a new Customs Union between Russia and Belarus comes into force in July 2010.

Other Non-OPEC

China – December actual: Late-year production data brought sharp downward revisions of 140 kb/d and 180 kb/d for December and November respectively, dragging down average 2009 production by 30 kb/d to just under 3.8 mb/d. Some major fields/regions reported lower output in December, including Xinjiang, Dagang and Jilin. Early January saw reports of frozen seas in Bohai Bay hampering production and operations in the area, while there were also power shortages across the country (in part related to the extreme cold), which in some cases apparently also affected oil production. However, it is unclear whether these factors, or rather maintenance or other unplanned outages, were behind the lower output at the above-mentioned fields. Meanwhile, December data showed higher-than-forecast output in the Changqing, Henan and Yanchang producing areas, partly offsetting lower output elsewhere.

As regards 2010, the above-mentioned problems are anticipated to have affected output in January, which has led to a downward revision of the forecast. In addition, a reappraisal of Chinese CTL production has led to a sharp downward adjustment as, despite the Shenhua/Erdos facility in Inner Mongolia starting up production in late 2008, output has apparently remained at pilot levels. Until evidence of higher output emerges, and ambitious plans for CTL notwithstanding, this report has trimmed the non-conventional forecast by around 5 kb/d for 2009 and a full 50 kb/d for 2010 to 6 kb/d and 8 kb/d respectively. Total Chinese oil supply is now seen to average 3.8 mb/d in 2009 and to rise to 4.0 mb/d in 2010, with significant increments from offshore Bohai Bay, Changqing, Tarim Basin and Yanchang.





Other Asia-Pacific: **Brunei** surprised with yet another revision to data reported to the Joint Oil Data Initiative (JODI), which we rely on as our main source for this country. The result is an overall revision of +10 kb/d to average 2009 production, now estimated at 150 kb/d, and an upward adjustment of +25 kb/d to 4Q09 output, which has been carried through the 2010 forecast, now set to average 160 kb/d. In **India**, company reports of lower-than-expected December/January production at the new Mangala field in Rajasthan prompted us to scale back the assumed pace of ramp-up. Total Indian oil output is estimated at 800 kb/d in 2009, rising to 860 kb/d in 2010, as production at Mangala and its satellites Bhagyam and Aishwariya increases. In **Thailand**, delays at the Map Ta Phut NGL project have prompted a 15 kb/d downward revision to the 2010 forecast. Total Thai oil production is now anticipated to remain flat at around 350 kb/d in 2010.

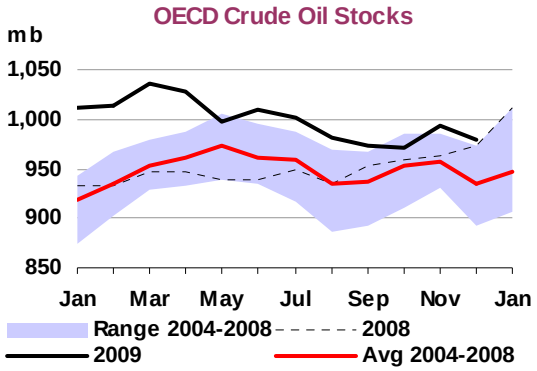
Various Middle East: The inclusion of newly-available historical JODI data for **Yemen** led to small historical revisions, though we have left the forecast unchanged. 2009 total oil production is expected to have averaged 300 kb/d, and is forecast to decline to 270 kb/d in 2010. Recent unrest and military operations have not affected oil production. For **Syria**, government forecasts have prompted a small upward revision of 10 kb/d in 2009, production thus averaging 375 kb/d, and by +25 kb/d in 2010, with output forecast to decline marginally to 360 kb/d.

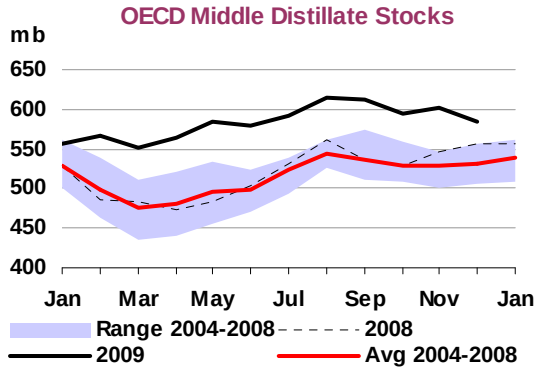
Various Africa: For **South Africa**, a reappraisal of CTL and gas-to-liquids (GTL) production has led to a baseline upward revision of 20-25 kb/d for past years. This is carried through the forecast. Total oil production for the two years is now seen steady at around 200 kb/d. In **Chad**, a $1 bn boost in investment by ExxonMobil has raised the 2010 forecast by 20 kb/d, now set to rise to 130 kb/d from 2009's estimated 120 kb/d.

OECD STOCKS

Summary

- **OECD industry stocks fell by 67.8 mb in December, to 2 678 mb,** compared with a five-year average draw of 41.9 mb. Falling crude stocks in North America and Europe as well as declining middle distillates across all three regions drove the change. The 'other products' categories in North America and the Pacific also drew steeply.
- **OECD industry stocks drew by 1.1 mb/d in 4Q09,** led by middle distillates and 'other products'' in North America and the Pacific. The movement was steeper than both the five-year and 10-year average fourth quarter stock change of -0.5 mb/d and -0.7 mb/d, respectively.
- **OECD stocks in days of forward demand fell to 58.1 days** at end-December, down from 59.2 days at end-November on falling stocks. Days cover declined most in residual fuel oil and middle distillates.
- **Preliminary data indicate total OECD industry oil inventories rose by 11.4 mb in January.** US stocks fell 3.3 mb, Japanese inventories increased 1.8 mb and EU-16 holdings, according to Euroilstock, rose 12.9 mb. The five-year average stock change for the OECD in January is a build of 33.8 mb.
- **End-January short-term crude floating storage stood at 59 mb,** unchanged from an upwardly revised December level. Yet, discharges in early February reduced that level by about 8 mb. Short-term products floating storage decreased to 86 mb at end-January from 96 mb at end-December. Early-February discharges reduced product levels a further 11 mb. However, market estimates for both crude and product levels varied significantly, with some sources indicating steeper January declines.





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

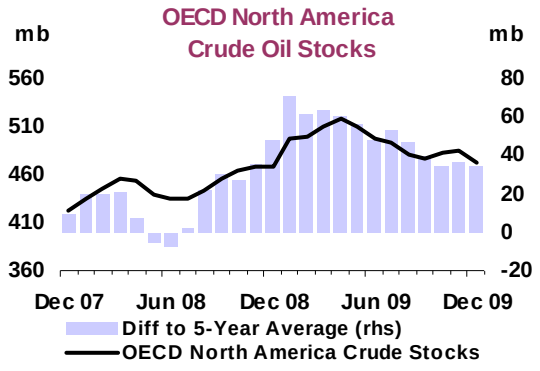
OECD commercial inventories fell sharply in December, by 67.8 mb or 2.2 mb/d, to 2 678 mb as cold weather prompted a distillate draw across all three regions and North American crude stocks decreased. In 4Q09, OECD inventories drew by 1.1 mb/d, steeper than five-year and 10-year average stock draws of 0.5 mb/d and 0.7 mb/d, respectively. Middle distillates and 'other products' fell more sharply than historical norms, gasoline increased by less than normal and crude posted a larger than normal build.

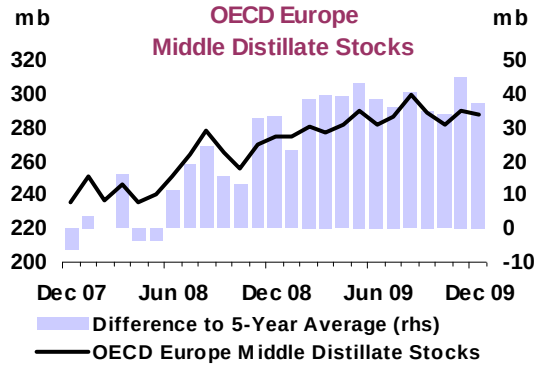
Preliminary Industry Stock Change in December 2009 and Fourth Quarter 2009

	December (preliminary) *(million barrels)*				December (preliminary) *(million barrels per day)*				Fourth Quarter 2009 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-12.7**	**-5.6**	**2.8**	**-15.5**	**-0.41**	**-0.18**	**0.09**	**-0.50**	**-0.07**	**0.08**	**0.04**	**0.06**
Gasoline	2.9	-0.2	-2.3	0.4	0.10	-0.01	-0.08	0.01	0.13	0.03	-0.03	0.13
Middle Distillates	-8.2	-2.3	-8.1	-18.6	-0.26	-0.07	-0.26	-0.60	-0.15	-0.01	-0.13	-0.29
Residual Fuel Oil	0.7	-0.3	-0.7	-0.3	0.02	-0.01	-0.02	-0.01	0.01	-0.01	-0.03	-0.03
Other Products	-20.8	-0.3	-6.9	-28.0	-0.67	-0.01	-0.22	-0.90	-0.56	-0.04	-0.10	-0.70
Total Products	**-25.3**	**-3.0**	**-18.1**	**-46.5**	**-0.82**	**-0.10**	**-0.58**	**-1.50**	**-0.57**	**-0.03**	**-0.29**	**-0.89**
Other Oils[1]	-4.2	-0.7	-1.0	-5.9	-0.14	-0.02	-0.03	-0.19	-0.15	-0.03	-0.07	-0.25
Total Oil	**-42.2**	**-9.3**	**-16.3**	**-67.8**	**-1.36**	**-0.30**	**-0.53**	**-2.19**	**-0.79**	**0.02**	**-0.31**	**-1.08**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

As such, OECD commercial stocks, as of end-December, had narrowed their surplus to the five-year average by almost 50%, to 67 mb from 124 mb in September. Middle distillates accounted for over one-third of this narrowing, as the OECD surplus in that category moved from 75 mb at end-September to 54 mb at end-December. Still, some regional surpluses remained stable during the quarter. The North American crude surplus decreased by only 5 mb, to 34 mb and the European middle distillate surplus actually grew by 2 mb to 37 mb, as floating storage and ample stocks at the consumer level provided a buffer against industry stock changes.





January preliminary data show industry stocks building 11.4 mb, less than the five-year average build for of 33.8 mb. Gains were concentrated in crude, gasoline and middle distillates, while losses were driven by a large draw in US propane. The stock change suggests that the overall OECD surplus to the five-year average should continue to narrow, with crude and distillate increasing by less than the five-year average build. Moreover, crude and products floating storage decreased by 10 mb on the month, with larger draws seen in early February.

Revisions versus 15 January 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Oct 09	Nov 09	Oct 09	Nov 09	Oct 09	Nov 09	Oct 09	Nov 09
Crude Oil	**4.0**	**6.0**	**0.0**	**1.0**	**0.0**	**3.5**	**3.9**	**10.5**
Gasoline	-0.3	4.4	-0.4	-1.1	0.0	-0.3	-0.7	3.1
Middle Distillates	0.5	6.2	-0.3	6.8	0.0	-0.6	0.2	12.3
Residual Fuel Oil	0.3	0.5	-0.5	-0.4	0.0	0.1	-0.2	0.2
Other Products	-1.2	-13.1	-0.1	-1.9	0.0	0.4	-1.3	-14.6
Total Products	**-0.6**	**-2.0**	**-1.3**	**3.4**	**0.0**	**-0.4**	**-1.9**	**1.1**
Other Oils[1]	-1.9	-9.9	0.0	-2.7	0.0	0.5	-1.8	-12.2
Total Oil	**1.5**	**-5.9**	**-1.3**	**1.7**	**0.0**	**3.6**	**0.2**	**-0.6**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

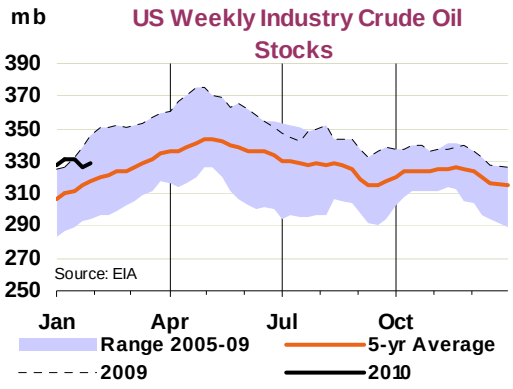
With three-month forward demand rising from December to January, days of forward cover may continue to decrease from their level of 58.1 days at end-December. Still, any further tightening may require more of a demand recovery as well as continued floating storage draws in the months ahead. With OECD demand expected to remain essentially unchanged for 2010 as a whole and rising only slightly from 4Q09 to 1Q10, crude stocks typically showing a seasonal build and the coldest portion of the winter likely over, a repeat of the steep 4Q09 draws in 1Q10 looks unlikely.

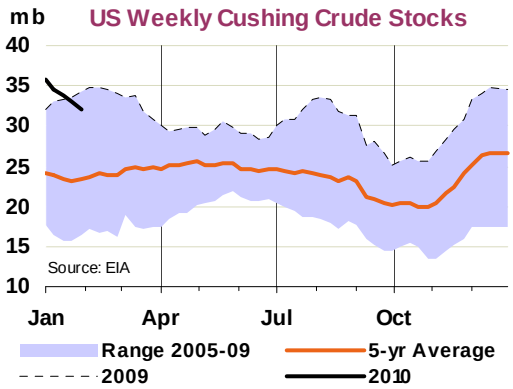
Analysis of Recent OECD Industry Stock Changes

OECD North America

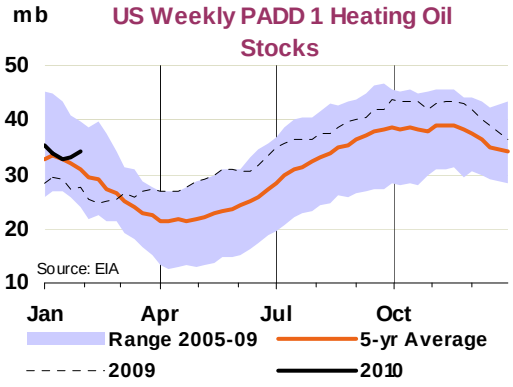
North American industry stocks drew by 42.2 mb in December, driven by a 20.9 mb fall in US 'other products', a 10.4 mb decrease in US crude oil and an 8.1 mb fall in US middle distillates. A 3.1 mb Mexican stock decrease stemmed from draws in crude and gasoline of 2.3 mb and 1.4 mb, respectively.

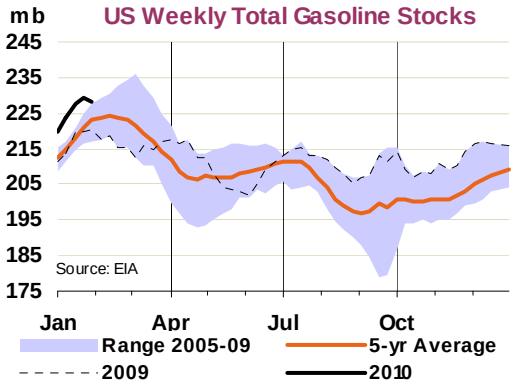
January preliminary data point to a 3.3 mb draw in total US commercial stocks through January 29. By comparison, the five-year average stock change is a 10.4 mb build. Crude stocks increased by 1.8 mb, but stood only 11.9 mb above the five-year average versus 21.2 mb at the start of the month. Stocks at Cushing, Oklahoma – the delivery point for the NYMEX light, sweet crude contract – fell by 3.5 mb as disruptions to Canadian supplies reduced imports into the US Midcontinent. As of 29 January, Cushing stocks stood at 32.0 mb, 2.3 mb below levels of a year ago.





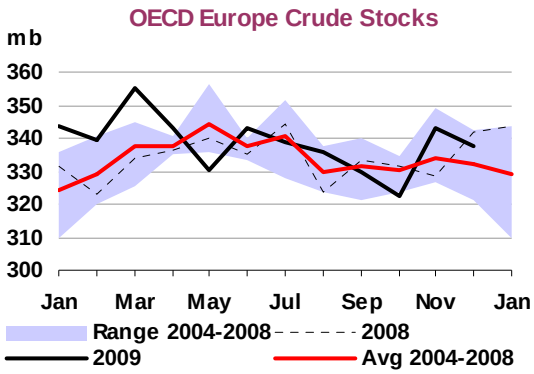
US product stocks fell by 5.2 mb in January driven by a decrease in propane of 16.0 mb and a distillate draw of 2.5 mb. The distillate draw was evenly split between diesel and heating oil and likely stemmed more from low refinery output rather than demand strength. US East Coast heating oil stocks held a position 3.1 mb above the five-year average at the end of the month. US diesel stocks stood 28.9 mb above the five-year average at month-end. US gasoline stocks increased 9.0 mb on the month and continued to trend above the five-year range despite a late month, counter-seasonal draw.

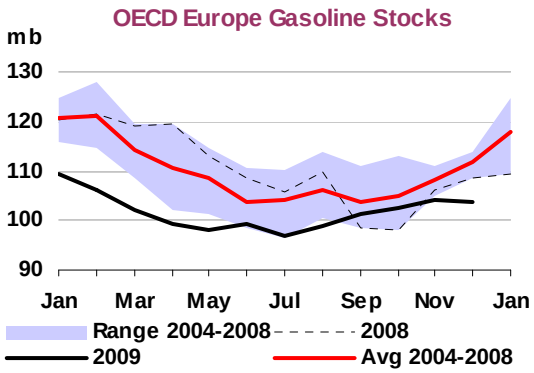




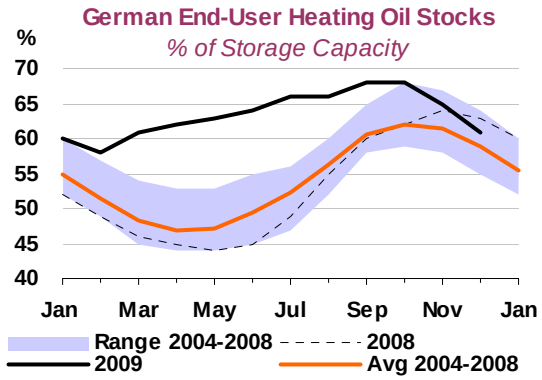
OECD Europe

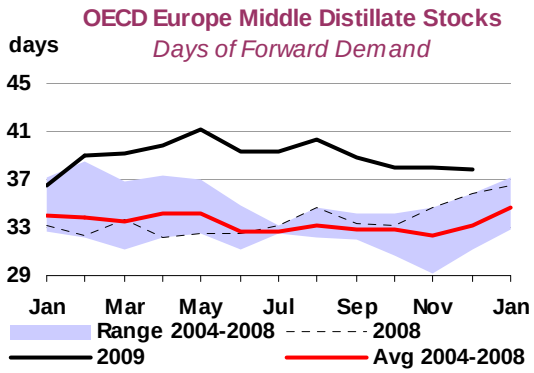
European inventories fell 9.3 mb in December as crude decreased 5.6 mb and middle distillates drew by 2.3 mb. All other product categories also registered draws, albeit slight. The largest distillate change came in France (-2.6 mb) while stocks in Germany, the Netherlands and the UK all posted distillate increases. European crude stocks stood 5.0 mb above the five-year average at end-December while gasoline and residual fuel oil stood at deficits of 8.0 mb and 3.1 mb, respectively.





Middle distillate inventories decreased their surplus to the five-year average to 37.3 mb at end-December from 45.3 mb at end-November. Yet, the end-December differential still stood higher than end-September, suggesting that winter weather alone has not been sufficient to draw down industry stocks. Surpluses have narrowed at the consumer level, however, with German heating oil readings falling from 65% fill at end-November to 61% at end-December. German consumer heating oil fill levels stood just 2.3 percentage points above the five-year average at end-December versus 7.3 percentage points at the end of September.

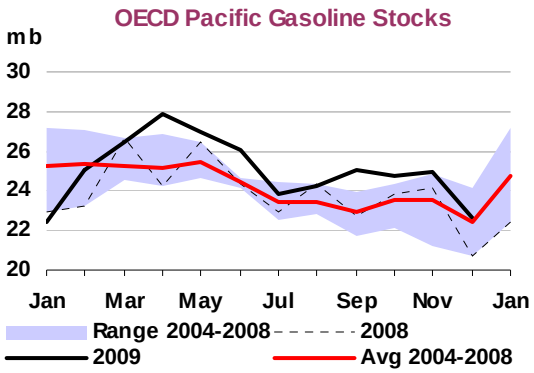


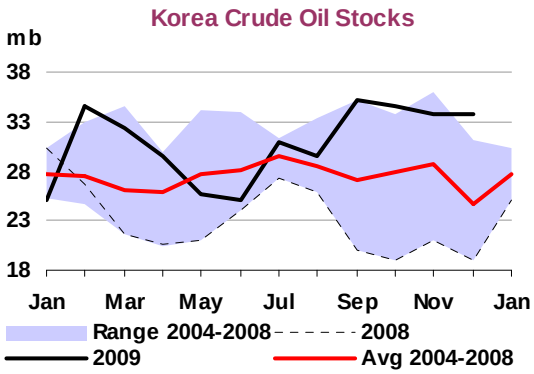


January preliminary data showed gasoil stocks held in Northwest Europe independent storage rising slightly during the month as discharges of floating storage counterbalanced demand-related draws. Products floating storage off Europe – primarily middle distillates – decreased by 5.6 mb with draws occurring from both the Mediterranean and Northwest Europe. Floating storage draws continued in early February. Other product categories in Northwest Europe independent storage, such as gasoline and jet/kerosene, saw small monthly gains while naphtha and residual fuel oil both declined. EU-16 preliminary data from Euroilstock showed gains in gasoline and middle distillates of 6.3 mb and 7.3 mb, respectively. Crude stocks increased by 1.3 mb while fuel oil and naphtha both posted declines.

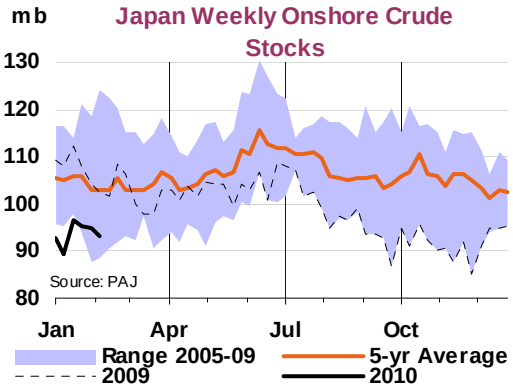
OECD Pacific and Singapore

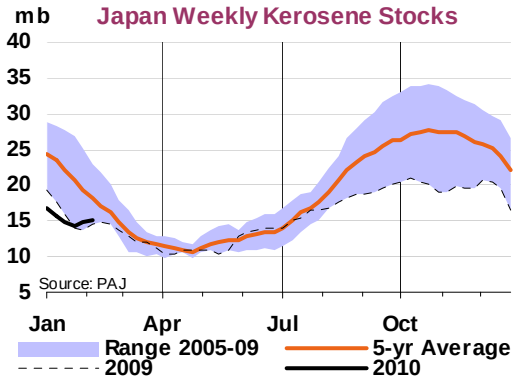
Pacific industry stocks fell by 16.3 mb in December, as middle distillates decreased by 8.1 mb. Gasoline stocks edged down by 2.3 mb to five-year average levels as both Korea and Japan posted draws. Pacific crude inventories rose by 2.8 mb. Korean crude stocks remained at five-year highs while Japanese crude stocks trended below the five-year range.



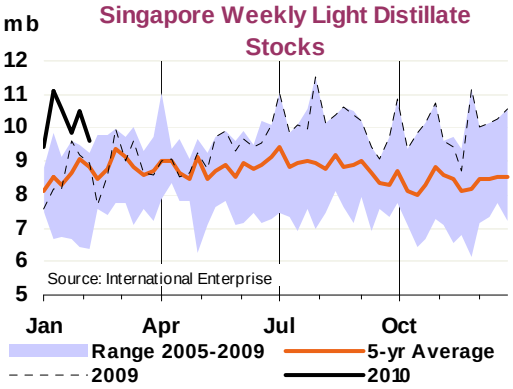


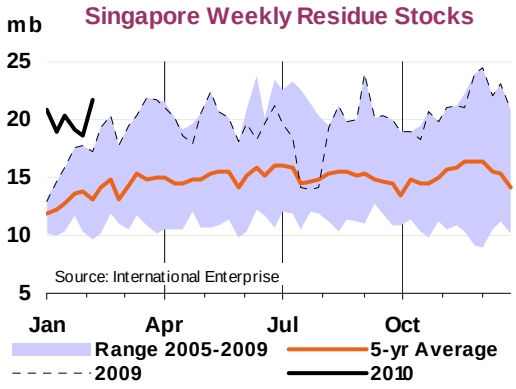
Weekly data from the Petroleum Association of Japan (PAJ) point to a commercial stockbuild of 1.8 mb in January, with crude increasing 1.3 mb and products rising 0.6 mb. Kerosene stocks decreased 1.8 mb and continued to trend at five-year lows. Nevertheless, kerosene levels as of end-January stood higher than in 2009 while jet/kerosene demand estimates for the month continued to trail readings of a year ago. Gasoline stocks increased 1.6 mb to above the five-year average.





Singapore product stocks increased by 0.7 mb in January, led by a 0.6 mb rise in middle distillates. Although fuel oil inventories drew 0.2 mb on the month, early February readings put them back up to their highest levels since mid-December. Light distillates increased slightly on the month. After rising steeply in early January, light distillate stocks steadily decreased through the month with reports of stronger regional demand, particularly in India and Indonesia.

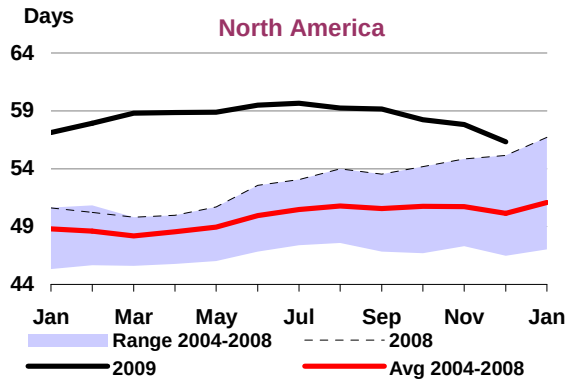


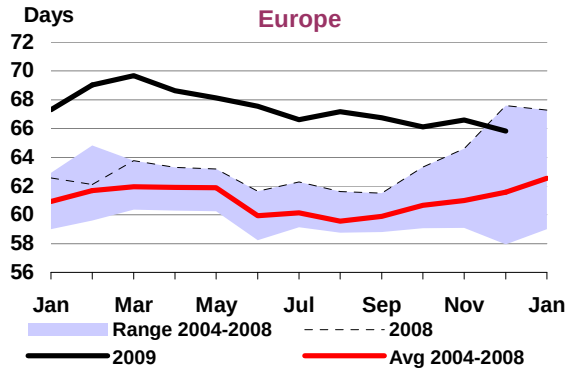


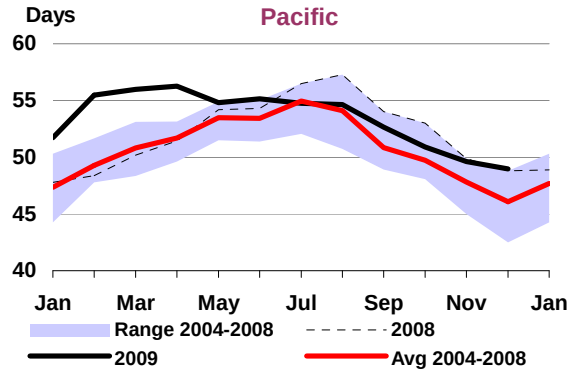
Regional OECD End-of-Month Industry Stocks

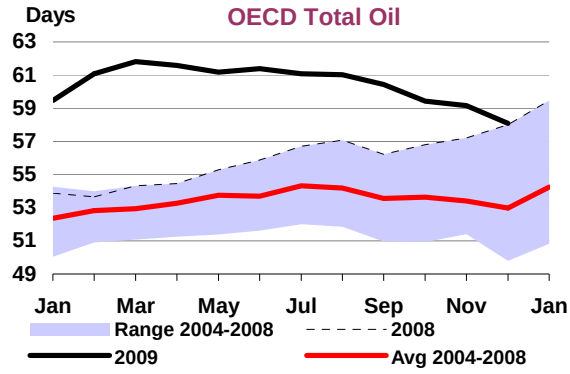
(in days of forward demand and millions barrels of total oil)

Days[1]

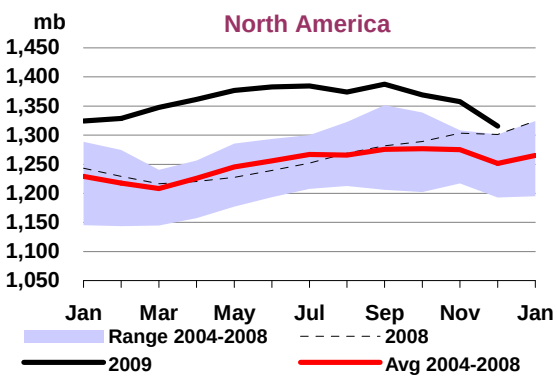


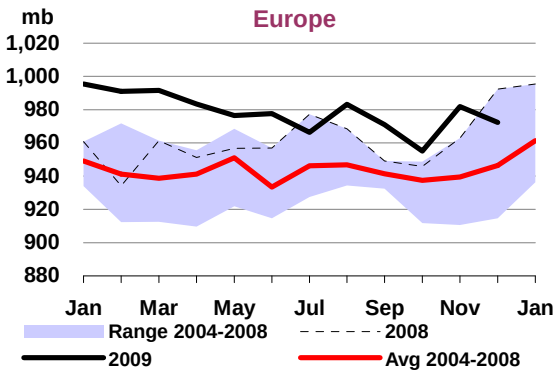


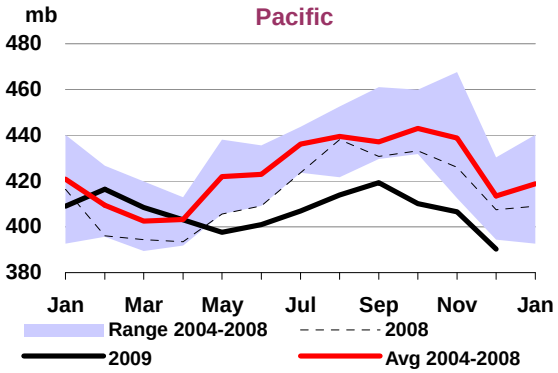


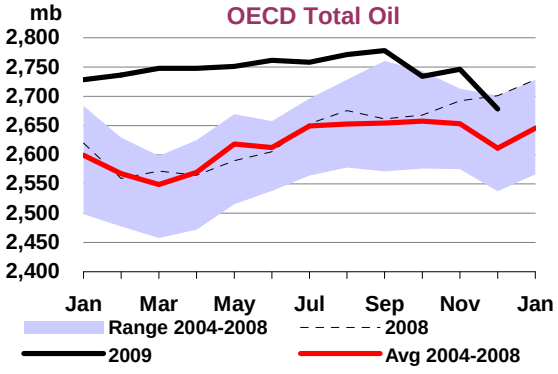


Million Barrels









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

PRICES

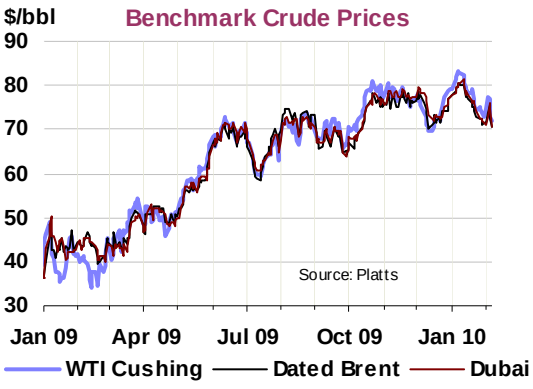
Summary

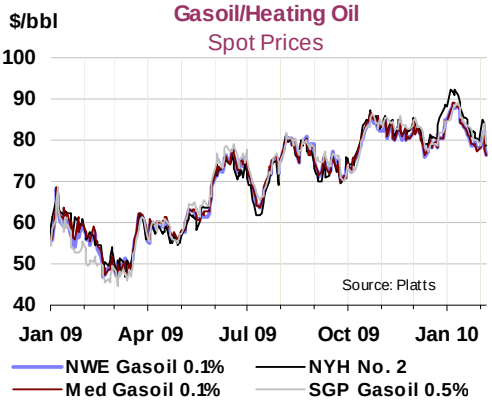
- **Benchmark crude oil prices** cascaded through January, hitting six-week lows by early February. After trading at 15-month highs early in the New Year, warmer temperatures in the Northern Hemisphere by mid-January and a series of negative macroeconomic developments set in motion a $12/bbl slide in prices by early February. Prices retraced some of the losses in recent days, with WTI last trading at $73.80/bbl and Brent at $72/bbl at the time of writing.

- **The strong link between oil prices and expectations** that the economic recovery would gather steam in 2010 kept oil markets on a solid upward course for most of 2009. However, despite higher global GDP projections for 2010, there are fresh concerns over financial stability, notably in the eurozone, and as government policy makers consider plans to wind down stimulus measures. The sudden strength in the US dollar, which hit eight-month highs against the euro in early February due to weaker European financial markets, also appeared to add downward momentum to crude prices.

- **Spot crude oil prices** eroded steadily over January. Refiners continued to curtail crude purchases in line with sharply lower global refinery throughput rates as well as reduced demand ahead of heavier than usual forthcoming spring refinery maintenance. Refined product prices, however, have lagged the drop in crude markets, with margins in most major markets posting across-the-board increases month-on-month in January.

- In January, **freight rates** moved higher as weather-related delays curbed vessel availability and sailings out of major crude export regions increased. By mid-month rates eased on weaker demand and as decreasing floating storage added available tonnage.



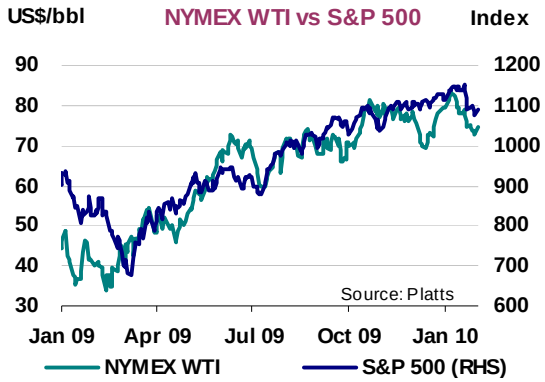


Market Overview

Benchmark crude oil prices cascaded lower throughout January, hitting six-week lows by early February. WTI futures prices swung a sharp $12/bbl over the month, from closing at a high of $83.18/bbl on 6 January to a low of $71.19/bbl on 5 February. The cold winter weather-inspired run-up in prices proved fleeting as warmer temperatures in the Northern Hemisphere set in motion the slide. However, the steady stream of negative macroeconomic developments and the ripple effect on global financial markets played into this downward momentum. At the time of writing WTI was trading at around $73.80/bbl and North Sea Brent at $72/bbl.

Oil prices by and large traded steadily higher throughout 2009, albeit in a relatively narrow $70-$80/bbl range over the past six months, amid expectations of the global economic recovery gathering steam in 2010. However, despite now-stronger consensus views on the pace of economic recovery, concerns persist over the financial instability in the eurozone, which may again temper market expectations about the pace of economic growth.

The aftershocks of sovereign debt issues in Europe were still reverberating through equity markets as government policy makers considered plans to wind down stimulus measures that have been the pillar of economic recovery. In mid-January, oil markets moved lower as concern mounted that China is planning to alter stimulus measures to prevent overheating in the economy. Reports that the US Federal Reserve is now crafting plans to rein-in stimulus spending and contemplating tightening credit markets by raising historically low interest rates once signposts emerge that the US economy is on a steady path to recovery added further pressures to market sentiment. The current uncertainty in financial markets has also halted the upward march in equity markets, with the S&P 500 posting a sudden downturn.



Worries over proposed government regulations for investment banks also cast a cloud of uncertainty over financial markets. The Obama Administration announced in mid-January that it plans to tighten regulations on the nation's largest banks, with oil prices apparently sliding $3/bbl in response to the news. The proposals are aimed at limiting financial activities at banks that have received federal funds over the last year and a half, including trading for their own account, owning hedge funds or private equity funds. Analysts contend that the proposed regulations on US banks may have a greater impact on oil trading than the proposed position limits in the long-awaited report by the Commodity Futures Trading Commission released mid-month.

With financial markets under siege for much of the month, oil prices found little support from supply and demand fundamentals. OPEC producers continued to pump at 12-month highs of 29.1 mb/d in January and preliminary tanker data suggest the group's output is trending higher in February.

Forecast global oil demand was ratcheted up by 170 kb/d, to 86.5 mb/d for 2010 but market focus is on the seasonal second quarter low point. Oil demand is forecast to decline by 300 kb/d between 1Q10 and 2Q10, which could sustain still relatively high stockpiles of refined products. US middle distillates inventories, which include both heating oil and diesel, contracted in January but arguably the steep cut in runs may have had an even more significant impact than the cold weather drawdown. Distillates stocks in the OECD, however, remain at or above the five-year average and floating stockpiles are still considerable.

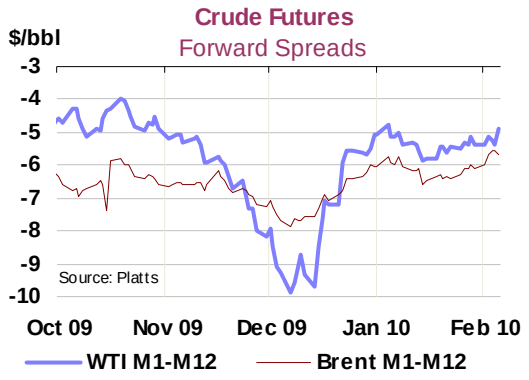
Spot crude prices remain pressured by the sharp cutback in global refinery throughput rates and curtailed refiner buyer ahead of heavier than usual forthcoming spring refinery maintenance. Refined product prices, however, have lagged the drop in crude markets in January, with margins posting across the board increases month-on-month in January, and strengthening further in early February.

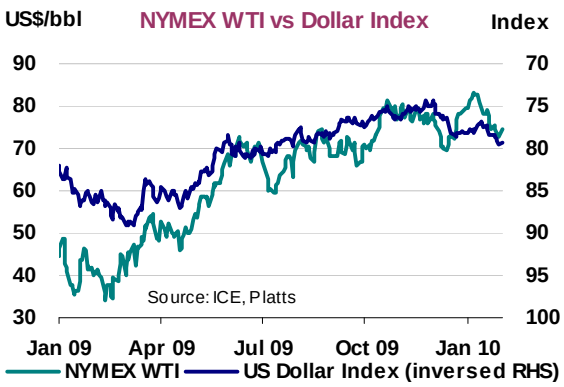
Futures Markets

One underlying sign that prices may be supported at current levels is steady narrowing of the price spread between front month futures prices and forward prices. The WTI M1-M2 narrowed by 95 cents/bbl, to just 45 cents/bbl in January versus an average $1.40/bbl in December. More striking, the WTI M1-M12 closed in by $2.30/bbl, from a high of $9.89/bbl in December to just under $5/bbl in early February.

The influence of the dollar trade, which showed a persuasive correlation with crude oil prices for much of 2009, ebbed in December and early January, but may have come back with a bang in early February, this time acting as a drag on prices as the dollar strengthened due to weaker European financial markets. The US dollar hit an eight-month high against the euro on 5 February as investors sought a safe haven from the eurozone crisis. However, efforts by European governments to stabilise financial instability in Greece

lent support to the euro, with the corresponding weakening in the dollar adding upward momentum to crude prices once more.

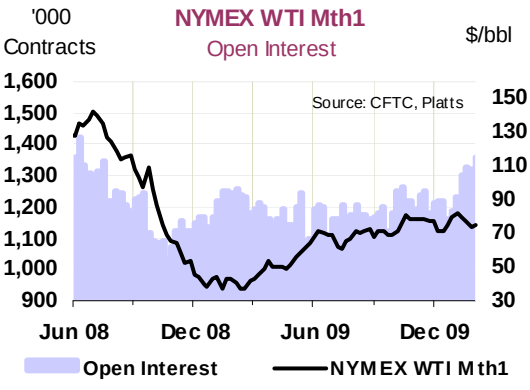




Meanwhile, daily trading volume in crude oil contracts on the New York Mercantile Exchange (NYMEX) hit a record on 5 February in the wake of long liquidations as the dollar rose sharply and amid mounting concerns over the shape of the economic recovery. Volumes hit 1,121,751 contracts, surpassing the previous record posted on 6 June 2008 of 1,092,509 contracts. Rising open interest however has not coincided with any discernable corresponding shift in prices.

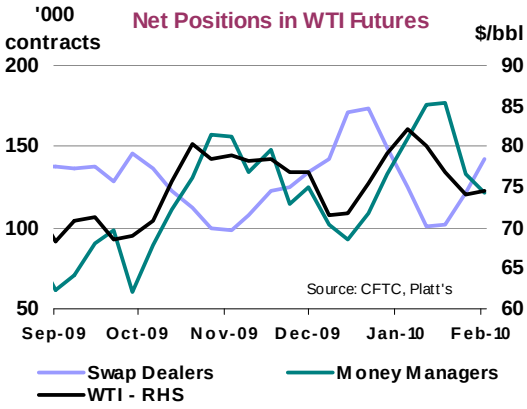
Latest data released by the Commodities Futures Trading Commission (CFTC) showed open interest in Light Sweet Crude Oil rose by 129,300 contracts by 2 February and currently stands at 1,360,700 contracts. Swap dealers further increased net long holdings on the expense of money managers who unwound their net-long positions accumulated throughout most of January.

Meanwhile, US officials took several steps in their efforts to expand government regulation of exchanges, the over-the-counter (OTC) markets and the banking industry. The CFTC unveiled on 14 January its long-awaited proposals for setting limits on energy futures positions. The new position limits, if adopted, will affect the WTI, heating oil, RBOB gasoline and natural gas futures contracts. Similar limits are already in force for agricultural commodities. The aggregate limits are set by the number of outstanding contracts. Companies could hold 10% of the first 25,000 contracts of open interest for all trading months combined and then 2.5% of open interest beyond this threshold. The new rules would allow exemptions to companies using the futures contracts to hedge their commercial risks and a 'limited risk management' exemption, where limits are capped at two times the normal limits, is granted to swap dealers offsetting their positions underwritten at the OTC markets.



Initially, the much-anticipated proposal was viewed as benign since the limits were believed high enough not to divert trades either onto OTC markets or to outside the US. The CFTC said they believed only 10 companies trading in the crude market (out of around 320) would be affected and that these will be able to ask for exemptions. However, critical comments emerged later indicating that limits could have greater impact on smaller heating oil and gasoline markets. The CFTC estimated that caps would have been imposed on 16 traders in each market in the past two years (out of around 170 and 200, respectively). Some banking sources also criticised the 'limited risk management' exemptions for swap dealers, which they believe in effect limits speculative activity and by implication hedging.

Some believe that the introduction of position limits might shift trades to the OTC market, where the CFTC currently has no legislative oversight or outside the US to countries with less strict legislation. However, the US House of Representatives has already come up with a proposal to extend CFTC oversight to include the OTC markets. There is a 90-day period for soliciting comments before any final proposal would be submitted.

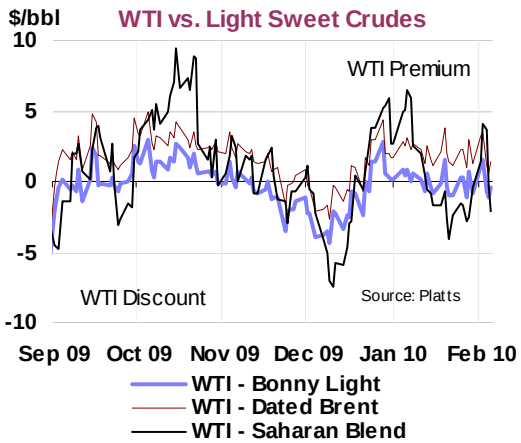


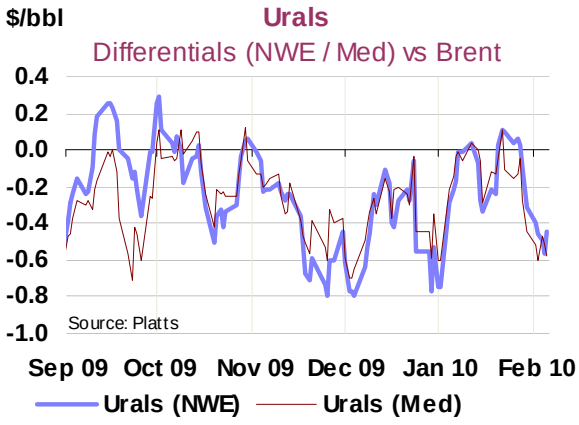
Meanwhile, the UK Financial Services Authority (FSA) has said it does not plan to impose position limits as it considers them outside its current remit, though it is considering greater standardisation of OTC contracts and registration of relevant OTC derivative trades in a trade repository.

Spot Crude Oil Prices

Spot crude prices posted modest month-on-month increases in January but the gains proved fleeting given exceptionally low refinery throughput rates in the US and Europe. January Dated Brent prices rose $1.90/bbl month-on-month, to an average $76.19/bbl, and were trading at just under $73/bbl by early February. Dubai crude posted an even smaller increase of just $1.27/bbl, to $76.69/bbl in January and by early February prices were trading just above $73/bbl.

By contrast, spot prices for WTI at Cushing gained a steeper $4/bbl on the month, in part due to a disruption in Canadian oil flows to the key Midcontinent storage hub. Reduced production at Suncor's upgrader has cut exports to the US by about 150 kb/d since December. Indeed, Cushing stocks fell to 32 mb and are now flirting near the five-year historic range. The WTI contango narrowed in January, to just 41 cents/bbl compared with an average $1.43/bbl in December, wiping out the economics of building stocks onshore and offshore.





In Europe and Asia, exceptionally robust crack spreads for gasoline and naphtha increased demand for light crudes, with spot price premium but ample supplies of North Sea and African grades were more than enough to meet buyers needs, especially as European refiners prepare to slash runs even further in March as spring maintenance plans kick in. Floating storage economics weakened as prompt prices narrowed relative to forward months, though crude oil stored at sea was pegged at 59 mb at end-January, unchanged from December levels.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

	Nov	Dec	Jan	Jan-Dec Avg Chg	%	Week Commencing: 04 Jan	11 Jan	18 Jan	25 Jan	01 Feb
Crudes										
Dated Brent	76.66	74.28	76.19	1.91	2.6	79.79	78.27	74.68	72.02	72.83
Brent (Asia) Mth1 adjusted	77.33	75.24	76.80	1.56	2.1	80.39	79.22	75.54	72.06	73.48
WTI (Cushing) Mth1 adjusted	78.05	74.41	78.31	3.90	5.2	82.42	80.03	76.44	73.98	74.77
Urals (Mediterranean)	76.32	73.88	76.09	2.20	3.0	79.70	78.21	74.62	71.81	72.29
Dubai Mth1 adjusted	77.71	75.42	76.69	1.27	1.7	79.77	79.08	75.86	72.05	73.06
Tapis (Dated)	80.23	77.60	79.93	2.33	3.0	82.65	82.03	79.17	75.88	76.52
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	1.40	0.13	2.12	1.99		2.63	1.76	1.76	1.96	1.95
Urals (Mediterranean)	-0.34	-0.39	-0.10	0.29		-0.09	-0.05	-0.06	-0.21	-0.54
Dubai Mth1 adjusted - Dated Brent	1.06	1.15	0.50	-0.65		-0.02	0.81	1.18	0.03	0.23
Tapis (Dated)	3.58	3.33	3.74	0.42		2.86	3.76	4.49	3.86	3.70
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.72	-0.66	-0.58	0.08		-0.59	-0.55	-0.63	-0.56	-0.42
Forward WTI Cushing Mth1-Mth2 adj.	-0.75	-1.43	-0.43	1.00		-0.59	-0.41	-0.31	-0.41	-0.43

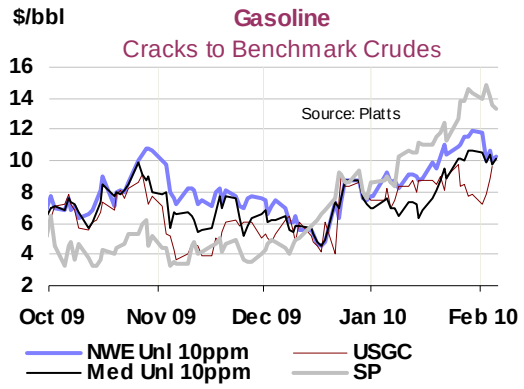
Source: Platts

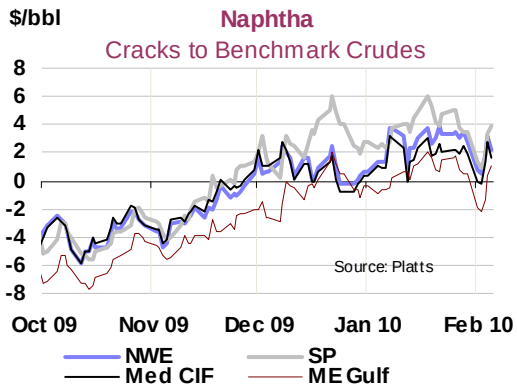
Chinese and other Asian refiners have also stepped up their buying of naphtha-rich crudes such as Algeria's Saharan Blend given stronger crack spreads. Chinese refiners continue to augment contract supplies with spot purchases of African and Middle East crudes to meet record high refinery throughput rates. The start-up of Russia's ESPO crude pipeline is also making inroads into Asia, with Japan and South Korea the latest buyers.

Spot Product Prices

Refined product prices lagged the drop in crude markets and as a result, crack spreads posted across-the-board increases in January. While distillate and fuel oil crack spreads came off the boil as cold weather abated, differentials for gasoline and naphtha, especially in Asia and Europe, proved especially resilient in the wake of the downturn.

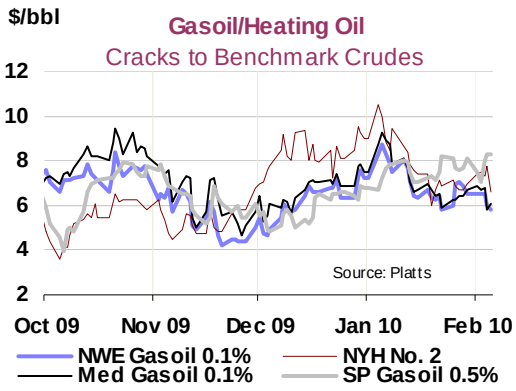
In Europe, gasoline cracks rose by $2/bbl over the month, from $6.30/bbl to $8.27/bbl in January. Continued arbitrage opportunities to Asia, West Africa and the Middle East offset weak local demand, with cracks holding onto gains as Nigeria and Iran continue to increase imports from the region.

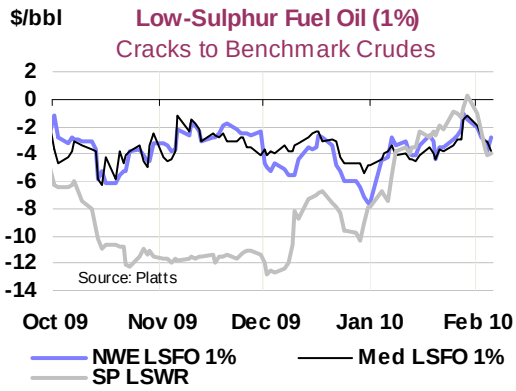




In Singapore, gasoline crack spreads for Dubai ballooned to $11.31/bbl in January compared with $6.43/bbl in December. In Japan reduced runs rates helped support gasoline cracks, which were up by $4.50/bbl to $10.12/bbl in January.

In the US Gulf Coast, gasoline differentials to Light Louisiana crude more than doubled in January, to $4.50/bbl while gasoline crack spreads for Mars gained more than $2/bbl to $8.31/bbl in January.





Strong Asian demand for petrochemical feedstock buoyed crack spreads for naphtha. In Singapore, naphtha cracks rose to just under $4/bbl in January compared with $2.86/bbl in December and -$1.51/bbl in November. In Northwest Europe, naphtha cracks more than doubled on the month, in part due to increased exports to Asia, reaching $2.80/bbl in January compared with $1.03/bbl in December and a loss of $2.11/bbl in November.

Spot Product Prices

(monthly and weekly averages, $/bbl)

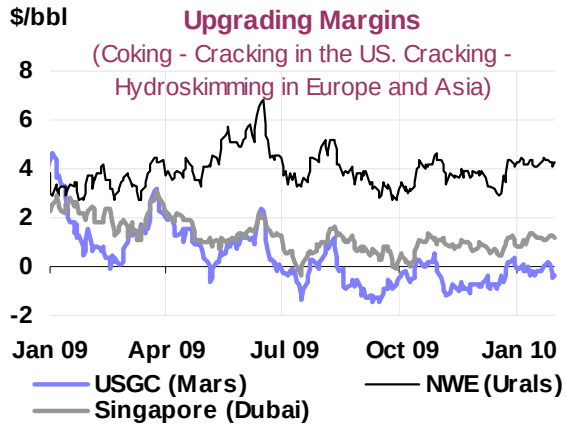
	Nov	Dec	Jan	Jan-Dec		Week Commencing:					Nov	Dec	Jan
				Chg	%	04 Jan	11 Jan	18 Jan	25 Jan	01 Feb			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	84.54	80.81	86.03	5.22	6.5	88.55	87.25	84.92	83.40	83.35	7.89	6.53	9.84
Naphtha	74.55	75.30	78.99	3.69	4.9	82.11	80.64	77.99	75.24	74.56	-2.11	1.03	2.80
Jet/Kerosene	84.97	83.13	86.02	2.89	3.5	90.32	87.58	84.43	81.76	82.09	8.31	8.86	9.83
ULSD 10ppm	84.25	82.22	84.30	2.08	2.5	89.03	85.86	82.33	79.97	81.00	7.59	7.94	8.11
Gasoil 0.1%	82.10	80.51	83.24	2.72	3.4	87.90	85.39	80.97	78.69	79.09	5.44	6.24	7.05
LSFO 1%	74.05	69.37	72.91	3.55	5.1	75.93	74.53	71.25	69.94	69.92	-2.60	-4.91	-3.28
HSFO 3.5%	70.47	67.83	70.72	2.90	4.3	73.50	72.44	69.15	67.81	67.85	-6.18	-6.45	-5.46
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	82.88	80.18	84.35	4.18	5.2	86.81	85.25	83.23	82.12	82.42	6.56	6.30	8.27
Naphtha	74.49	74.70	78.03	3.33	4.5	81.45	79.64	76.93	74.10	73.44	-1.83	0.82	1.94
Jet Aviation fuel	83.58	82.04	83.93	1.89	2.3	88.40	85.29	82.18	79.87	80.13	7.26	8.16	7.85
ULSD 10ppm	84.32	82.33	84.76	2.43	3.0	89.35	86.79	82.65	80.26	81.09	8.00	8.45	8.68
Gasoil 0.1%	82.53	80.48	83.30	2.81	3.5	88.35	85.36	81.13	78.34	78.79	6.21	6.60	7.21
LSFO 1%	73.34	70.27	72.47	2.20	3.1	75.75	73.93	70.76	69.43	69.38	-2.98	-3.62	-3.62
HSFO 3.5%	70.44	67.66	70.26	2.60	3.8	73.60	72.04	68.76	66.63	66.92	-5.88	-6.22	-5.83
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	86.91	83.90	88.89	4.99	5.9	92.53	90.65	87.52	84.59	84.40	8.85	9.50	10.58
Unleaded	83.31	80.79	85.91	5.12	6.3	89.36	87.56	84.54	81.90	82.29	5.26	6.38	7.60
Jet/Kerosene	84.31	84.44	88.23	3.79	4.5	93.18	90.16	86.03	83.09	83.92	6.26	10.03	9.92
No. 2 (Heating Oil)	83.42	82.73	86.10	3.37	4.1	91.87	87.98	83.10	80.86	82.08	5.37	8.32	7.79
LSFO 1%†	73.13	70.19	71.66	1.46	2.1	75.61	73.49	69.21	67.83	67.94	-4.92	-4.21	-6.65
No. 6 3%†	71.89	69.46	71.33	1.86	2.7	75.05	73.13	69.01	67.65	67.93	-6.16	-4.94	-6.99
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	81.89	81.85	88.01	6.16	7.5	88.75	89.85	87.46	85.96	87.01	4.17	6.43	11.32
Naphtha	76.21	78.28	80.66	2.38	3.0	82.53	83.28	80.66	76.18	75.31	-1.51	2.86	3.97
Jet/Kerosene	84.95	83.24	85.87	2.62	3.1	89.89	87.90	84.50	81.17	81.23	7.24	7.82	9.18
Gasoil 0.5%	84.02	81.29	84.24	2.95	3.6	87.20	86.57	83.32	79.86	80.89	6.31	5.87	7.55
LSWR Cracked	66.15	65.99	73.53	7.54	11.4	73.66	75.69	73.47	71.30	70.02	-11.56	-9.43	-3.16
HSFO 180 CST	72.34	72.14	74.84	2.70	3.7	77.49	76.57	73.97	71.31	71.05	-5.38	-3.28	-1.85
HSFO 380 CST 4%	73.86	73.61	76.10	2.49	3.4	79.08	77.89	75.16	72.26	72.14	-3.85	-1.81	-0.59

Source: Platts * CIF † Cargoes

Refining Margins

Refining margins were mixed in January, with Europe far outpacing other regions. Strong export demand for gasoline and naphtha from Asia, Africa and the Middle East helped support upgrading margins in both the Mediterranean and Northwest Europe (NWE). Brent margins in NWE surged to an average $2.03/bbl in January compared with 12 cents/bbl in December. By early February margins were even higher, averaging $2.50/bbl.

In the Mediterranean, cracking margins for Es Sider jumped from -53 cents/bbl in December to $1.80/bbl on average in the first week of February.



Losses on the US Gulf Coast generally outpaced other regions. Upgrading margins for Nigerian Bonny Light worsened from 71 cents/bbl the first week of January to -$1/bbl for the week ended 5 February.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:			
		Nov 09	Dec 09	Jan 10		Jan 10-Dec 09	08 Jan	15 Jan	22 Jan	29 Jan	05 Feb
NW Europe	Brent (Cracking)	-0.12	0.12	2.03	↑	1.91	1.72	1.66	2.16	2.83	2.50
	Urals (Cracking)	0.30	0.87	2.20	↑	1.33	1.91	1.80	2.25	2.97	2.81
	Brent (Hydroskimming)	-1.84	-1.46	-0.01	↑	1.44	-0.28	-0.33	0.09	0.74	0.39
	Urals (Hydroskimming)	-3.50	-2.77	-2.07	↑	0.71	-2.34	-2.43	-2.06	-1.29	-1.46
Mediterranean	Es Sider (Cracking)	-0.86	-0.53	0.68	↑	1.20	0.06	0.01	0.82	2.03	1.80
	Urals (Cracking)	-0.05	0.59	1.71	↑	1.12	1.47	1.16	1.68	2.70	2.55
	Es Sider (Hydroskimming)	-4.23	-3.97	-3.21	↑	0.76	-3.85	-3.86	-3.09	-1.84	-2.14
	Urals (Hydroskimming)	-4.77	-4.16	-3.51	↑	0.65	-3.80	-3.97	-3.50	-2.59	-2.73
US Gulf Coast	Bonny (Cracking)	-4.12	-2.64	-1.92	↑	0.71	-0.64	-2.66	-2.96	-1.69	-1.00
	Brent (Cracking)	-4.06	-2.49	-1.55	↑	0.94	-1.08	-2.60	-1.83	-0.82	-0.42
	LLS (Cracking)	-2.59	-1.47	-0.39	↑	1.08	-0.46	-0.77	-0.71	0.41	0.51
	Mars (Cracking)	-1.29	0.01	0.68	↑	0.67	0.54	0.69	0.42	1.12	1.58
	Mars (Coking)	-2.14	-0.42	0.56	↑	0.98	0.49	0.44	0.37	0.95	1.46
	Maya (Coking)	-3.26	-1.01	0.02	↑	1.03	-0.15	-0.59	0.31	0.55	1.45
US West Coast	ANS (Cracking)	-3.08	-0.52	-4.22	↓	-3.70	-3.93	-7.00	-4.93	-1.81	-1.81
	Kern (Cracking)	2.99	6.50	0.55	↓	-5.95	2.44	-1.34	-0.74	0.99	2.06
	Oman (Cracking)	-5.58	-2.45	-4.30	↓	-1.85	-2.03	-7.44	-5.80	-2.85	-2.21
	Kern (Coking)	5.27	8.64	4.49	↓	-4.15	6.57	0.65	2.92	6.95	7.56
Singapore	Dubai (Hydroskimming)	-4.59	-3.26	-2.22	↑	1.04	-2.10	-2.72	-2.58	-1.52	-2.25
	Tapis (Hydroskimming)	-6.69	-4.79	-3.21	↑	1.58	-3.91	-3.06	-3.05	-2.50	-3.08
	Dubai (Hydrocracking)	-3.69	-2.43	-1.08	↑	1.36	-1.09	-1.42	-1.48	-0.29	-0.89
	Tapis (Hydrocracking)	-4.75	-2.90	-1.92	↑	0.97	-2.23	-1.69	-2.04	-1.52	-1.87
China	Cabinda (Hydroskimming)	-8.64	-7.10	-4.94	↑	2.16	-6.44	-4.85	-4.74	-3.53	-4.20
	Daqing (Hydroskimming)	-7.60	-6.74	-2.37	↑	4.36	-5.49	-2.52	-1.10	0.27	-0.93
	Dubai (Hydroskimming)	-4.96	-3.73	-2.02	↑	1.71	-1.93	-2.58	-2.35	-1.28	-2.03
	Daqing (Hydrocracking)	-3.67	-2.54	1.36	↑	3.90	-1.39	1.19	2.37	3.80	2.82
	Dubai (Hydrocracking)	-4.06	-2.89	-0.78	↑	2.11	-0.88	-1.23	-1.07	0.11	-0.55

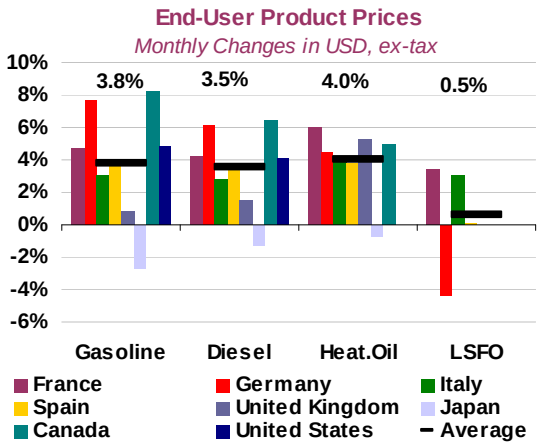
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

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

Sources: IEA, Purvin & Gertz Inc.

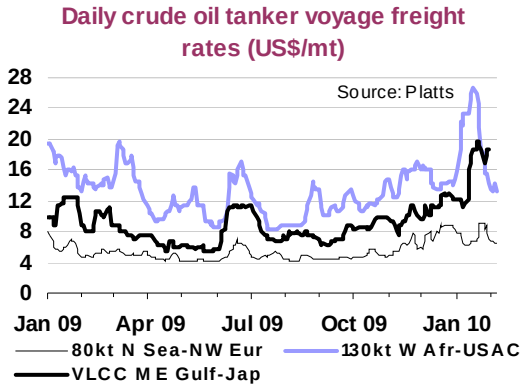
End-User Product Prices in January

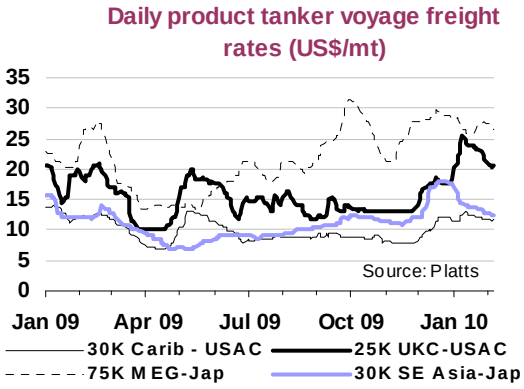
Retail product prices in US dollars, ex-tax, increased by 3.0% in January 2010 for surveyed IEA member countries. Prices rose steeply in Canada, the US and France, while end-user prices in Japan dropped by 1.6% month-on-month. Gasoline prices rose by 3.8% on average, while automotive diesel prices increased by 3.5%. Cold weather in the North American continent, the UK and Europe pushed heating oil prices up by 4.0%. The monthly price change varied across countries (from +6.0% and +5.3% in France and the UK, respectively, to +3.8% in Spain). Heating oil prices were 26.3% above levels of a year ago. By contrast, January gasoline prices rose by 67.1% year-on-year. Consumers in January 2010 paid $2.72/gallon ($0.72/litre) in the US, ¥126.0/litre ($1.38/litre) in Japan and £1.09/litre ($1.76/litre) in the UK. In Europe, the average gasoline price at petrol stations ranged between €1.10/litre ($1.57/litre) in Spain and €1.35/litre ($1.93/litre) in Germany.



Freight

January saw some impressive spikes in freight rates, especially for large crude tankers, as weather related delays curbed vessel availability and sailings out of major crude export regions increased. Towards the end of the month, rates generally fell, as demand was lower and decreasing floating storage added available tonnage.



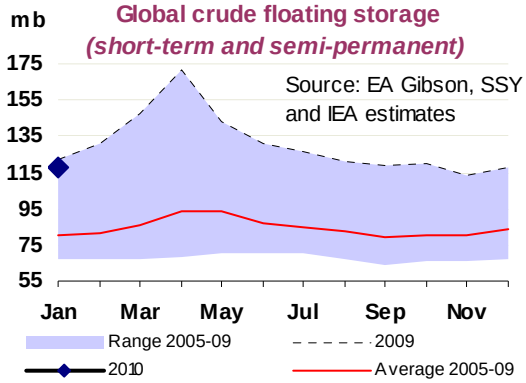


VLCC Mideast Gulf – Japan crude freight rates rose sharply over the first three weeks of the month to highs of $20/mt, driven by increased sailings out of the Mideast Gulf, both eastwards and westwards, coupled with fleet tightness due to weather related delays and Chinese port congestion, conditions which had softened by the end of the month. Freight assessments for this route from 1 February will reflect double hull instead of single hull vessel rates. Suezmax West Africa – US Atlantic Coast rates skyrocketed to $27/mt in mid-January, influenced by VLCC tightness and high crude exports from West Africa to the USA. However, lower volumes in February, and an influx of available tonnage made the spike short. Aframax North Sea rates fell in early January on low demand, but briefly spiked at $9/mt later in the month on ice-class vessel requirements in the Baltic Sea.

On the product side, Aframax (75 kt) Mideast Gulf – Japan rates fell from late-December highs of $29/mt, but recovered partially to a level of $27-28/mt towards the end of January. Refinery shut-ins in Indonesia and Saudi Arabia, a busy naphtha trade and Iranian gasoline hoarding ahead of US sanctions increased demand, while the supply side balanced with an estimated 10 vessels of this category freed up from

floating storage during January. Rates for 25kt UK Continent – US Atlantic Coast spiked in early January to $26/mt, the highest level since October 2008, as cold weather gave a brief impetus to US gasoil demand. However, the spike proved short and rates fell throughout the remainder of January, with some support provided by increased gasoline sailings to Western Africa. Handymax Caribbean- US Atlantic coast rates poised on the higher plateau around $12/mt established in December, supported by delays from fog and rough seas and a US Gulf oil spill. Rates for Handymax (30 kt) South East Asia – Japan fell throughout the month from $17/mt to $12/mt in early February, at five-year lows.

Short-term floating storage of products fell by 10 mb to 86 mb over January, mainly in North West Europe and the Mediterranean region, with a large reduction in Suezmax and large product tankers. Crude floating storage was flat in January, but a fall in floating storage of both crude and products was observed in early February. Some single-hull VLCCs were deployed from floating storage, but will reportedly not re-enter the trade. A faster speed of demolition has been observed lately, with 2010 being the last official year of the single-hull phase-out mandated by the International Maritime Organisation (IMO).



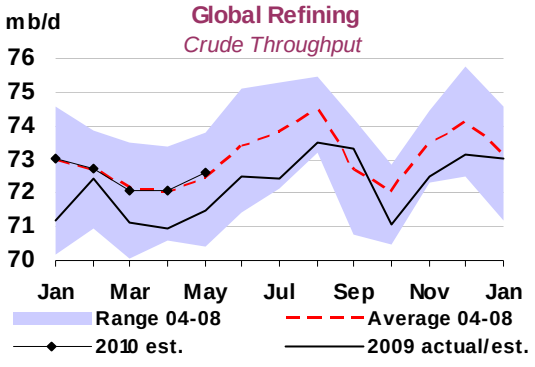
REFINING

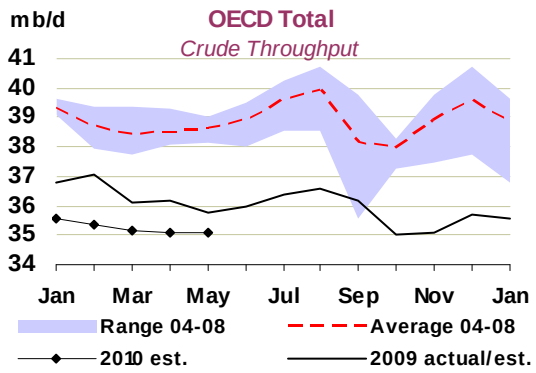
Summary

- **Despite some signs of improvement for the refining industry, its short-term outlook remains fundamentally bearish.** Refining margins in the main regions improved across the board for a second month in a row, OECD total product stocks appear now to be on a clear downward trend and the year-on-year change in oil demand stayed positive for main consumers. However, new distillation capacity additions continued while demand plunged in 2008 and 2009, thus resulting in a surplus of capacity and a sharp fall in utilisation rates. Global surplus capacity by 4Q10 could reach 3.9% of installed capacity in baseline 1Q08, assuming 84% normal utilisation. A similar level is expected to linger throughout 2011, suggesting further capacity rationalisation will be needed to bring operating rates back to more normal levels and restore profitability to the industry.

- **The global 1Q10 crude throughput forecast is largely unchanged at 72.6 mb/d,** 27 kb/d lower than in last month's report. However, the OECD estimate is seen 0.3 mb/d higher at 35.4 mb/d, while the non-OECD estimate is seen 0.3 mb/d lower at 37.3 mb/d. Higher-than-expected crude runs in Canada, Mexico and OECD Pacific underpin this shift. However, higher maintenance activity more than outweighs a higher projection for Chinese crude runs for the non-OECD regions. The global 1Q10 estimate is 1.0 mb/d higher year-on-year, but is still 1.35 mb/d below 1Q08 throughput levels.

- **Global 4Q09 crude throughput stands at 72.3 mb/d**, unchanged from last month's estimate. A marginal decrease in non-OECD throughput levels is compensated by a slightly higher-than-expected reading for the OECD. Lower October and November throughputs offset a 0.3 mb/d higher-than-expected December preliminary level of 73.2 mb/d.

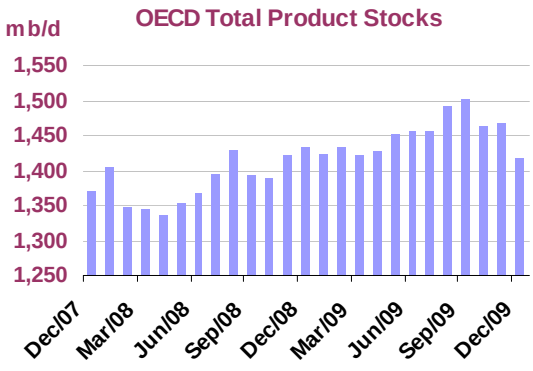


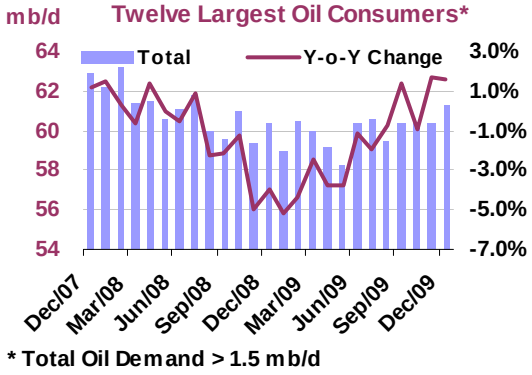


- **November OECD refinery yields increased for naphtha, jet fuel/kerosene and gasoil/diesel** at the expense of fuel oil and other products, while yields for gasoline remained unchanged. OECD naphtha yields rose for the fifth consecutive month to 4.7%, consolidating their position in the five-year range. Gasoline yields remained flat at 35.0%, considerably above the five-year range, with refiners in North America continuing to maximise their gasoline yields in order to compensate lower throughputs. Gasoil/diesel yields increased to 29.5%, in line with the five-year average pattern, with European yields trending towards the top of the five-year range, which only partially compensated low throughput levels. OECD fuel oil yields reversed October's rise with a fall of 0.5 percentage points, trending well below the five-year range, reflecting in part still-suppressed heavy/sour crude availability.

Global Refinery Overview

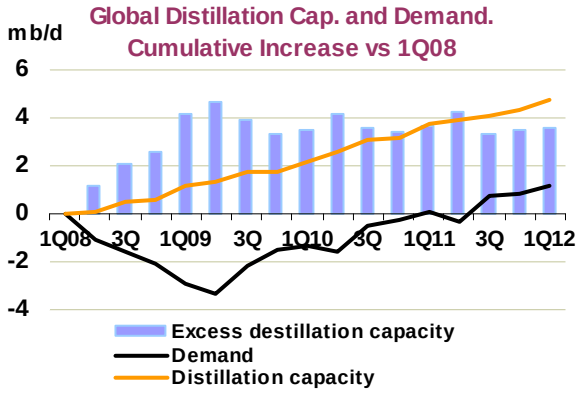
It seems that the short-term refining outlook is improving. Refining margins in the main regions rose across the board for a second month in a row. OECD total product stocks for now appear to be on a clear downward trend, helped by cold weather at the beginning of the year, and the year-on-year change in oil demand stayed positive.





However, the outlook for 2010-2011 remains bearish. Despite the latest GDP growth projections reverting close to pre-crisis levels, the refining industry is far from regaining lost ground, as fundamentals show. In fact, the industry is going through a restructuring and consolidation process, which will take several months before any return to business-as-usual.

During 2008 and 2009, our data show that refiners increased crude distillation capacity by 2.1 mb/d, while oil demand plunged by 1.6 mb/d in the same time period, thus resulting in a surplus of capacity and sharp falls in utilisation rates. Taking 1Q08 as a reference point, it is interesting to compare the cumulative growth of both demand and crude distillation capacity. According to our projections, crude distillation capacity will rise by 3.2 mb/d by 4Q10, whereas demand will fall short 0.2 mb/d from an early-2008 level of 87.4 mb/d. This could create an excess of crude distillation capacity of 3.4 mb/d, equivalent to 3.9% of existing global capacity in 1Q08, when global refinery utilisation rates were slightly above the four-year average of 84%. Looking further ahead through 4Q11, this situation remains essentially the same as crude distillation capacity grows at least as fast as demand. As highlighted in previous reports, new refineries in non-OECD countries will be better positioned to meet local demand growth, making further capacity closures more likely in OECD countries.



Global Refinery Throughput

1Q10 global refinery throughput is expected to average 72.6 mb/d, unchanged from last month's report. However, the OECD projection is seen higher by 0.3 mb/d at 35.4 mb/d, while the non-OECD is projected at 37.3 mb/d, 0.3 mb/d below last month's report. Underpinning this shift are improving refining margins and higher-than-expected runs in Canada, Mexico, Japan, Korea and Australia. In the non-OECD regions, higher maintenance activity more than outweighs a higher projection for Chinese crude runs. The global 1Q10 estimate is 1.0 mb/d higher year-on-year, but represents a decrease of 1.35 mb/d compared with 1Q08 throughput levels.

Global Refinery Crude Throughput[1]

(million barrels per day)

	Sep 09	Oct 09	Nov 09	*Dec 09*	*Jan 10*	*Feb 10*	*Mar 10*	*Apr 10*	*May 10*
OECD									
North America	17.4	16.9	16.8	*16.9*	*16.8*	*16.7*	*16.7*	*16.8*	*16.9*
Europe	12.4	12.1	11.9	*12.2*	*12.1*	*12.1*	*12.0*	*12.1*	*12.1*
Pacific	6.3	6.0	6.4	*6.7*	*6.7*	*6.6*	*6.4*	*6.2*	*6.1*
Total OECD	36.1	35.0	35.1	*35.7*	*35.6*	*35.3*	*35.1*	*35.1*	*35.1*
NON-OECD									
FSU	6.2	5.8	6.3	*6.2*	*6.2*	*6.3*	*6.2*	*6.2*	*6.3*
Europe	0.7	0.7	0.6	*0.8*	*0.7*	*0.5*	*0.6*	*0.7*	*0.8*
China	8.0	7.8	8.1	*8.2*	*8.1*	*8.2*	*8.2*	*8.3*	*8.4*
Other Asia	8.8	8.3	8.7	*8.8*	*8.9*	*8.9*	*8.7*	*8.6*	*8.6*
Latin America	5.3	5.1	5.4	*5.3*	*5.3*	*5.4*	*5.4*	*5.4*	*5.3*
Middle East	6.0	6.1	6.0	*5.9*	*5.9*	*5.9*	*5.7*	*5.7*	*5.9*
Africa	2.2	2.3	2.3	*2.4*	*2.3*	*2.2*	*2.2*	*2.2*	*2.3*
Total Non-OECD	37.2	36.1	37.4	*37.5*	*37.5*	*37.4*	*37.0*	*37.0*	*37.5*
Total	73.3	71.1	72.5	*73.2*	*73.1*	*72.8*	*72.1*	*72.1*	*72.6*

1 Crude runs in italics are estimates. Forecast crude throughput is based on current IEA demand forecasts.

As in last month's report, we are keeping our **4Q09 global refinery throughput** estimate of 72.3 mb/d unchanged. This time, higher-than-expected crude runs in Australia and Korea compensated for marginal decreases in the Middle East, FSU and non-OECD Europe. Lower October and November throughputs offset December preliminary data, which were 0.3 mb/d higher than expected, at 73.2 mb/d.

OECD Refinery Throughput

OECD crude throughput estimates for **4Q09** are revised up by 52 kb/d to 35.3 mb/d, representing a decrease of 1.1 mb/d on a quarterly basis and a contraction of 2.2 mb/d on a yearly basis. Lower October and November readings partially offset December preliminary data, which were 0.3 mb/d higher than projected and 0.6 mb/d higher than the November data, but 2.0 mb/d lower than in December 2008. On

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

							Change from		Utilisation rate[1]	
	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	*Nov 09*	*Dec 08*	Dec 09	Dec 08
OECD North America										
US[2]	14.63	14.57	14.68	14.05	13.86	13.82	-0.04	-0.53	78.22	81.50
Canada	1.75	1.79	1.51	1.55	1.65	1.70	0.05	-0.11	84.23	89.78
Mexico	1.21	1.27	1.25	1.29	1.32	1.33	0.00	0.05	86.28	83.04
Total	17.60	17.62	17.44	16.90	16.84	16.85	0.02	-0.59	79.38	82.40
OECD Europe										
France	1.56	1.45	1.40	1.36	1.34	1.34	0.01	-0.32	68.49	84.63
Germany	2.12	2.12	2.05	1.99	1.95	1.89	-0.06	-0.32	78.10	91.18
Italy	1.71	1.70	1.65	1.62	1.58	1.66	0.08	-0.14	71.11	77.01
Netherlands	0.89	0.94	1.08	0.96	0.90	1.03	0.14	0.04	85.37	82.13
Spain	1.06	1.01	1.02	1.01	0.91	1.01	0.10	-0.22	79.76	97.43
UK	1.50	1.46	1.52	1.38	1.45	1.49	0.04	-0.10	78.73	84.01
Other OECD Europe	3.82	3.73	3.64	3.78	3.75	3.75	0.00	-0.06	79.88	81.13
Total	12.64	12.41	12.36	12.09	11.86	12.17	0.31	-1.11	77.17	84.23
OECD Pacific										
Japan	3.17	3.53	3.45	3.13	3.44	3.73	0.29	-0.14	79.72	82.63
Korea	2.26	2.34	2.25	2.33	2.26	2.28	0.03	-0.15	83.51	89.16
Other OECD Pacific	0.69	0.71	0.64	0.56	0.68	0.66	-0.03	-0.04	81.29	86.71
Total	6.12	6.58	6.34	6.02	6.38	6.67	0.29	-0.33	81.13	85.20
OECD Total	36.35	36.60	36.15	35.01	35.08	35.69	0.62	-2.04	78.93	83.55

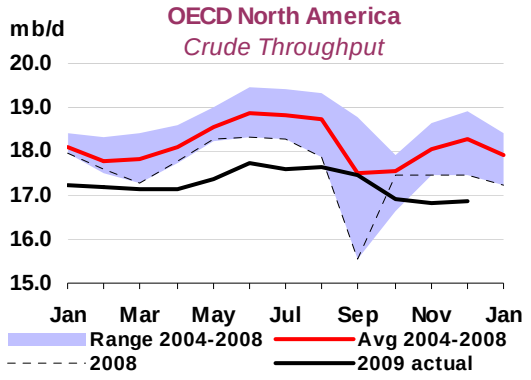
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

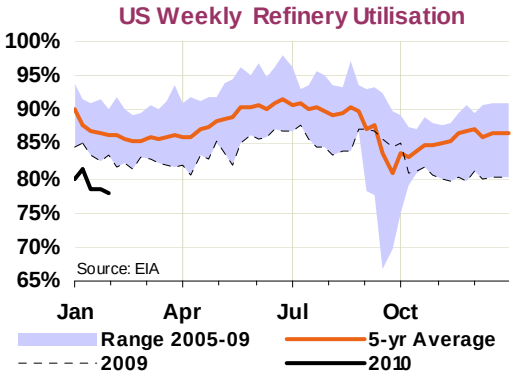
2 US50

a quarterly basis, only the Pacific posted higher runs, supported by an increase in export activity and cold weather at the end of the year.

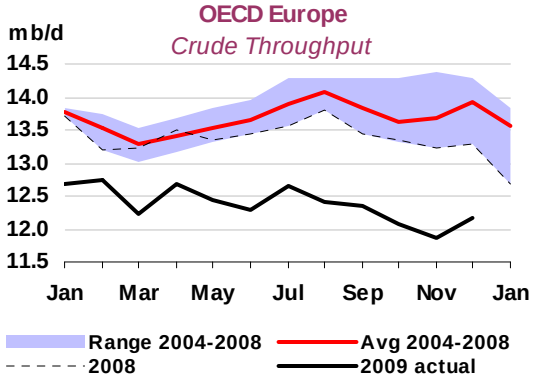
November OECD refinery utilisation rates averaged 77.6%, 0.2 percentage points (pp) above the October reading of 77.4%, which is the lowest point in our data going back to 1995. December preliminary data point to a utilisation rate of 78.9%, 1.4 pp above the November level, but 4.6 pp lower on a yearly basis. Refiners in the Pacific increased utilisation rates by 3.5 pp to 81.1%, with gasoline exports reaching a six-year high in November at 181 kb/d. European utilisation rates increased by 2 pp month-on-month in December to 77.2%, with France and Italy reporting the lowest levels, around 70%, followed by Germany, UK and Spain at around 79% and the Netherlands at 85.4%. In North America, utilisation rates stayed at 79.4%, with Mexican and Canadian levels around 85% and the US slightly above 78%.

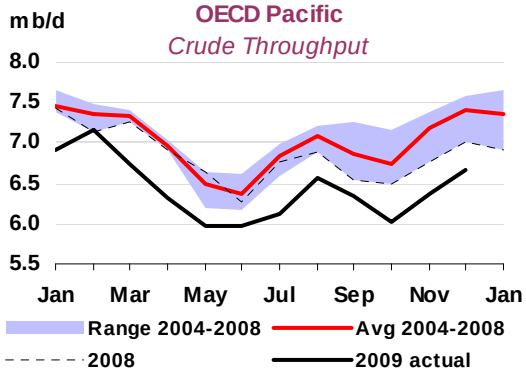
4Q09 OECD North America crude throughput remained at 16.9 mb/d, representing a fall of 0.7 mb/d and 0.6 mb/d on a quarterly and annual basis, respectively. Preliminary December crude throughput data turned out to be higher than expected (0.1 mb/d at 16.9 mb/d), with Mexico accounting for most of the increase. Mexican utilisation rates reached 86%, representing an increase above 3 pp on a yearly basis, reflecting higher exports. Weekly US data for January point to utilisation rates some 4.7 pp below last year's level of 83.8%, as demand remains constrained.



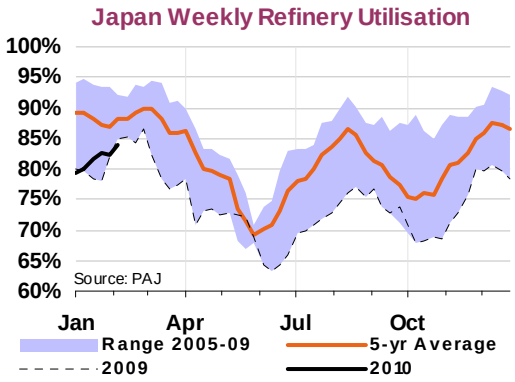


4Q09 OECD European crude runs matched our forecast, at 12.0 mb/d, 0.4 mb/d lower quarter-on-quarter and 1.2 mb/d lower year-on-year. December preliminary data turned out to be 0.1 mb/d higher than expected at 12.2 mb/d, outweighing a lower reading for November. The 1Q10 estimate of 12.1 mb/d could see some upside potential in March, as latest third-party estimates point to lower maintenance activity, although for now we estimate that weak margins will keep throughput levels constrained overall. In France, Total's potential closure of its 140 kb/d Flanders refinery in Dunkirk is facing the resistance of unions, which have given the company an ultimatum to reopen the refinery by 15 February, threatening otherwise to take control of the site and call new strikes at other Total refining centres in France. Total has put off until June a decision on whether to close the refinery, which could cost over 600 jobs, and has offered to create a technical support centre and a refining training centre at the site, which stopped operations in September last year due to low refining margins.





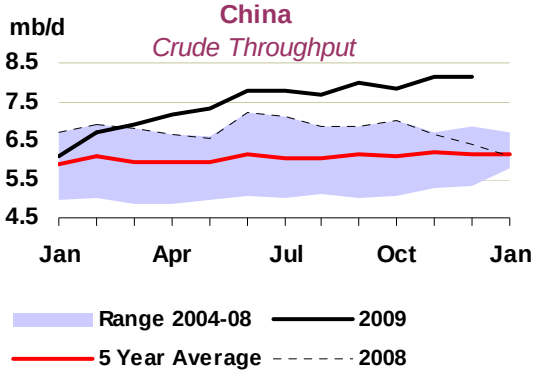
4Q09 OECD Pacific crude runs are revised up by 0.1 mb/d at 6.4 mb/d, only 12 kb/d higher on a quarterly basis and 0.4 mb/d lower year-on-year. December preliminary data were 0.1 mb/d higher than expected with exports of gasoline, naphtha and other products supporting the higher level. Given that regional crude runs have been outperforming our projections and weekly Japanese runs outperformed last month's projection, we have increased the 1Q10 forecast by 0.2 mb/d.

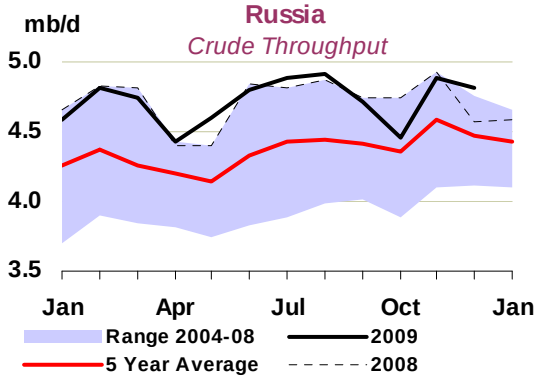


Non-OECD Refinery Throughput

Non-OECD crude throughput estimates for **4Q09** have been revised down by 0.1 mb/d to 37.0 mb/d. Updates to October and November data from the Joint Oil Data Initiative (JODI) were 0.1 mb/d lower than reported in last's month report, while December data were in line with our projections. The new 4Q09 estimate represents a 0.3 mb/d increase quarter-on-quarter and a 1.7 mb/d increase year-on-year, with the annual increment mainly the result of increases of 1.3 mb/d in China and 0.6 mb/d in other Asia.

Chinese December crude runs reached a new record high of 8.15 mb/d, 30 kb/d higher than November's level and 0.2 mb/d above our estimate. Crude prices stayed below $80/bbl, incentivising refiners to maximise runs. The December throughput level represents a year-on-year increase of 27%, equivalent to 1.7 mb/d. We are increasing the 1Q10 projection by 0.1 mb/d to 8.2 mb/d given that demand is growing more strongly than expected. According to news reports, Sinopec's newly expanded Tianjin refinery is likely to become a regular exporter of gasoline, diesel and kerosene in 2010. The refinery expansion includes a new 200 kb/d crude unit, which will bring total crude distillation capacity to 250 kb/d once an existing 50 kb/d crude unit is deactivated.



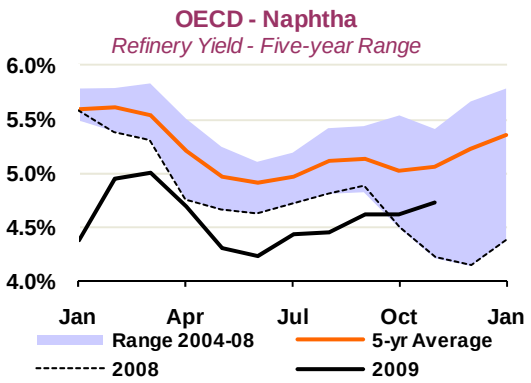


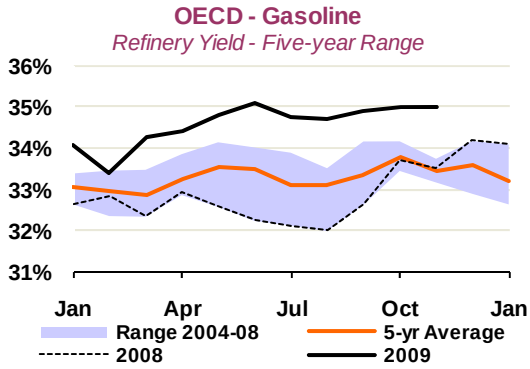
Russian crude runs averaged 4.8 mb/d in December, 0.1 mb/d below our projection. 4Q09 FSU crude throughput is forecast at 6.1 mb/d, around 0.1 mb/d higher than estimated last month. We have lowered the 1Q10 FSU estimate based on expansion work at Lukoil's Odessa refinery, which is scheduled to take until mid-March, and an estimation of lower crude runs in Belarus' 323 kb/d Mozyr and 170 kb/d Novopolotsk refineries as a result of the crude export duty dispute between Russia and Belarus. The dispute was resolved in the last week of January. Russia agreed to supply around 125 kb/d of duty-free oil to Belarus, on the basis of the country's domestic consumption, but Belarus must pay full exports duties on additional Russian crude it receives, which risks lowering throughput levels.

December **Indian** throughputs at 3.7 mb/d were 0.1 mb/d higher than projected but 0.1 mb/d lower month-on-month. The 4Q09 Other Asia throughput estimate remains unchanged at 8.6 mb/d, as well as our 1Q10 projection at 8.8 mb/d. Indian refiners are confronted with the implementation of fuel Euro IV standards in 13 major cities and Euro-III standards for the rest of the country from April. Refiners are struggling to meet the deadline and are pushing to delay the launch of the new standards, facing the possibility of having to import around 100 kb/d of fuel from April and perhaps until October.

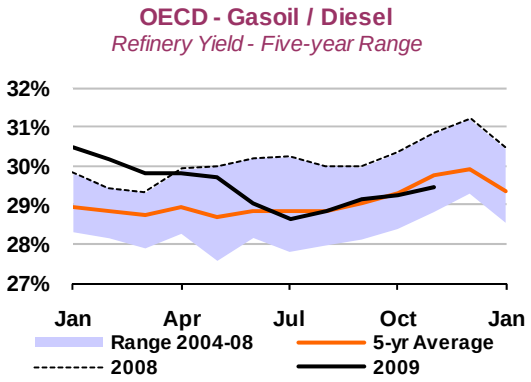
OECD Refinery Yields

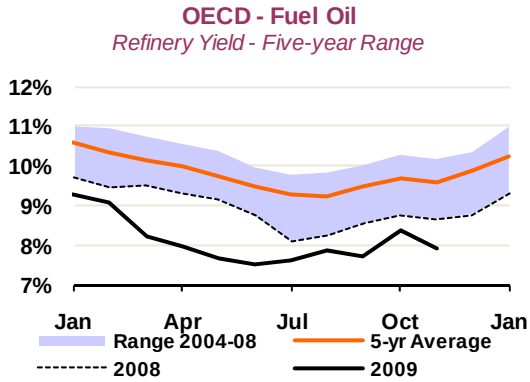
November refinery yields increased for naphtha, jet fuel/kerosene and gasoil at the expense of fuel oil and other products, while yields for gasoline remained unchanged. OECD naphtha yields rose for the fifth consecutive month, reaching 4.7%, consolidating their position in the five-year range. The increase was driven by an unseasonal rise in North America, which offset decreases in OECD Europe and the Pacific. The increase in North America was on the back of stronger exports.





OECD gasoline yields remained flat at 35.0%, well above the five-year range and 1.5 pp higher than the previous year. In OECD North America, refiners continued to maximise their gasoline yields. This was evidenced by year-on-year growth of 2 pp to 48.0%, well above the five-year range, whilst refinery gross output remained aligned to the five-year average at 10.1 mb/d. In the OECD Pacific, despite a sharp monthly fall of 1.2 pp to 22.5%, yields have trended well above last year's levels. In OECD Europe, yields increased to 22.1%, but remained subdued at the low end of the five-year average.





Gasoil/Diesel yields increased by 0.2 pp to 29.5%, in line with the five-year average pattern. This trend was driven by seasonal gains in North America and Europe, which offset a decrease in the Pacific. European yields held towards the top of the five-year range at 37.8%, which only partially compensated low throughput levels, as gross output remained below the five-year range. In contrast, yields in North America and the Pacific held towards the bottom of the five-year range at 24.5% and 27.5%, respectively.

OECD fuel oil yields were weaker in November, reversing October's rise with a fall of 0.5 pp, with consequently yields trending well below the five-year range, and below the previous year. Month-on-month losses were reported across all OECD regions with particular weakness in Europe, where yields fell by 0.7 pp to 10.3%, reflecting perhaps diminishing heavy sour crude sales into the Atlantic Basin. In the Pacific region, yields declined by 0.4 pp to 10.6%. Only in North America, where upgrading throughputs remain subdued, fuel oil yields hold within the five-year range at 5.4%, above last year's value of 5.1%.

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

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.2	23.5	23.3	23.4	23.1	23.5	23.6	23.4
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.5	14.5	14.8	14.3	14.6	14.7	14.6
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	8.0	7.7	8.0	7.1	7.1	7.7	7.5
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.6	44.4	45.0	46.0	45.5	46.1	44.6	45.3	46.0	45.5
NON-OECD DEMAND																	
FSU	4.0	4.1	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	3.9	3.9	4.1	3.9	4.2	4.1	4.1
Europe	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.9	8.5	8.5	9.0	9.1	9.0	8.9
Other Asia	9.0	9.5	9.9	9.9	9.4	9.5	9.7	9.9	10.1	9.7	10.0	9.9	10.3	10.4	10.1	10.3	10.3
Latin America	5.4	5.7	5.7	6.0	6.0	5.9	5.9	5.7	5.9	6.1	6.1	6.0	5.9	6.2	6.3	6.2	6.2
Middle East	6.3	6.5	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.1	7.5	7.6
Africa	3.0	3.1	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.4	3.3
Total Non-OECD	35.7	37.3	38.5	38.9	39.2	38.0	38.7	37.9	39.7	40.3	39.9	39.4	40.0	41.2	41.6	41.2	41.0
Total Demand[1]	85.3	86.5	87.4	86.3	85.8	85.4	86.2	84.5	84.1	85.3	85.9	84.9	86.1	85.8	86.9	87.2	86.5
OECD SUPPLY																	
North America[4]	14.2	14.3	14.2	14.0	13.6	13.8	13.9	14.2	13.9	14.2	14.4	14.2	14.2	14.1	13.7	13.9	14.0
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.8	4.9	4.5	4.2	4.5	4.5	4.4	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.0	19.1	19.6	19.3	19.2	18.9	18.3	18.8	18.8
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.6	13.3	13.7	13.7	13.4	13.6	13.6
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	4.0	4.0	4.0	4.0
Other Asia[2]	3.7	3.7	3.7	3.6	3.6	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7
Latin America[2,4]	3.9	3.9	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.6	4.7	4.6
Middle East	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Non-OECD	28.0	28.5	28.8	28.8	28.7	28.8	28.8	29.0	29.3	29.5	29.7	29.3	30.0	30.1	30.1	30.4	30.1
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.4	50.9	51.1	50.9	50.2	50.7	50.7	51.4	50.9	51.3	52.0	51.4	51.9	51.6	51.1	51.9	51.6
Non-OPEC: Historical Composition[2]	51.4	50.4	50.1	49.9	49.2	49.7	49.7	51.4	50.9	51.3	52.0	51.4	51.9	51.6	51.1	51.9	51.6
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.6	28.5	28.8	29.0	28.7					
NGLs	4.3	4.3	4.3	4.4	4.4	4.5	4.4	4.6	4.5	4.7	4.8	4.7	5.1	5.2	5.6	5.8	5.5
Total OPEC[2]	35.0	34.6	35.9	35.7	35.9	35.0	35.6	33.1	33.0	33.5	33.8	33.4					
OPEC: Historical Composition[2]	34.1	35.1	36.9	36.7	36.9	36.0	36.6	33.1	33.0	33.5	33.8	33.4					
Total Supply[6]	85.4	85.5	86.9	86.6	86.1	85.8	86.4	84.5	83.9	84.8	85.8	84.7					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.1	0.4	0.6	0.4	0.4	0.5	0.2	0.2	-1.1	-0.1					
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1					
Total	0.3	-0.2	0.1	0.3	0.6	0.5	0.4	0.8	0.3	0.2	-1.1	0.0					
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.0	0.5	0.3					
Miscellaneous to balance[7]	0.0	-0.8	-0.9	0.0	0.0	-0.1	-0.3	-1.3	-0.7	-0.7	0.5	-0.6					
Total Stock Ch. & Misc	0.2	-1.0	-0.5	0.3	0.2	0.4	0.1	0.0	-0.2	-0.5	-0.1	-0.2					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.6	31.3	32.0	31.1	31.3	30.1	31.1	28.5	28.7	29.3	29.1	28.9	29.0	29.0	30.2	29.5	29.4
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.3	30.0	30.8	27.2	28.0	28.6	29.6	28.3	28.6	28.6	29.8	29.1	29.0

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	0.1	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.2	0.3	0.2
Total Demand	-	-	-	-	-	-	-	-	-	-	0.2	-	0.1	0.2	0.2	0.3	0.2
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.2	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.2	-	0.1	0.2	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	0.2	0.1	-	0.2	0.2	0.1	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	0.2	0.1	-	0.2	0.2	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1	-	-0.2	-0.4	-0.3	-0.2	-0.4	-0.4	-0.3	-0.2	-0.3
Total OPEC	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.1	-0.2	-0.3	-0.4	-0.2					
OPEC: historical composition	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.1	-0.2	-0.3	-0.4	-0.2					
Total Supply	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	0.1	-0.1	-0.3	-0.2	-0.1					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-							
Government	-	-	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-	-	-							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	0.1	-0.2	-0.2							
Total Stock Ch. & Misc	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	0.1	-0.1	-0.3	-0.4	-0.2					
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.1	0.1	0.1	0.1	0.2	0.1	-0.1	0.1	0.3	0.3	0.2	0.4	0.4	0.3	0.4	0.3
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	0.1	1.3	0.4	0.4	0.4	0.3	0.4	0.4

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.24	23.46	23.28	23.36	23.12	23.51	23.58	23.39
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.91	14.23	14.47	14.55	14.54	14.77	14.32	14.64	14.69	14.60
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	7.96	7.67	7.97	7.15	7.13	7.72	7.49
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.57	44.44	44.99	45.97	45.49	46.10	44.58	45.27	45.99	45.48
Asia	17.11	17.81	17.85	17.48	17.10	17.56	17.60	18.69	18.59	18.88	18.44	18.80	19.46	19.15	19.34	19.19
Middle East	6.53	6.72	7.13	7.57	6.95	7.10	6.71	7.31	7.76	7.14	7.23	7.07	7.61	8.07	7.46	7.55
Latin America	5.69	5.71	5.96	6.04	5.92	5.91	5.75	5.94	6.07	6.07	5.96	5.94	6.16	6.26	6.25	6.15
FSU	4.15	4.24	4.07	4.26	4.08	4.16	3.89	3.77	4.01	3.88	3.89	4.06	3.94	4.15	4.07	4.06
Africa	3.07	3.20	3.19	3.14	3.22	3.19	3.23	3.21	3.16	3.24	3.21	3.34	3.32	3.27	3.37	3.32
Europe	0.77	0.77	0.75	0.72	0.75	0.75	0.73	0.73	0.71	0.71	0.72	0.74	0.75	0.73	0.73	0.74
Total Non-OECD	37.32	38.45	38.95	39.21	38.02	38.66	37.90	39.66	40.29	39.91	39.45	39.97	41.24	41.63	41.21	41.02
World	86.51	87.42	86.30	85.85	85.36	86.23	84.47	84.10	85.28	85.88	84.94	86.07	85.82	86.90	87.20	86.50
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.77	18.74	18.74	18.68	18.84	18.87	18.78
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.41	8.85	8.92	8.97	9.04	9.21	8.81	8.94	8.98	8.99
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.84	8.87	8.50	8.48	9.05	9.05	9.01	8.90
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.56	4.35	4.55	3.86	3.94	4.31	4.17
India	3.00	3.25	3.18	2.97	3.14	3.13	3.40	3.35	3.14	3.32	3.30	3.52	3.46	3.27	3.45	3.42
Russia	2.89	2.91	2.83	3.02	2.80	2.89	2.63	2.58	2.81	2.64	2.67	2.76	2.72	2.92	2.81	2.81
Brazil	2.35	2.37	2.46	2.53	2.51	2.47	2.39	2.48	2.57	2.61	2.51	2.50	2.59	2.67	2.69	2.61
Saudi Arabia	2.17	2.22	2.47	2.71	2.27	2.42	2.23	2.78	3.00	2.48	2.63	2.42	2.88	3.13	2.62	2.76
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.16	2.24	2.17	2.23	2.13	2.26	2.28	2.23
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.29	2.22	2.33	2.17	2.06	2.28	2.21
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.14	2.08	2.07	2.03	2.12	2.12	2.09
Iran	1.72	1.86	1.89	1.86	1.83	1.86	1.77	1.73	1.73	1.76	1.75	1.86	1.84	1.85	1.88	1.86
Total	61.58	62.25	61.00	60.42	60.22	60.97	59.77	59.22	60.13	60.67	59.95	60.69	60.23	61.05	61.31	60.82
% of World	71.2%	71.2%	70.7%	70.4%	70.5%	70.7%	70.8%	70.4%	70.5%	70.6%	70.6%	70.5%	70.2%	70.2%	70.3%	70.3%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.4	-2.0	-3.7	-0.7	0.9	1.1	0.5	0.5
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.5	-5.6	-6.8	-5.8	-5.2	-0.9	0.6	1.1	1.0	0.4
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	-0.1	-5.0	-2.1	-2.1	-2.0	-3.0	-2.3
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.2	-3.5	-2.9	-4.4	-1.0	0.3	0.6	0.0	0.0
Asia	5.1	5.7	2.8	3.5	-1.4	2.6	-1.2	4.8	6.3	10.4	5.0	6.9	4.1	3.0	2.4	4.0
Middle East	3.2	4.9	9.2	12.4	7.6	8.6	-0.2	2.5	2.5	2.6	1.9	5.5	4.0	4.0	4.6	4.5
Latin America	5.5	4.8	5.2	3.9	1.6	3.8	0.6	-0.4	0.5	2.5	0.8	3.4	3.8	3.2	2.9	3.3
FSU	2.7	2.6	2.8	1.5	-5.3	0.3	-8.3	-7.4	-5.9	-4.8	-6.6	4.5	4.6	3.5	5.0	4.4
Africa	4.0	3.2	5.4	4.0	2.6	3.8	1.2	0.7	0.6	0.6	0.8	3.4	3.4	3.4	4.1	3.6
Europe	3.6	1.0	0.3	-6.7	-4.5	-2.5	-5.3	-1.9	-1.8	-5.7	-3.7	2.1	2.3	3.3	2.9	2.7
Total Non-OECD	4.4	4.8	4.5	4.8	0.4	3.6	-1.4	1.8	2.7	5.0	2.0	5.5	4.0	3.3	3.3	4.0
World	1.5	1.1	0.9	-0.5	-2.7	-0.3	-3.4	-2.6	-0.7	0.6	-1.5	1.9	2.0	1.9	1.5	1.8
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.33	-0.47	-0.89	-0.16	0.21	0.26	0.12	0.11
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.38	-0.84	-1.05	-0.89	-0.79	-0.13	0.08	0.17	0.14	0.07
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	-0.01	-0.40	-0.17	-0.15	-0.14	-0.24	-0.18
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.40	-2.91	-1.65	-1.37	-2.08	-0.46	0.14	0.28	0.02	0.00
Asia	0.83	0.96	0.49	0.59	-0.25	0.45	-0.21	0.85	1.11	1.78	0.89	1.21	0.76	0.57	0.45	0.74
Middle East	0.20	0.32	0.60	0.84	0.49	0.56	-0.02	0.18	0.19	0.18	0.14	0.37	0.29	0.31	0.33	0.32
Latin America	0.30	0.26	0.29	0.23	0.10	0.22	0.03	-0.02	0.03	0.15	0.05	0.20	0.22	0.20	0.18	0.20
FSU	0.11	0.11	0.11	0.06	-0.23	0.01	-0.35	-0.30	-0.25	-0.20	-0.27	0.17	0.17	0.14	0.19	0.17
Africa	0.12	0.10	0.16	0.12	0.08	0.12	0.04	0.02	0.02	0.02	0.02	0.11	0.11	0.11	0.13	0.12
Europe	0.03	0.01	0.00	-0.05	-0.04	-0.02	-0.04	-0.01	-0.01	-0.04	-0.03	0.02	0.02	0.02	0.02	0.02
Total Non-OECD	1.59	1.75	1.66	1.78	0.16	1.33	-0.55	0.71	1.08	1.89	0.79	2.07	1.58	1.34	1.30	1.57
World	1.26	0.96	0.80	-0.47	-2.39	-0.28	-2.95	-2.20	-0.57	0.52	-1.29	1.60	1.72	1.63	1.32	1.57
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.11	0.02	-0.06	0.01	-0.03	0.05	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.12	-0.03	-0.03	0.04	0.03	-0.08	-0.01
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.01	0.02	0.02	-0.02	0.07	0.02
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.04	0.01	-0.08	0.07	-0.02	0.04	0.00
Asia	0.00	0.00	0.01	0.00	0.00	0.00	0.02	0.03	0.05	0.21	0.08	0.14	0.11	0.16	0.25	0.17
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.01	0.00	0.00	0.02	0.04	0.02
Latin America	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	-0.02	-0.02	-0.02	0.01	-0.01	-0.01	-0.02	-0.02	0.03	-0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.12	-0.03	-0.01	-0.01	0.00	-0.07	-0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.00	0.01	0.01	0.01	0.01
Europe	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.00	0.00	-0.01	0.00	0.01	0.01	0.01	0.00	0.01
Total Non-OECD	0.00	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.03	0.13	0.04	0.13	0.10	0.17	0.26	0.17
World	0.00	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.02	0.16	0.05	0.06	0.16	0.15	0.30	0.17
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.01	0.01	0.01	0.01	0.01	-0.01	-0.01	0.01	0.15	0.04	0.06	0.16	0.13	0.14	0.12

* France, Germany, Italy, Spain and UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	3Q09	4Q09	1Q10	2Q10	3Q10	Nov 09	Dec 09	Jan 10
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.92		7.94	7.94				7.96	7.86	7.94
Iran	3.90	3.74		3.77	3.69				3.70	3.72	3.70
Iraq	2.38	2.45		2.55	2.45				2.45	2.48	2.45
UAE	2.59	2.27		2.27	2.28				2.27	2.28	2.29
Kuwait	2.31	2.01		1.97	2.02				2.02	2.03	2.03
Neutral Zone	0.57	0.54		0.54	0.53				0.52	0.52	0.52
Qatar	0.85	0.77		0.76	0.78				0.77	0.80	0.80
Angola	1.85	1.77		1.80	1.88				1.88	1.85	1.89
Nigeria	1.95	1.82		1.76	1.96				1.98	2.01	2.00
Libya	1.72	1.55		1.55	1.52				1.52	1.52	1.52
Algeria	1.36	1.25		1.24	1.24				1.24	1.25	1.25
Ecuador	0.50	0.47		0.46	0.46				0.46	0.46	0.46
Venezuela	2.35	2.16		2.20	2.20				2.20	2.19	2.22
Total Crude Oil[6]	31.23	28.71		28.82	28.96				28.97	28.97	29.07
Total NGLs[1,6]	4.40	4.65	5.46	4.70	4.82	5.13	5.24	5.61	4.82	4.82	5.13
Total OPEC[6]	35.63	33.36		33.52	33.78				33.79	33.79	34.20
OPEC: Historical Composition[6]	36.63	33.36		33.52	33.78				33.79	33.79	34.20
NON-OPEC[2]											
OECD											
North America	13.91	14.16	13.97	14.18	14.40	14.17	14.10	13.68	14.42	14.47	14.08
United States[5]	7.52	8.08	8.03	8.13	8.38	8.10	8.16	7.94	8.41	8.45	8.07
Mexico	3.16	2.97	2.85	2.94	2.95	2.93	2.88	2.80	2.92	2.97	2.95
Canada	3.22	3.11	3.09	3.12	3.07	3.14	3.06	2.94	3.09	3.05	3.06
Europe	4.77	4.52	4.10	4.23	4.52	4.37	4.04	3.92	4.61	4.54	4.31
UK	1.57	1.47	1.28	1.26	1.47	1.42	1.27	1.16	1.50	1.50	1.40
Norway	2.46	2.38	2.16	2.32	2.41	2.30	2.11	2.09	2.45	2.40	2.26
Others	0.74	0.66	0.66	0.66	0.64	0.66	0.66	0.66	0.65	0.65	0.64
Pacific	0.65	0.65	0.73	0.67	0.66	0.69	0.73	0.74	0.65	0.68	0.68
Australia	0.55	0.56	0.61	0.57	0.56	0.57	0.61	0.62	0.54	0.56	0.56
Others	0.10	0.10	0.12	0.10	0.11	0.12	0.12	0.12	0.10	0.12	0.12
Total OECD	19.33	19.34	18.80	19.08	19.59	19.23	18.87	18.34	19.67	19.69	19.07
NON-OECD											
Former USSR	12.82	13.29	13.59	13.36	13.55	13.66	13.66	13.42	13.54	13.58	13.70
Russia	10.01	10.21	10.31	10.26	10.36	10.36	10.33	10.28	10.37	10.36	10.41
Others	2.80	3.08	3.28	3.10	3.19	3.30	3.32	3.15	3.17	3.22	3.28
Asia	7.45	7.40	7.65	7.44	7.42	7.53	7.61	7.72	7.39	7.40	7.39
China	3.79	3.79	3.96	3.83	3.81	3.89	3.95	4.00	3.81	3.79	3.76
Malaysia	0.77	0.74	0.70	0.74	0.72	0.71	0.70	0.70	0.70	0.72	0.71
India	0.81	0.80	0.86	0.80	0.81	0.81	0.84	0.90	0.81	0.81	0.80
Indonesia	1.00	0.98	1.01	0.98	0.98	1.00	1.00	1.01	0.98	0.98	1.00
Others	1.08	1.09	1.12	1.10	1.10	1.12	1.12	1.12	1.10	1.10	1.12
Europe	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.12	0.13	0.13	0.13
Latin America	4.13	4.32	4.61	4.30	4.39	4.52	4.53	4.63	4.38	4.39	4.52
Brazil[5]	2.37	2.49	2.71	2.49	2.53	2.63	2.66	2.73	2.53	2.54	2.62
Argentina	0.75	0.72	0.72	0.70	0.72	0.73	0.73	0.72	0.71	0.71	0.74
Colombia	0.59	0.67	0.74	0.67	0.70	0.72	0.71	0.75	0.70	0.70	0.72
Others	0.42	0.44	0.43	0.44	0.44	0.44	0.43	0.43	0.44	0.44	0.44
Middle East[3]	1.64	1.68	1.67	1.70	1.67	1.66	1.67	1.68	1.67	1.64	1.65
Oman	0.75	0.81	0.86	0.83	0.82	0.83	0.85	0.87	0.83	0.81	0.82
Syria	0.39	0.38	0.36	0.37	0.37	0.37	0.36	0.36	0.37	0.37	0.37
Yemen	0.30	0.30	0.27	0.30	0.29	0.27	0.27	0.27	0.28	0.28	0.27
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.58	2.53	2.48	2.53	2.49	2.50	2.49	2.47	2.51	2.50	2.51
Egypt	0.69	0.66	0.62	0.65	0.64	0.63	0.62	0.61	0.64	0.64	0.64
Gabon	0.21	0.23	0.24	0.23	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.68	1.64	1.63	1.64	1.61	1.63	1.63	1.62	1.62	1.62	1.64
Total Non-OECD	28.77	29.35	30.13	29.47	29.66	30.01	30.08	30.06	29.62	29.65	29.90
Processing Gains[4]	2.24	2.29	2.20	2.29	2.29	2.20	2.20	2.20	2.29	2.29	2.20
Other Biofuels[5]	0.38	0.41	0.49	0.44	0.45	0.45	0.46	0.51	0.45	0.46	0.45
TOTAL NON-OPEC[6]	50.72	51.38	51.62	51.28	51.99	51.89	51.61	51.11	52.03	52.09	51.63
Non-OPEC: Historical Composition[6]	49.72	51.38	51.62	51.28	51.99	51.89	51.61	51.11	52.03	52.09	51.63
TOTAL SUPPLY	86.35	84.74		84.80	85.77				85.82	85.87	85.83

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Aug2009	Sep2009	Oct2009	Nov2009	Dec2009*	Dec2006	Dec2007	Dec2008	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	480.2	477.6	483.2	484.2	471.5	439.1	422.2	467.9	0.49	-0.15	-0.21	-0.07
Motor Gasoline	235.3	240.9	237.7	250.3	253.2	239.2	245.9	242.9	0.06	-0.05	-0.03	0.13
Middle Distillate	242.9	249.2	243.4	243.9	235.7	217.2	208.1	217.0	0.00	0.19	0.16	-0.15
Residual Fuel Oil	41.2	44.1	42.7	44.0	44.6	50.3	47.6	44.1	0.03	-0.03	-0.01	0.01
Total Products[3]	730.7	743.4	720.0	716.6	691.3	691.4	666.5	683.6	0.02	0.42	0.21	-0.57
Total[4]	1374.1	1387.7	1369.0	1357.6	1315.4	1276.7	1229.1	1301.3	0.53	0.39	0.05	-0.79
Europe												
Crude	335.8	329.8	322.4	343.0	337.4	342.6	327.9	342.0	0.15	-0.14	-0.14	0.08
Motor Gasoline	99.0	101.2	102.6	103.9	103.8	110.8	113.2	108.8	-0.08	-0.03	0.02	0.03
Middle Distillate	300.1	289.2	282.4	290.2	288.0	265.3	235.5	275.4	0.02	0.06	0.08	-0.01
Residual Fuel Oil	71.9	72.5	70.9	72.3	72.1	73.1	74.2	82.0	-0.05	0.05	-0.10	-0.01
Total Products[3]	578.3	573.3	564.3	573.1	570.1	551.6	527.9	575.7	-0.12	0.02	0.07	-0.03
Total[4]	983.2	971.0	955.1	981.8	972.5	961.7	930.2	992.2	-0.01	-0.15	-0.07	0.02
Pacific												
Crude	165.1	165.9	165.5	167.1	169.9	172.8	161.4	163.0	0.08	0.00	-0.05	0.04
Motor Gasoline	24.2	25.1	24.8	25.0	22.6	22.2	22.4	20.7	0.06	0.00	-0.01	-0.03
Middle Distillate	71.4	72.5	68.6	68.9	60.8	73.5	70.5	65.0	-0.09	0.06	0.11	-0.13
Residual Fuel Oil	21.8	21.3	21.1	19.1	18.4	22.6	21.4	20.0	0.00	-0.01	0.03	-0.03
Total Products[3]	182.8	185.2	180.1	176.8	158.7	184.5	175.7	174.9	-0.07	-0.05	0.22	-0.29
Total[4]	413.8	419.2	410.1	406.7	390.3	428.8	406.6	407.4	0.01	-0.08	0.20	-0.31
Total OECD												
Crude	981.0	973.4	971.2	994.2	978.8	954.4	911.5	972.9	0.72	-0.28	-0.40	0.06
Motor Gasoline	358.5	367.2	365.0	379.1	379.6	372.2	381.4	372.3	0.05	-0.09	-0.02	0.13
Middle Distillate	614.4	611.0	594.4	603.0	584.4	555.9	514.2	557.4	-0.07	0.30	0.35	-0.29
Residual Fuel Oil	134.8	137.9	134.6	135.4	135.1	146.1	143.2	146.1	-0.01	0.00	-0.08	-0.03
Total Products[3]	1491.7	1501.9	1464.3	1466.5	1420.0	1427.4	1370.1	1434.2	-0.16	0.39	0.50	-0.89
Total[4]	2771.2	2777.9	2734.2	2746.1	2678.2	2667.2	2565.8	2700.9	0.53	0.15	0.18	-1.08

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Aug2009	Sep2009	Oct2009	Nov2009	Dec2009*	Dec2006	Dec2007	Dec2008	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	724.1	725.1	725.1	726.1	726.8	688.6	696.9	701.8	0.12	0.12	0.01	0.02
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	186.1	186.3	185.6	183.7	183.7	175.0	184.6	186.8	0.01	-0.01	0.00	-0.03
Products	240.6	241.4	239.7	241.0	241.0	235.6	235.6	228.6	0.06	0.05	0.03	0.00
Pacific												
Crude	388.5	388.4	388.4	388.8	389.2	384.5	385.1	387.2	0.02	0.00	-0.01	0.01
Products	19.2	19.2	20.0	20.0	20.0	11.8	18.9	19.2	0.00	0.00	0.00	0.01
Total OECD												
Crude	1298.7	1299.8	1299.1	1298.5	1299.7	1248.1	1266.6	1275.9	0.16	0.11	0.00	0.00
Products	261.8	262.5	261.8	263.0	263.0	249.4	256.5	249.7	0.06	0.05	0.03	0.01
Total[4]	1562.2	1564.0	1562.3	1563.0	1564.1	1498.5	1524.1	1526.6	0.23	0.15	0.03	0.00

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2008		End March 2009		End June 2009		End September 2009		End December 2009 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	193.9	88	197.7	95	197.9	92	196.0	-	-	-
Mexico	50.3	25	45.5	23	48.1	23	50.2	-	-	-
United States[4]	1738.7	92	1797.0	97	1841.0	99	1846.5	-	-	-
Total[4]	2005.1	86	2062.3	90	2109.1	91	2114.8	90	2044.2	88
Pacific										
Australia	41.4	45	40.8	43	40.5	43	44.9	-	-	-
Japan	629.6	133	611.3	152	611.2	149	607.3	-	-	-
Korea	134.9	58	155.2	72	149.1	72	167.0	-	-	-
New Zealand	7.9	51	9.5	61	8.5	56	7.5	-	-	-
Total	813.8	100	816.8	112	809.3	111	826.8	104	799.5	100
Europe[5]										
Austria	23.2	82	20.9	78	20.4	72	20.3	-	-	-
Belgium	34.9	56	35.8	65	35.0	59	35.2	-	-	-
Czech Republic	21.4	114	22.7	111	22.0	98	21.8	-	-	-
Denmark	22.9	131	25.1	152	26.4	161	25.0	-	-	-
Finland	30.7	147	33.5	167	26.6	128	29.3	-	-	-
France	179.2	89	177.6	98	172.9	95	174.0	-	-	-
Germany	277.4	108	277.7	116	280.2	117	276.7	-	-	-
Greece	40.0	83	36.7	93	35.9	94	35.5	-	-	-
Hungary	15.0	100	15.7	100	15.1	93	14.4	-	-	-
Ireland	11.4	63	11.5	74	11.7	78	12.4	-	-	-
Italy	127.9	83	131.0	86	129.1	82	129.0	-	-	-
Luxembourg	0.7	14	0.7	14	0.8	16	0.8	-	-	-
Netherlands	131.4	130	133.9	139	144.4	149	139.7	-	-	-
Norway	29.9	143	24.0	108	23.6	122	24.7	-	-	-
Poland	58.1	119	58.9	111	63.1	106	64.8	-	-	-
Portugal	24.7	92	25.0	90	24.8	91	24.5	-	-	-
Slovak Republic	8.8	122	9.8	123	8.4	99	8.3	-	-	-
Spain	137.6	89	137.8	94	135.6	92	135.0	-	-	-
Sweden	37.4	116	40.8	125	39.5	122	38.5	-	-	-
Switzerland	36.3	120	36.8	133	38.0	148	38.2	-	-	-
Turkey	60.9	110	59.2	97	58.8	93	57.8	-	-	-
United Kingdom	98.8	57	100.4	60	91.7	55	94.2	-	-	-
Total	1408.6	94	1415.3	99	1404.2	97	1400.3	96	1398.5	95
Total OECD	4227.4	91	4294.4	97	4322.5	96	4342.0	94	4242.3	92
DAYS OF IEA Net Imports[6]	-	131	-	134	-	135	-	135	-	-

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End December 2009 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand*[2]		
4Q2006	4166	1499	2667	84	30	54
1Q2007	4106	1507	2598	85	31	54
2Q2007	4164	1506	2658	85	31	54
3Q2007	4170	1520	2650	83	30	53
4Q2007	4090	1524	2566	83	31	52
1Q2008	4101	1529	2572	86	32	54
2Q2008	4131	1526	2605	89	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4227	1527	2701	91	33	58
1Q2009	4294	1547	2747	97	35	62
2Q2009	4323	1561	2762	96	35	61
3Q2009	4342	1564	2778	94	34	60
4Q2009	4242	1564	2678	92	34	58

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 4Q2009 (when latest forecasts are used).

Table 6

IEA Member Country Destinations of Selected Crude Streams[1]

(million barrels per day)

	2006	2007	2008	4Q08	1Q09	2Q09	3Q09	Sep 09	Oct 09	Nov 09	Year Earlier Nov 08	Year Earlier change
Saudi Light & Extra Light												
North America	0.60	0.73	0.70	0.63	0.58	0.51	0.44	0.41	0.69	0.42	0.62	-0.20
Europe	0.78	0.70	0.70	0.66	0.57	0.60	0.57	0.61	0.58	0.71	0.67	0.04
Pacific	1.32	1.19	1.22	1.24	1.40	1.16	1.23	1.18	1.14	1.45	1.17	0.28
Saudi Medium												
North America	0.64	0.56	0.64	0.66	0.42	0.45	0.41	0.44	0.28	0.36	0.78	-0.41
Europe	0.14	0.05	0.05	0.05	0.03	0.02	0.01	0.02	0.02	-	0.06	-
Pacific	0.35	0.34	0.39	0.38	0.34	0.33	0.35	0.38	0.27	0.40	0.40	0.01
Saudi Heavy												
North America	0.21	0.09	0.07	0.05	0.04	0.02	0.02	0.02	0.08	-	0.05	-
Europe	0.18	0.11	0.09	0.09	0.03	0.03	0.01	0.02	0.00	0.02	0.06	-0.04
Pacific	0.23	0.20	0.24	0.25	0.22	0.15	0.12	0.11	0.10	0.12	0.21	-0.09
Iraqi Basrah Light[2]												
North America	0.52	0.50	0.60	0.51	0.44	0.31	0.45	0.46	0.34	0.41	0.57	-0.16
Europe	0.32	0.30	0.21	0.21	0.13	0.12	0.19	0.05	0.06	0.11	0.16	-0.06
Pacific	0.08	0.17	0.15	0.11	0.26	0.20	0.24	0.19	0.28	0.13	0.09	0.04
Iraqi Kirkuk												
North America	0.00	-	0.08	0.06	0.07	0.02	0.11	0.14	0.03	0.03	0.03	0.00
Europe	0.01	0.11	0.23	0.19	0.26	0.34	0.34	0.34	0.38	0.22	0.20	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.26	0.27	0.23	0.24	0.15	0.16	0.13	0.15	0.06	0.27	0.23	0.04
Pacific	0.13	0.09	0.08	0.07	0.11	0.06	0.06	0.04	0.06	0.03	0.05	-0.03
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.58	0.56	0.49	0.43	0.33	0.41	0.48	0.44	0.42	0.39	0.44	-0.05
Pacific	0.56	0.64	0.61	0.64	0.65	0.51	0.57	0.58	0.55	0.54	0.62	-0.08
Venezuelan Light & Medium												
North America	0.66	0.76	0.62	0.50	0.51	0.63	0.33	0.16	0.16	0.13	0.55	-0.42
Europe	0.11	0.08	0.06	0.07	0.07	0.13	0.04	0.04	0.01	0.03	0.02	0.01
Pacific	-	0.01	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.72	0.68	0.65	0.74	0.74	0.62	0.87	1.01	0.72	0.70	0.71	-0.01
Europe	0.06	0.07	0.07	0.08	0.07	0.06	0.06	0.04	0.13	0.06	0.09	-0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.24	1.22	1.02	1.04	1.06	0.96	0.87	0.86	0.83	0.80	1.09	-0.29
Europe	0.16	0.14	0.14	0.12	0.08	0.09	0.09	0.10	0.12	0.08	0.16	-0.08
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.04	0.01	0.01	0.00	0.01	0.00	0.01	-	0.01	-	0.01	-
Europe	0.01	0.02	0.01	0.02	0.01	-	0.02	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.09	0.06	0.05	-	0.09	0.27	0.17	0.18	0.02	-	-	-
Europe	1.68	1.86	1.81	1.67	1.58	1.76	1.76	1.81	1.73	1.84	1.44	0.39
Pacific	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.79	0.88	0.68	0.60	0.47	0.40	0.63	0.61	0.61	0.61	0.62	-0.01
Europe	0.33	0.24	0.29	0.34	0.25	0.39	0.30	0.15	0.28	0.41	0.41	-0.01
Pacific	0.04	0.01	-	-	-	0.01	-	-	-	-	-	-
Nigerian Medium												
North America	0.17	0.23	0.27	0.22	0.14	0.30	0.19	0.18	0.12	0.21	0.24	-0.03
Europe	0.10	0.07	0.14	0.14	0.12	0.12	0.12	0.21	0.06	0.07	0.11	-0.04
Pacific	0.00	0.01	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports[1,2]
(thousand barrels per day)

	2006	2007	2008	4Q08	1Q09	2Q09	3Q09	Sep-09	Oct-09	Nov-09	Year Earlier Nov-08	Year Earlier % change
Crude Oil												
North America	8194	8214	8046	7886	7743	7541	7316	7337	6856	6909	7384	-6%
Europe	9784	9684	9779	9548	9001	9132	8797	8902	8521	8965	9245	-3%
Pacific	6816	6718	6605	6408	6559	5706	5960	5987	5831	6124	6477	-5%
Total OECD	24794	24615	24429	23843	23304	22379	22073	22225	21207	21999	23605	-7%
LPG												
North America	14	28	29	34	28	11	9	0	6	0	44	-100%
Europe	264	276	268	242	251	250	249	246	242	228	203	12%
Pacific	578	557	589	543	504	518	566	654	515	591	575	3%
Total OECD	856	861	885	819	784	780	823	901	763	819	821	0%
Naphtha												
North America	71	40	55	82	40	19	18	8	8	4	118	-97%
Europe	314	265	260	270	319	232	282	325	293	394	215	83%
Pacific	754	794	776	689	746	814	907	866	963	825	621	33%
Total OECD	1138	1099	1091	1040	1105	1066	1207	1200	1263	1222	954	28%
Gasoline[3]												
North America	1143	1128	1078	1038	996	889	843	763	820	815	926	-12%
Europe	160	203	218	197	239	280	247	282	3	215	203	6%
Pacific	96	73	90	105	120	71	97	139	100	101	55	82%
Total OECD	1399	1404	1386	1339	1355	1239	1187	1185	923	1131	1185	-5%
Jet & Kerosene												
North America	161	183	63	39	80	45	67	67	77	56	16	244%
Europe	374	370	402	468	454	462	449	517	534	347	434	-20%
Pacific	69	43	34	33	79	49	37	32	40	38	18	115%
Total OECD	603	595	500	540	612	555	552	616	650	442	468	-6%
Gasoil/Diesel												
North America	175	132	72	94	106	39	36	74	60	44	75	-41%
Europe	967	780	869	1039	1224	963	969	788	1106	1026	1167	-12%
Pacific	77	91	119	117	81	81	73	80	146	89	120	-26%
Total OECD	1219	1003	1060	1249	1410	1083	1077	941	1313	1159	1362	-15%
Heavy Fuel Oil												
North America	343	323	286	266	326	326	205	231	195	229	260	-12%
Europe	476	433	447	458	474	567	643	567	484	568	477	19%
Pacific	91	95	125	94	144	128	103	94	60	62	121	-49%
Total OECD	910	851	858	817	943	1021	951	891	739	859	857	0%
Other Products												
North America	1121	1050	1075	1117	935	896	896	981	737	858	1119	-23%
Europe	929	854	792	773	737	776	828	743	789	719	732	-2%
Pacific	243	254	298	316	279	324	337	339	324	354	262	35%
Total OECD	2294	2157	2166	2206	1951	1996	2061	2064	1850	1931	2113	-9%
Total Products												
North America	3028	2883	2658	2669	2509	2226	2073	2125	1902	2006	2558	-22%
Europe	3484	3180	3255	3446	3697	3530	3666	3468	3450	3497	3430	2%
Pacific	1908	1906	2032	1895	1952	1985	2119	2204	2148	2060	1771	16%
Total OECD	8420	7969	7946	8010	8159	7741	7859	7797	7500	7562	7760	-3%
Total Oil												
North America	11222	11097	10704	10555	10253	9767	9390	9461	8758	8915	10441	-15%
Europe	13268	12864	13034	12995	12698	12662	12463	12370	11970	12462	12676	-2%
Pacific	8724	8623	8637	8303	8512	7691	8079	8191	7979	8184	8248	-1%
Total OECD	33214	32584	32375	31853	31463	30120	29931	30022	28707	29561	31364	-6%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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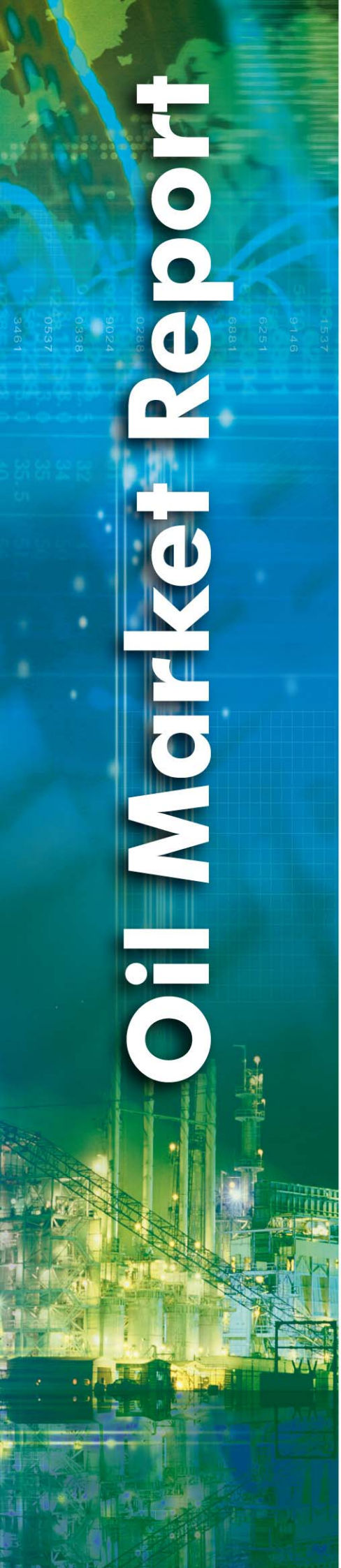

International Energy Agency

12 March 2010

HIGHLIGHTS

- **Benchmark crude oil futures were down by $2/bbl** month-on-month in February, but rebounded by almost $10/bbl from early-February lows. WTI and Brent were recently trading at $82/bbl and $80/bbl, respectively, on a perceived heightening of geopolitical tensions affecting some producing countries, but market sentiment was tempered by ample physical oil supplies.

- **Global oil demand has been revised up by 70 kb/d** for both 2009 and 2010 on higher-than-expected non-OECD data, which largely offset persistently weak OECD readings. Demand is now estimated at 85.0 mb/d in 2009 (-1.4% or -1.2 mb/d year-on-year), and is expected to rise to 86.6 mb/d in 2010 (+1.8% or +1.6 mb/d versus 2009).

- **Global oil supply rose by 0.9 mb/d to 86.6 mb/d** in February, with OPEC crude posting its first yearly growth since October 2008. Non-OPEC output for 2009 is revised by +0.1 mb/d to 51.5 mb/d, implying annual growth of 750 kb/d, the strongest since 2004. A higher Canadian baseline boosts 2010 supply by 0.2 mb/d to 51.8 mb/d. OPEC NGLs are set to rise by 0.8 mb/d to 5.5 mb/d in 2010.

- **OPEC crude production hit a 14-month high of 29.2 mb/d** in February, with Iraq accounting for half of the 200 kb/d increase. Market expectations envisage OPEC ministers maintaining current production targets at their 17 March meeting if prices remain near $80/bbl. The call on OPEC crude and stock change is revised down to 29.6 mb/d on average in 2H10 due to higher non-OPEC expectations.

- **Global refinery throughputs are revised down by 140 kb/d to 72.5 mb/d** for 1Q10, nonetheless 910 kb/d higher than a year earlier. Newly added refinery capacity pushes up expected Chinese and Other Asian runs by a combined 2.1 mb/d year-on-year in 1Q10, but OECD throughputs remain constrained.

- **OECD industry stocks increased by 34.4 mb to 2 703 mb** in January, 0.1% below 2009's level, with higher crude, gasoline and distillates. End-January forward demand cover rose to 59.2 days, 0.1 days lower than in the previous year. Preliminary data point to a February OECD stockdraw of 28.6 mb and a continued decline in floating storage.

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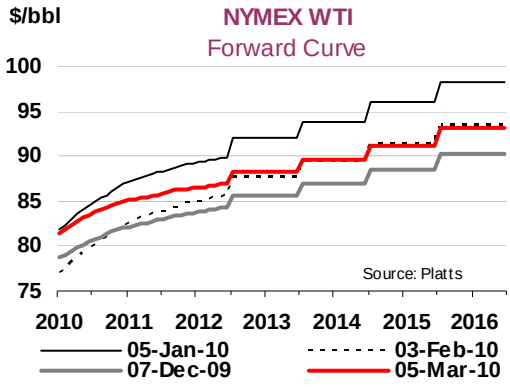
THE PRICE IS RIGHT?

A recent workshop on oil market volatility held by the IEA and Japan's Institute of Energy Economics (IEEJ) in Tokyo heard that, amid major data gaps for physical fundamentals and financial market participation, prices are one of the few timely and accurate data points available. There were calls for policy makers to avoid ultimately futile attempts to identify and engineer a "fair price", even if $60-80/bbl may currently represent a kind of temporary consensus. Data lags mean a definitive fundamentals picture takes months to emerge, only then clarifying erstwhile 'inexplicable' price moves, which at the time are often blamed on the shady hand of speculation. Commodity price volatility is inevitable, and will likely defy attempts to eradicate it. Price shifts, if passed on to market players, can help re-establish equilibrium.

A long-standing polarity in debate – "speculation" versus "fundamentals" – persists, although this oversimplifies a more nuanced argument. In fact, views form a spectrum, with avid "fundamentalists" agreeing that futures and derivatives can influence prices short term, and hard-core "speculationists" admitting that current supply/demand and future expectations underpin the pricing complex. All agree that deeper, broader, more timely data are required on physical and paper markets if we are to better understand price formation. Extending financial market oversight to prevent manipulation is welcome if it continues to facilitate liquidity and the hedging of risk. Clearer internationally agreed policy on access, end-user prices and environmental and efficiency targets would prompt rational investment decisions by producers and consumers. Forecasters need to clearly acknowledge outlook uncertainties, and highlight alternative scenarios. The inevitability of ever-tightening markets may not be set in stone.

The theme of future expectations permeated discussions in Tokyo. Recent weeks have seen changing expectations also begin to shift price structure. Market contango (forward prices above prompt) has narrowed. Questions abound on whether tighter prompt markets or less alarmist views on the future underpin this shift. The answer is likely a bit of both. As we discuss in this month's report, tighter Canadian crude supply into the US midcontinent helps explain stronger prompt WTI prices. Floating storage is coming down, and there are fledgling signs of resurgent industrial activity, which could even put a floor under moribund OECD oil demand. Petrochemical sector re-stocking may translate into higher diesel demand as goods move to domestic and export markets.



Ever-present geopolitical risks also moved centre-stage in recent weeks, helping lift the front end of the curve, amid concerns on Iran, Nigeria, Iraq and the Malacca Straits. But perceptions may be subtly changing for the medium and longer term. Despite many investment barriers, a shift in expectations on supply may be emerging. If a more open investment policy in Iraq yields real capacity gains (a very big "if"), producers like Iran and Venezuela may have to relax investment terms if they are to retain clout within the ranks of OPEC. And while traditional non-OPEC supplies are maturing, new, more remote or "non-conventional" replacements have come to the fore. Time will tell if these can offset mature field decline.

Persistent contango has itself been cited as evidence of the distortions caused by speculative players in the market. In reality, contango is the mechanism that allows surplus oil to be absorbed when demand is weak. It allows firms that store oil for forward delivery to recoup the cost and risk of storage. Whether the market reverts to a more habitual state of backwardation remains to be seen. But the "distortion" of contango and higher stocks has provided some price stability amid unusually frigid northern hemisphere weather this winter. Well functioning, liquid forward markets provide the framework for dealing with inevitable periodic imbalances in the short term. Through the medium of price, they may also ultimately be better at sending optimal investment signals to producers and consumers than any managed price regime – 'the price is right' indeed.

DEMAND

Summary

- **Global oil demand** has been revised up by 70 kb/d for both 2009 and 2010 on higher-than-expected non-OECD data, which largely offset persistently weak OECD readings. Oil demand is now estimated at 85.0 mb/d in 2009 (-1.4% or -1.2 mb/d year-on-year), and is expected to rise to 86.6 mb/d in 2010 (+1.8% or +1.6 mb/d versus 2009). The latest data confirm that global oil demand resumed growth on a yearly basis in 4Q09, after five consecutive quarters of decline. Growth has been led by LPG and naphtha on the back of restocking in the petrochemical sector. Assuming that the recovery picks up over the coming quarters, transportation fuels (particularly gasoline and diesel) are expected to take the baton as freight activity increases, while growth in petrochemical feedstock demand should ebb to a more normal pace. In terms of regions, this year's global oil demand growth will be driven entirely by non-OECD countries, with non-OECD Asia alone representing over half of total growth.

- **Estimated OECD oil demand** remains largely unchanged for 2009, but the forecast for 2010 is adjusted down by 120 kb/d given very weak readings in January, most notably in Europe. Although the impact of winter weather upon OECD demand is diminishing as a result of ongoing structural changes, notably interfuel substitution in favour of natural gas, the severe winter weather that prevailed in most of the OECD during January helps explain the continued weakness in transportation fuels, as heavy snow disrupted road and air travel. By contrast, strong naphtha deliveries provide some further evidence of a nascent petrochemical-led economic recovery. Nonetheless, the continued decline of heating and residual fuel oils will more than offset growth in transportation fuels and other product categories. Thus, OECD oil demand, estimated at 45.5 mb/d in 2009 (-4.4% or -2.1 mb/d year-on-year), is set to decline by 0.3% in 2010, or -0.1 mb/d.

Global Oil Demand (2008-2010)

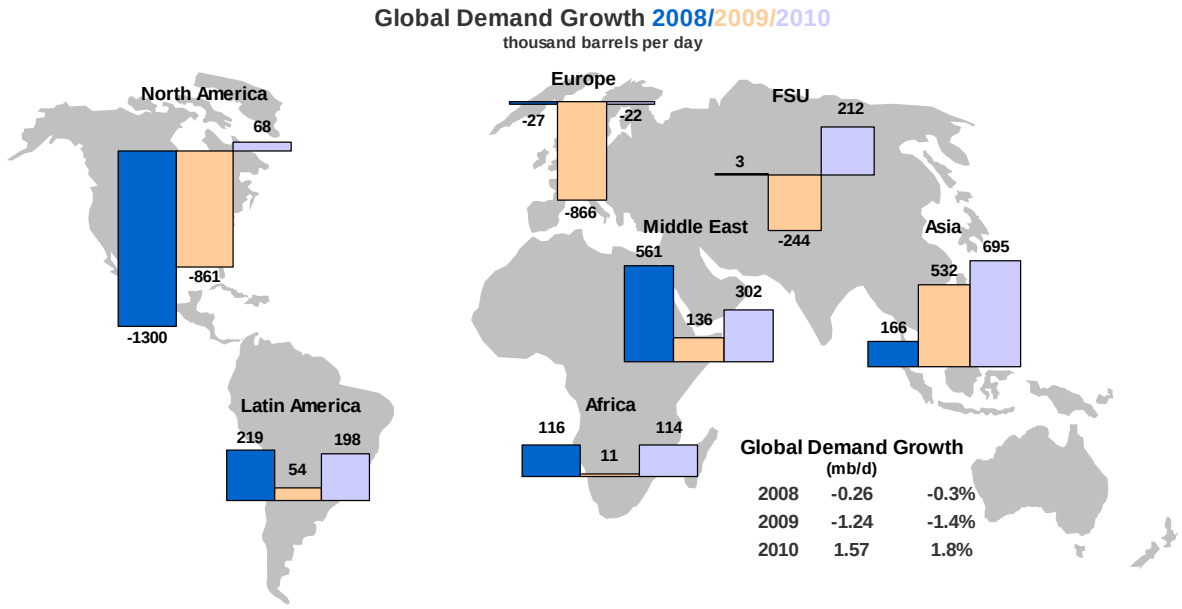
(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3
Americas	30.5	30.4	29.6	29.9	30.1	29.3	28.8	29.3	29.7	29.3	29.3	29.3	29.7	29.8	29.5
Asia/Pacific	26.7	25.7	25.0	25.1	25.7	25.8	26.0	25.9	27.1	26.2	27.3	26.7	26.2	27.2	26.9
Europe	16.1	15.8	16.2	16.2	16.1	15.6	15.0	15.2	15.1	15.2	15.0	15.0	15.3	15.3	15.2
FSU	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	4.0	3.9	4.2	4.0	4.2	4.1	4.1
Middle East	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.0	7.4	7.5
World	**87.4**	**86.3**	**85.9**	**85.4**	**86.2**	**84.5**	**84.1**	**85.3**	**86.1**	**85.0**	**86.3**	**85.9**	**86.8**	**87.2**	**86.6**
Annual Chg (%)	1.1	1.0	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.8	-1.4	2.2	2.1	1.8	1.3	1.8
Annual Chg (mb/d)	1.0	0.8	-0.4	-2.4	-0.3	-2.9	-2.2	-0.6	0.7	-1.2	1.8	1.8	1.5	1.1	1.6
Changes from last OMR (mb/d)	0.02	0.02	0.02	0.00	0.02	0.03	0.05	0.00	0.21	0.07	0.26	0.09	-0.10	0.03	0.07

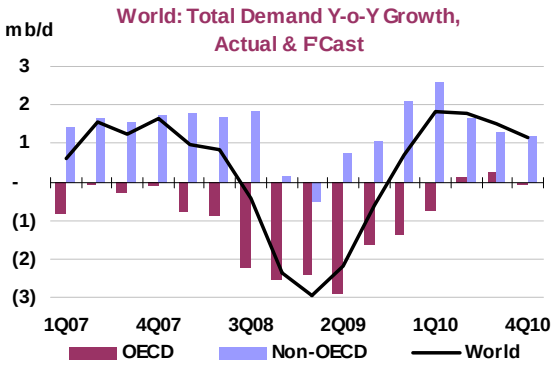
- **Projected non-OECD oil demand** has been revised up for both 2009 and 2010 as demand readings from Asia, and to a lesser extent the FSU, continue to exceed expectations. Total oil demand is now estimated at 39.5 mb/d in 2009 (+2.2% or +0.8 mb/d year-on-year), 70 kb/d higher than in our previous assessment. It is expected to increase to 41.2 mb/d in 2010 (+4.3% or +1.7 mb/d versus 2009), 190 kb/d higher than previously anticipated. The revisions were almost entirely concentrated in China, where apparent demand surged by an astonishing 28.0% year-on-year in January according to preliminary estimates, although these figures, which assumed that refinery runs in January were unchanged versus December, may be partly distorted by product stocking. Moreover, Chinese officials have made it clear that the government will continue to foster strong economic growth as long as inflation remains moderate, thus raising the possibility of potential upside sensitivity for the country's oil demand outlook. China is currently expected to account for almost a third of global oil demand growth in 2010.

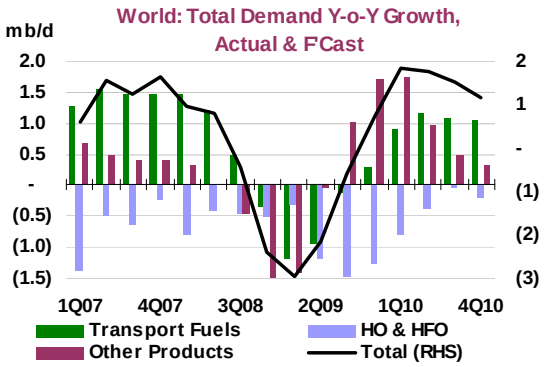
Global Overview

Latest data confirm our earlier view that, after five consecutive quarters of decline, global oil demand began growing again on a yearly basis in 4Q09. Assuming that the world's economic recovery is sustained (although many headwinds remain, as noted in last month's report), demand growth should be robust over the next four quarters. Global oil demand is expected to rise by 1.6 mb/d or +1.8% year-on-year in 2010, compared with a contraction of 1.2 mb/d (-1.4%) in 2009.



More interestingly, perhaps, is the *composition* of growth in terms of geographical areas. The OECD has not only borne the brunt of the demand slump, but will also see no net recovery at all – demand is currently expected to register another, albeit small, contraction in 2010 (-0.3%). The continued, structural decline of heating oil and residual fuel oil will more than offset moderate growth in transportation fuels and other product categories. Thus, as highlighted last month, global growth will come entirely from non-OECD countries (+4.3%), where all product categories are poised to post strong growth, notably transportation fuels and petrochemicals feedstocks. Asia alone will represent over half of global oil demand growth, with China accounting for almost two-thirds of that region's rise.





Equally salient is the *evolution* of growth among oil products. Indeed, 4Q09 demand (+0.7 mb/d year-on-year) rose essentially on the back of LPG (+0.7 mb/d) and naphtha (+0.6 mb/d), with other product categories either flat or declining. The strength of LPG and naphtha is largely due to restocking in the petrochemical supply chain fostered by the gradual economic recovery and rising industrial production in key countries. As the recovery picks up over the next quarters, transportation fuels (particularly gasoline

and diesel, but less so jet fuel) are expected to play a more prominent role on the back of rising freight activity and support growth throughout 2010, while growth in petrochemical feedstock demand should ebb to a more normal pace.

OECD

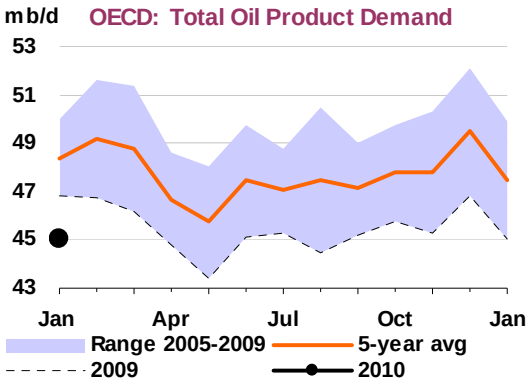
Preliminary data indicate that OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) contracted by 3.8% year-on-year in January. In **OECD Europe**, oil product demand shrank by an astonishing 8.0% year-on-year, dragged down by heating oil and residual fuel oil, which registered sharp losses despite cold temperatures. In **OECD North America** (which includes US Territories), demand declined by 2.3% as the rebound in light products (LPG, naphtha, gasoline and jet fuel/kerosene) observed in the previous month petered out. In **OECD Pacific**, demand fell by only 0.9%, as strong growth in naphtha tempered losses in all other product categories.

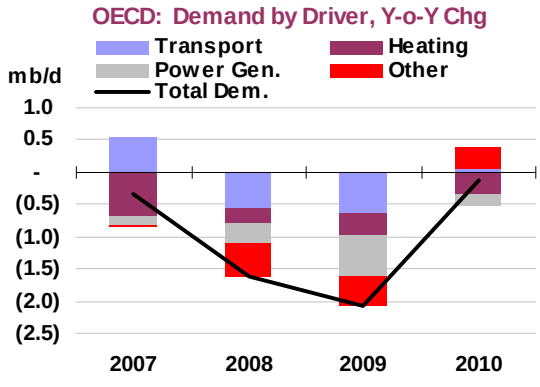
OECD Demand based on Adjusted Preliminary Submissions - January 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.10**	**-1.0**	**1.62**	**-1.9**	**3.52**	**-8.7**	**1.29**	**0.5**	**0.93**	**-23.4**	**5.81**	**3.38**	**23.26**	**-2.3**
US50	8.65	-0.8	1.40	-0.4	2.99	-10.6	0.75	1.4	0.51	-29.7	4.37	0.6	18.66	-3.2
Canada	0.68	-1.7	0.13	-13.5	0.22	13.2	0.40	-0.5	0.12	-19.3	0.71	12.6	2.27	1.9
Mexico	0.71	-2.4	0.06	-9.2	0.26	-2.1	0.11	-2.1	0.22	-14.9	0.68	14.2	2.05	0.7
OECD Europe	**1.93**	**-8.0**	**1.16**	**-3.1**	**3.67**	**-3.3**	**1.96**	**-26.5**	**1.43**	**-17.2**	**3.42**	**4.8**	**13.57**	**-8.0**
Germany	0.38	-5.7	0.17	-2.4	0.50	-4.4	0.43	-35.3	0.16	-8.9	0.62	36.1	2.26	-5.6
United Kingdom	0.34	-11.1	0.34	-10.5	0.41	-2.9	0.11	-15.5	0.10	12.0	0.34	1.4	1.65	-5.7
France	0.15	-15.3	0.13	-5.5	0.57	-5.4	0.34	-38.2	0.07	-50.4	0.40	-8.3	1.66	-18.7
Italy	0.20	-9.5	0.06	1.7	0.46	-3.6	0.09	-24.3	0.14	-47.8	0.39	2.1	1.34	-12.1
Spain	0.12	-11.3	0.09	6.0	0.42	-3.7	0.23	-22.0	0.18	-17.0	0.35	-7.7	1.39	-10.1
OECD Pacific	**1.45**	**-2.4**	**1.20**	**-7.9**	**1.01**	**0.2**	**0.52**	**-5.7**	**0.79**	**-16.7**	**3.20**	**8.7**	**8.16**	**-0.9**
Japan	0.90	-3.5	0.82	-10.0	0.44	-2.7	0.40	-9.2	0.38	-25.6	1.78	11.6	4.72	-2.5
Korea	0.17	-0.5	0.24	-5.1	0.23	7.2	0.11	9.2	0.38	-6.8	1.25	5.0	2.37	1.9
Australia	0.32	-0.7	0.11	2.6	0.29	2.2	0.00	-19.7	0.03	-13.5	0.15	5.5	0.90	1.1
OECD Total	**13.48**	**-2.2**	**3.98**	**-4.2**	**8.19**	**-5.3**	**3.77**	**-16.3**	**3.15**	**-19.0**	**12.43**	**5.1**	**45.00**	**-3.8**

* Including US territories

Revisions to December preliminary data were negligible (+4 kb/d), with positive changes in North America and the Pacific offsetting negative adjustments in Europe. December demand fell by 1.6% year-on-year, identical to last month's estimate. As such, on a yearly basis, estimated 2009 OECD oil demand is unchanged at 45.5 mb/d (-4.4% or -2.1 mb/d versus 2008). By contrast, the 2010 forecast is revised down by 120 kb/d, largely on the back of expectations of lower 1Q09 heating oil demand in Europe and continued North American weakness, notably in middle distillates. OECD demand is now seen contracting by 0.3% year-on-year in 2010 or -0.1 mb/d – the fifth consecutive yearly decline in a row.





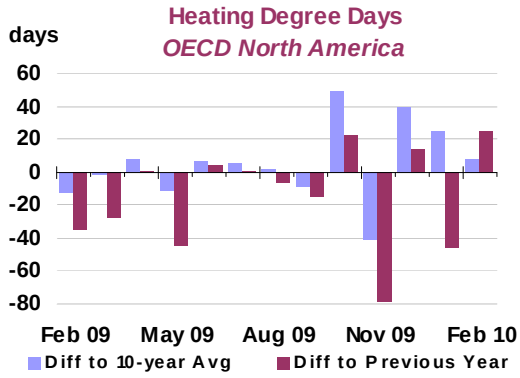
Total OECD Demand by Product
(million barrels per day)

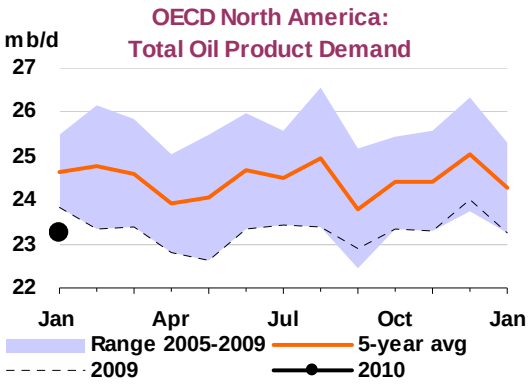
	2008	2009	1Q09	2Q09	3Q09	4Q09	Oct 09	Nov 09	Dec 09*	Latest month vs. Nov 09	Latest month vs. Dec 08
LPG & Ethane	4.66	4.65	4.83	4.36	4.37	5.03	4.66	5.06	5.38	0.31	0.60
Naphtha	3.06	2.97	2.96	2.86	2.96	3.09	3.01	3.17	3.10	-0.07	0.32
Motor Gasoline	14.41	14.40	14.00	14.55	14.75	14.29	14.36	14.14	14.35	0.21	-0.14
Jet & Kerosene	3.97	3.74	3.99	3.53	3.63	3.79	3.68	3.67	4.02	0.36	-0.17
Gas/Diesel Oil	13.02	12.29	13.09	11.78	11.73	12.58	12.71	12.14	12.89	0.76	-0.42
Residual Fuel Oil	3.66	3.17	3.61	3.07	2.90	3.10	3.08	3.03	3.18	0.15	-0.58
Other Products	4.78	4.28	4.08	4.30	4.65	4.09	4.27	4.05	3.93	-0.12	-0.36
Total Products	**47.57**	**45.49**	**46.56**	**44.45**	**44.98**	**45.98**	**45.78**	**45.27**	**46.86**	**1.59**	**-0.74**

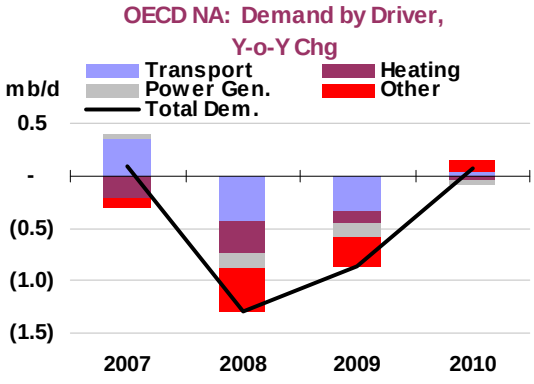
* Latest official OECD submissions (MOS)

North America

Preliminary data show oil product demand in North America (including US territories) falling by 2.3% year-on-year in January, reversing December's +1.2% growth. Economic and oil demand indicators remain mixed, with increasing signs of industrial activity weighed down by still falling oil consumption. The US featured the steepest oil demand decline, with January preliminary data showing a 3.1% year-on-year fall. Although January temperatures were milder than in the previous year (but much colder than the 10-year average), heavy snow disrupted transportation, underpinning the weaker demand picture. By contrast, Canada's estimated consumption was up 1.9% year-on-year and Mexico's preliminary demand increased by 0.7% versus the previous year. Yet, for both Canada and Mexico, growth was weaker than in December as transport fuel growth rates faltered. However, growth in some product categories, notably Canadian diesel and regional petrochemical feedstocks, has seemingly coincided with recent stronger economic indicators. Still, the degree to which growth will re-emerge in other areas of oil demand remains questionable.







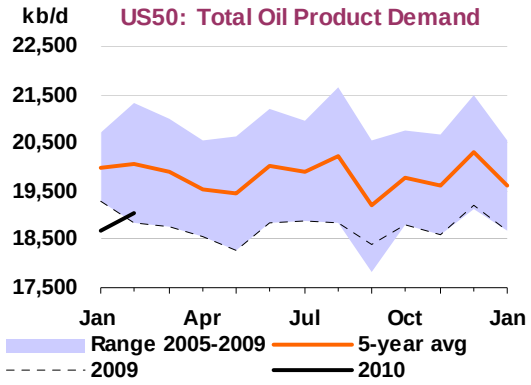
Revisions to December preliminary data, at +340 kb/d, stemmed from an upward revision in the US (+285 kb/d) and Canada (+55 kb/d). As such, North American demand grew 1.2% versus December 2008, revised up from a 0.3% decline. The US change was driven largely by LPG/ethane (+420 kb/d) and heating oil (+340 kb/d), partially offset by jet/kerosene (-105 kb/d) and diesel (-55 kb/d). With a full year of data submissions, North American oil demand is estimated at 23.3 mb/d for 2009 (-3.6% or -0.9 mb/d versus 2008 and +25 kb/d compared with our last report). In 2010, demand is seen rising to 23.4 mb/d (+0.3% or +70 kb/d year-on-year and -10 kb/d versus our last report), with increases in petrochemical feedstocks and a modest transport fuel rise outweighing structural declines in heating oil and residual fuel oil.

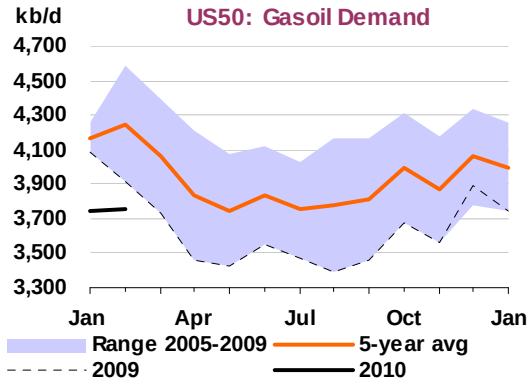
OECD North America Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Oct 09	Nov 09	Dec 09*	Latest month vs. Nov 09	Latest month vs. Dec 08
LPG & Ethane	2.72	2.80	2.88	2.51	2.62	3.18	2.91	3.29	3.34	0.05	0.62
Naphtha	0.36	0.31	0.29	0.33	0.31	0.30	0.26	0.31	0.33	0.02	0.02
Motor Gasoline	10.51	10.54	10.30	10.63	10.74	10.49	10.55	10.40	10.51	0.11	0.00
Jet & Kerosene	1.77	1.64	1.66	1.62	1.68	1.58	1.59	1.55	1.59	0.04	-0.05
Gas/Diesel Oil	5.01	4.62	4.94	4.41	4.40	4.75	4.70	4.62	4.93	0.32	0.12
Residual Fuel Oil	1.10	0.97	1.08	0.98	0.87	0.97	0.98	0.92	1.02	0.11	-0.17
Other Products	2.69	2.43	2.38	2.43	2.63	2.30	2.38	2.22	2.29	0.07	-0.26
Total Products	**24.17**	**23.31**	**23.52**	**22.91**	**23.25**	**23.57**	**23.36**	**23.31**	**24.03**	**0.71**	**0.28**

* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by 1.1% year-on-year in February, following a fall of 3.2% in January and a rise of 0.3% in December. Mixed trends continued to pepper the February data, however. LPG/ethane and heating oil grew by 21.5% and 12.2% year-on-year, respectively, led by an apparent rebound in petrochemical activity and colder weather than a year ago. Jet/kerosene and diesel, by contrast, posted year-on-year declines of 4.4% and 7.4%, respectively. Of course, with a split between diesel and heating oil unavailable in US preliminary data, estimating the breakdown of middle distillate demand remains problematic, particularly in winter months. Still, it appears that US transport fuels have all continued to lag. Gasoline demand, while little changed from the previous report, continued to trend negatively, down 0.4% year-on-year in February.





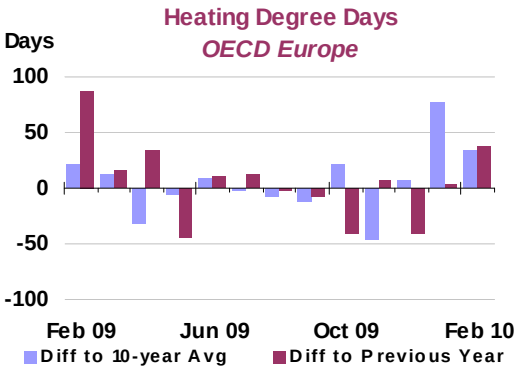
Recent US economic indicators have continued to improve. Real year-on-year 4Q09 GDP growth was revised up to 5.9% from 5.7%, while industrial production in January rose by 0.9% to its highest level since December 2008. Moreover, January loaded-container trade at the Long Beach and Los Angeles ports increased by 8.1% over the previous year on the back of outbound shipments to Asia, although imports (typically consumer goods) fell slightly. Similarly, data through November point to positive year-on-year growth in air transport, though freight has enjoyed much more of a resurgence than passenger travel. All the while, the US economy has continued to shed jobs.

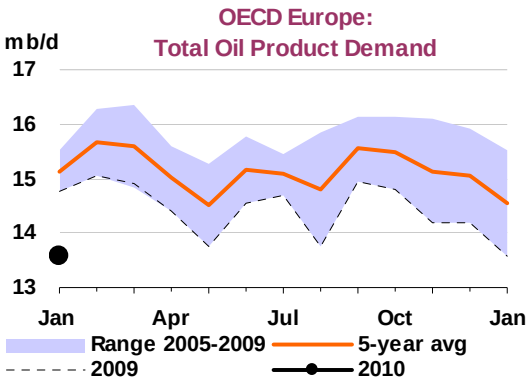
All of this points to an economic recovery led so far by restocking and rebounding industrial activity, rather than by re-emerging consumer demand. Evidence of rebounding middle distillate demand tied to growth has so far been scant. One reason may stem from ongoing efficiency improvements. For example, even as revenue miles have climbed for US airlines, increasing load factors and restrictions on the number of luggage pieces on board, aimed at reducing overall weight, likely explain why jet fuel/kerosene demand is still shrinking. While demand for middle distillates should rise in 2H10, the persistent weakness in both jet fuel/kerosene and diesel suggests that growth for both fuels is likely to be flat for the entire year. Flailing diesel demand may also trace its roots to substitution from coal to gas in the power sector. While the latest US rail freight traffic shows continued year-on-year declines, this

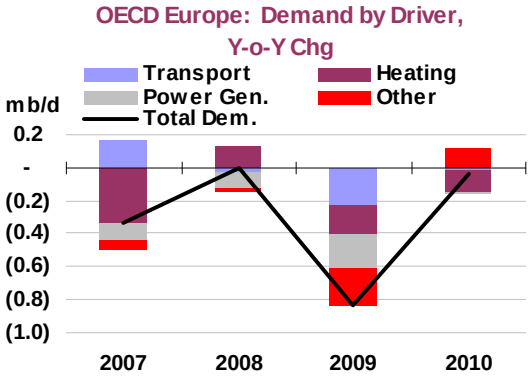
largely stems from lower shipments of coal. Industrially related freight traffic, by contrast, has recently showed strong year-on-year gains. As such, our total oil product demand forecast for 2010 has been revised down slightly by 15 kb/d to 18.8 mb/d, unchanged from 2009.

Europe

Oil product demand in Europe plunged by 8.0% year-on-year in January, according to preliminary inland delivery data, with all product categories bar naphtha posting losses. As in the last few months, the fall was mostly driven by weak deliveries of heating oil (-26.5%) and residual fuel oil (-17.2%), despite cold temperatures (HDDs were sharply higher than the 10-year average but only slightly above January 2009). In part this was due to earlier heating oil restocking prompted by lower prices in 1H09, notably in Germany, as well as stable natural gas supplies from Russia (disruptions in the past two years boosted heating oil and residual fuel oil in several European countries). Overall, though, this trend lends support to our hypothesis of a gradually diminishing impact of winter conditions upon OECD demand as a result of ongoing structural changes, particularly interfuel substitution in favour of currently cheaper natural gas.







Nonetheless, the severe winter conditions that prevailed in most of the continent probably help explain part of the continued but arguably disproportionate weakness in transportation fuels, as blizzards and snow storms disrupted road and air travel. By contrast, the only bright spot was to be found in naphtha deliveries, which surged by +24.5% year-on-year in January, thus providing further evidence of a petrochemical-led, manufacturing-based, and for now export-oriented economic recovery. In absolute terms, naphtha demand is just a shade below pre-recession levels. However, it may still be premature to signal a well-established trend because preliminary naphtha data may still be revised down (as in December).

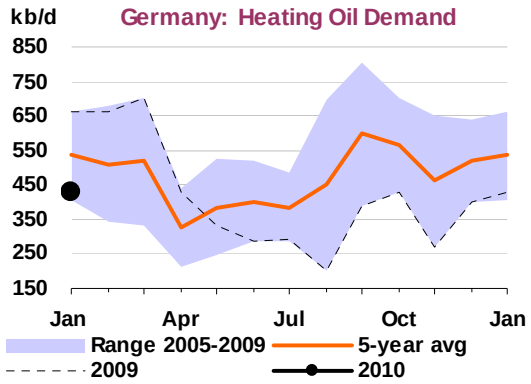
OECD Europe Demand by Product
(million barrels per day)

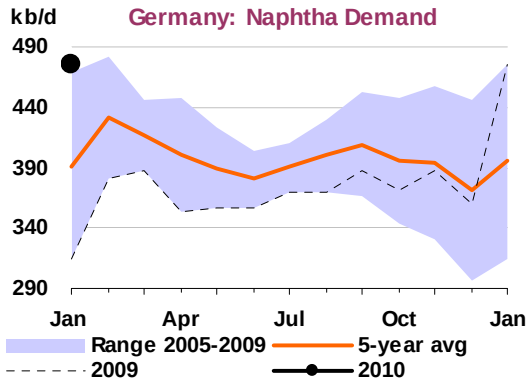
	2008	2009	1Q09	2Q09	3Q09	4Q09	Oct 09	Nov 09	Dec 09*	Latest month vs. Nov 09	Latest month vs. Dec 08
LPG & Ethane	1.03	0.97	1.05	0.99	0.89	0.96	0.91	0.95	1.03	0.09	-0.05
Naphtha	1.06	0.99	1.03	0.89	0.99	1.04	1.05	1.10	0.97	-0.12	0.06
Motor Gasoline	2.36	2.30	2.19	2.39	2.41	2.22	2.27	2.23	2.17	-0.05	-0.13
Jet & Kerosene	1.31	1.25	1.19	1.26	1.34	1.23	1.28	1.21	1.19	-0.01	-0.07
Gas/Diesel Oil	6.33	6.07	6.51	5.81	5.84	6.15	6.35	5.87	6.22	0.35	-0.47
Residual Fuel Oil	1.65	1.44	1.61	1.36	1.38	1.41	1.46	1.37	1.38	0.01	-0.31
Other Products	1.58	1.47	1.33	1.53	1.63	1.38	1.49	1.45	1.21	-0.23	-0.11
Total Products	**15.33**	**14.50**	**14.90**	**14.24**	**14.46**	**14.39**	**14.80**	**14.17**	**14.19**	**0.02**	**-1.09**

* Latest official OECD submissions (MOS)

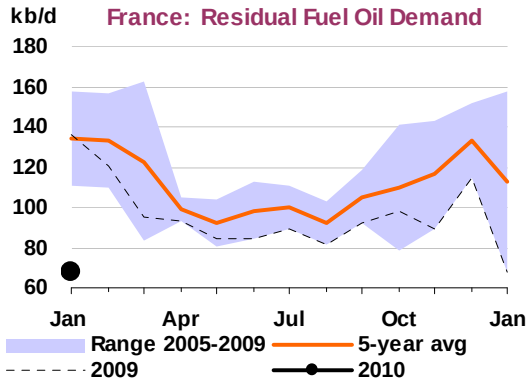
The revisions to December preliminary demand data were substantial (-500 kb/d), mostly because of weaker-than-expected distillate and – paradoxically – naphtha deliveries, which together accounted for roughly four-fifths of the total revisions. OECD Europe oil demand actually plunged by 7.1% during that month, much more than previously anticipated (-3.9% year-on-year). As such, Europe's 2009 oil product demand is now estimated at 14.5 mb/d (-5.4% or -0.8 mb/d versus 2008 and 40 kb/d less than in our previous report). Given the weakness of January 2010 readings, which weigh on the 1Q10 outlook, oil demand this year is expected to decline by 0.3%, some 150 kb/d steeper than previously forecast.

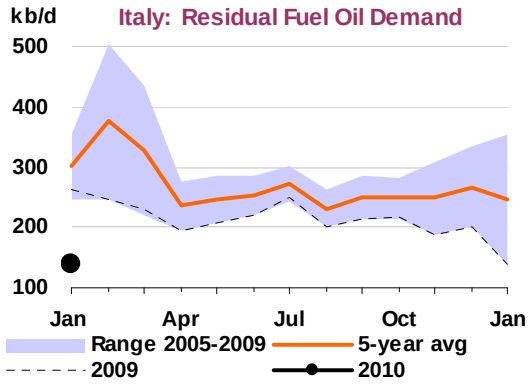
Preliminary data indicate that **German** oil product demand fell by 5.6% year-on-year in January, with weak deliveries of heating oil (-35.3%), residual fuel oil (-8.9%) and diesel (-4.4%) offsetting a dramatic increase in naphtha demand (+51.1%). Yet consumer heating oil stocks fell to 56% of capacity by end-January, well below the level recorded in January 2009 (60%). However, this is unlikely to boost heating oil demand in the short term: prevailing high oil prices suggest that demand may probably follow a more traditional seasonal pattern, with the bulk of restocking occurring in 3Q10. The naphtha demand surge, meanwhile, was likely related to the continued rebound of export-oriented industrial production; naphtha demand has now recovered to its early-2008 levels.





Similar heating oil and residual fuel oil demand patterns were observed elsewhere. In **France** and **Spain**, year-on-year heating oil deliveries contracted by 38.2% and 22.0%, respectively, in January, while year-on-year residual fuel oil deliveries fell by 50.4% and 47.8%, respectively, in France and **Italy**. Meanwhile, naphtha demand surged by +29.3% in Italy, yet fell by 11.1% in France.



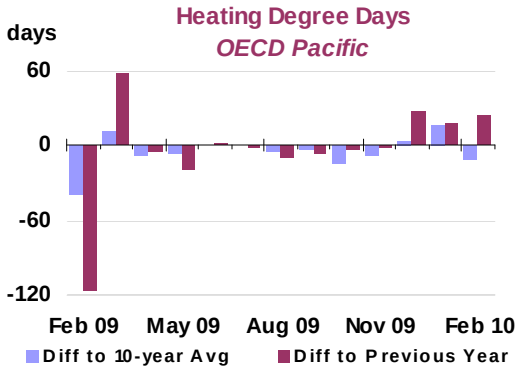


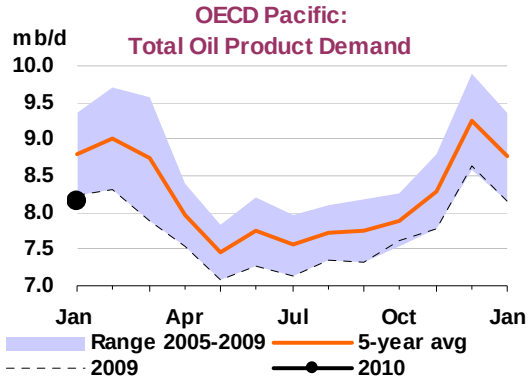
Although interfuel substitution is probably at play, the large drop in French fuel oil demand, if confirmed, is particularly noteworthy. Indeed, as a result of the gradual development of space and water heating since the mid-1980s, the country has tended to face ever higher electricity demand peaks in wintertime, typically met by hydrocarbon-based power plants (mostly burning fuel oil but also natural gas) or by power imports from neighbouring countries, as nuclear generation capacity only covers the base load.

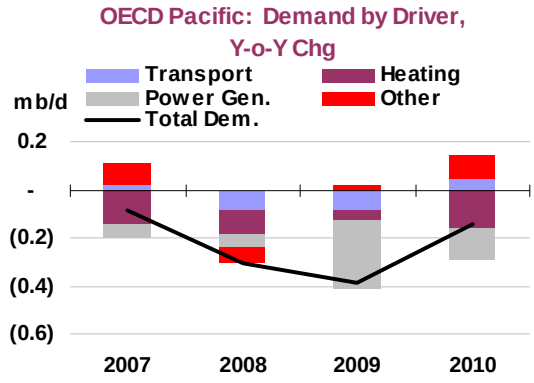
From this perspective, the low fuel oil readings for January amid frigid temperatures may suggest either much higher-than-expected natural gas penetration and/or a dramatic surge in expensive power imports, even though state-owned utility EDF is a major fuel oil buyer with significant storage capacity.

Pacific

Oil product demand in the Pacific fell in January (-0.9% year-on-year), according to preliminary data, as the continued rebound in naphtha (+16.1%) and "other products" (+6.9%) deliveries failed to offset losses in most other categories. Jet fuel/kerosene (used for heating in both Japan and Korea) and residual fuel oil declined by 7.9% and 16.7%, respectively, despite colder temperatures. This is in part related to the increasing use of electric heaters, which in turn are powered by rising electricity supplies from nuclear reactors. The regional aggregate, however, obscures the fact that Japan continues to feature falling oil demand, by contrast to strong Korean growth.







December revisions were positive (+160 kb/d), on the back of stronger-than-expected Japanese deliveries of residual fuel oil and "other products", higher-than-expected diesel demand in Australia and buoyant gasoline demand in New Zealand. OECD Pacific oil demand actually grew by 0.7% during that month, instead of contracting by 1.1% year-on-year as suggested by preliminary data. Consequently, 2009 oil product demand is now estimated at 7.7 mb/d in 2009 (-4.8% or -0.4 mb/d versus 2008 and 10 kb/d more than in our previous report), while oil demand this year is seen averaging 7.5 mb/d (-1.9% or -150 kb/d versus 2009, some 40 kb/d more than previously forecast).

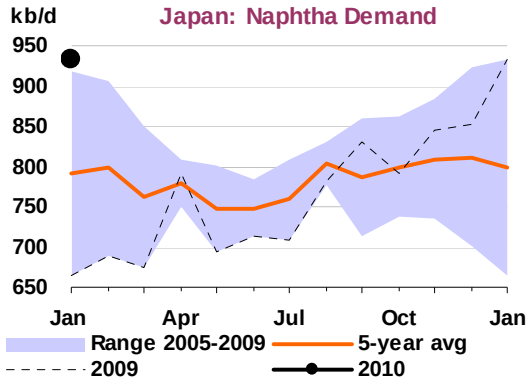
OECD Pacific Demand by Product
(million barrels per day)

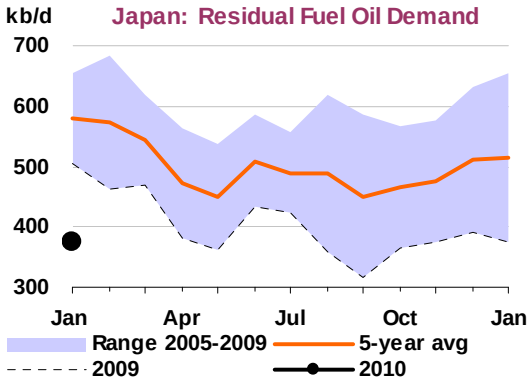
	2008	2009	1Q09	2Q09	3Q09	4Q09	Oct 09	Nov 09	Dec 09*	Latest month vs. Nov 09	Latest month vs. Dec 08
LPG & Ethane	0.90	0.87	0.90	0.85	0.86	0.89	0.84	0.82	1.00	0.18	0.04
Naphtha	1.64	1.68	1.64	1.64	1.66	1.76	1.71	1.77	1.80	0.03	0.24
Motor Gasoline	1.54	1.55	1.51	1.52	1.60	1.58	1.55	1.51	1.67	0.16	-0.01
Jet & Kerosene	0.89	0.85	1.15	0.66	0.60	0.99	0.81	0.91	1.24	0.33	-0.05
Gas/Diesel Oil	1.68	1.60	1.64	1.56	1.49	1.68	1.67	1.65	1.74	0.09	-0.06
Residual Fuel Oil	0.91	0.76	0.92	0.73	0.65	0.72	0.64	0.74	0.77	0.03	-0.11
Other Products	0.50	0.38	0.38	0.33	0.39	0.41	0.40	0.38	0.43	0.04	0.01
Total Products	**8.07**	**7.68**	**8.14**	**7.30**	**7.27**	**8.02**	**7.61**	**7.78**	**8.65**	**0.86**	**0.06**

* Latest official OECD submissions (MOS)

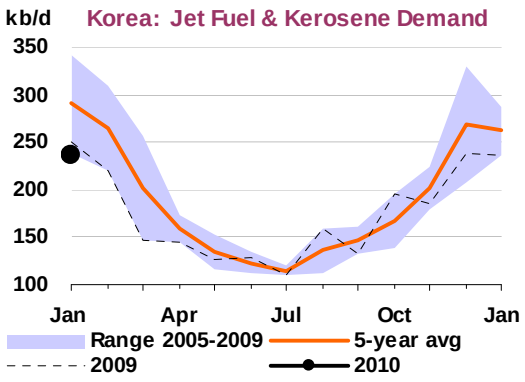
Preliminary data indicate that oil demand in **Japan** fell in January (-2.5% year-on-year), for the 20th consecutive month, with all product categories bar naphtha posting losses. The weakness in gasoline demand (-3.5%) was attributable to snowy and cold weather, which impinged upon recreational driving.

However, burning fuels also continued to decline – with demand for jet fuel/kerosene, residual fuel oil and "other products" down by 10.0%, 25.6% and 18.8%, respectively – because of interfuel substitution in favour of cheaper natural gas and rising nuclear power generation as idled plants are progressively restarted (January's nuclear utilisation rate, at 69.9%, was almost three percentage points higher than in the same month of the previous year). By contrast, naphtha deliveries continued to recover, rising by +40.5% largely on the back of strong Chinese demand for plastics. Nonetheless, although naphtha's growth must be assessed relative to last year's plunge, in volumetric terms demand has reached a new record high, exceeding the previous December 2003 peak.





In **Korea**, oil demand rose in January (+1.9% year-on-year), for the fourth consecutive month. This strength results from the strong recovery of the country's economy, largely on the back of rising exports to China, but must also be compared with a low baseline. The pace of oil demand growth, however, was much slower than in the previous three months, as frigid weather conditions disrupted transportation in most metropolitan areas, including Seoul. Yet cold temperatures failed to significantly boost demand for heating kerosene, with utilities favouring cheaper imports of natural gas (LNG) and even coal.



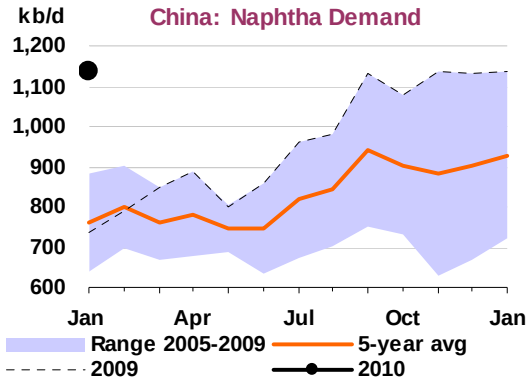
Non-OECD

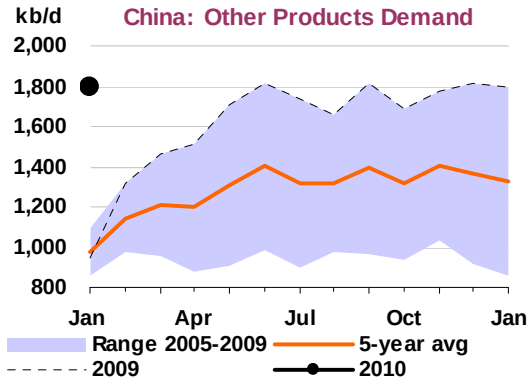
China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) surged by an astonishing +28.0% year-on-year in January, with all product categories bar residual fuel oil posting gains. The increase in the demand for naphtha (+54.3%), gasoil (+28.0%) and "other products" (+89.7%) was particularly noteworthy, although other categories also registered respectable growth rates (gasoline and jet fuel/kerosene expanded by 10.6% and 39.8%, respectively). It should be noted, though, that these estimates assume that refinery runs in January were unchanged versus December as official refinery indicators were not available in time to be included in this report, given delays resulting from the Chinese New Year holidays. However, last-minute reports indicate that refinery runs in January were slightly lower, yet February runs reached record highs.

Moreover, another customary caveat is in order: these figures may well be distorted by product stocking, for which partial data ceased to be published a few months ago (although, as discussed in this report's stocks section, the Xinhua news agency recently published stock data for January, based on a new methodology). Indeed, although net exports of gasoline, gasoil and jet fuel/kerosene have risen sharply on a yearly basis over the past few months, refinery runs have increased much faster given the

guaranteed refining margin provided by the country's current price mechanism. Even allowing for strong growth in real (as opposed to apparent) demand, domestic oil product stocks have probably swollen as well (partly on hoarding, as some players currently expect an imminent increase to "guideline" prices of at least 10%). Revealingly, state-owned Sinopec has reportedly offered a subsidy to its refineries since February, in order to increase oil products exports and curb relatively high inventories.





The new data have also entailed upward revisions to our 2009 estimate and 2010 outlook. Total oil product demand for 2009 is now estimated at 8.5 mb/d (+7.8% or +620 kb/d year-on-year and 10 kb/d more than in our last report). More significantly, the 2010 prognosis has been increased by 130 kb/d to 9.0 mb/d (+6.2% or +520 kb/d versus 2009), on the back of a large revision for 1Q10 (+510 kb/d) resulting mostly from the very strong January readings – which highlight continued upside sensitivity to the outlook. Recent government statements that economic growth will continue to be fostered lend credence to the view that a sharp slowdown from China is unlikely. As such, China is poised to account for almost a third of global oil demand growth in 2010.

A Forthcoming Price Reform?

A year after the implementation of China's oil product price mechanism, there is talk of further reform in order to address several distortions that have become evident over time. Prior to the introduction of the current scheme, shortages tended to emerge periodically, since domestic prices, capped well below international prices, discouraged supply to the domestic market and encouraged much more profitable exports. Since the adoption of the new mechanism in early 2009, Chinese refiners have enjoyed a guaranteed margin (unofficially estimated at 5%), which provides an incentive to boost runs and export product surpluses, if necessary through subsidies. This is causing unease among overseas refiners, which complain about dumping practices.

Moreover, the price mechanism has encouraged speculative stockpiling, as domestic prices are to be adjusted if the rolling average price of a basket of international crudes (including Brent, Dubai and Cinta) fluctuates by more than 4% for more than 22 consecutive working days. Although the government has some discretionary leeway (it also takes into consideration other social and economic factors), it has tended to mandate changes that have largely tracked the volatility of international oil prices, albeit with a lag. Last year, indeed, there were five hikes and three cuts on domestic gasoline and gasoil prices; another upward adjustment (that had been expected in early January but never occurred) is believed to be imminent.

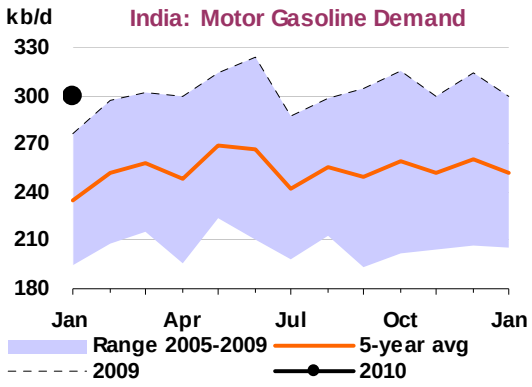
The National Development and Reform Commission (NDRC) is reportedly seeking ways to fine tune the price mechanism to render it "more transparent and scientific" and prevent "speculative activities". Reports suggest that the trigger is likely to be modified over the course of 2010. The 22-day adjustment cycle may be shortened and the 4%-adjustment range may also be dropped. The main purpose would be to render price changes unpredictable and thus discourage arbitrage by rendering hoarding more costly. In addition, domestic prices would track international oil price changes more closely. The flip side of this is that domestic prices could become more volatile, thus running against one of the original aims of the price mechanism.

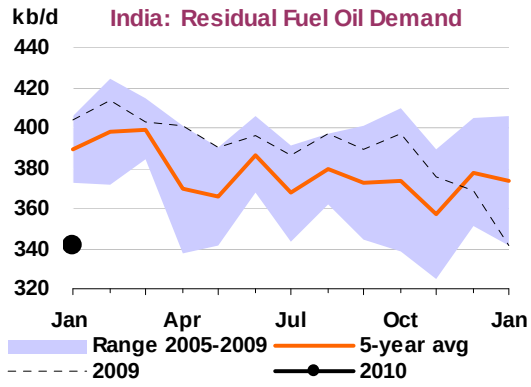
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	762	86	23	13.1	3.2
Naphtha	768	946	1,086	178	140	23.1	14.8
Motor Gasoline	1,493	1,539	1,611	46	73	3.1	4.7
Jet & Kerosene	292	343	365	51	22	17.3	6.4
Gas/Diesel Oil	2,837	2,760	2,960	-77	200	-2.7	7.2
Residual Fuel Oil	603	582	508	-22	-73	-3.6	-12.6
Other Products	1,246	1,604	1,743	358	139	28.7	8.7
Total Products	**7,892**	**8,511**	**9,034**	**618**	**524**	**7.8**	**6.2**

Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – fell by 2.0% year-on-year in January, the first contraction in 14 months. This unusual fall derived from weak naphtha sales (-34.3%), as this product is displaced by rising domestic supplies of natural gas (naphtha demand fell by 2.3% year-on-year in 4Q09); a lower pace of growth in the sales of gasoline (+8.2%, versus +18.2% in December) and gasoil (+6.3% versus +12.8%); and falling sales of residual fuel oil (-15.5%) and "other products" (-2.5%). Part of the reason for weaker demand may have been exceptional fog that affected parts of India, reducing transportation, disrupting road building and curbing irrigation power demand.





In late February, the Indian government raised retail prices for gasoline and gasoil by almost 8% on average. This resulted from two measures included in the 2010-11 budget: a Rs 1.0/litre excise tax on both fuels, coupled with an import duty on crude oil, gasoline/diesel and other refined products (5%, 7.5% and 10%, respectively). Yet it is unlikely that the price rise will affect sales much, as pent-up demand for transportation fuels is high and arguably more responsive to income than price. Indeed, the last price revision (+10% for gasoline and +6.5% for gasoil in July 2009) was implemented amid less buoyant economic conditions and had no appreciable effect on demand. Nonetheless, February gasoline demand may show added strength due to hoarding in anticipation of the price rise.

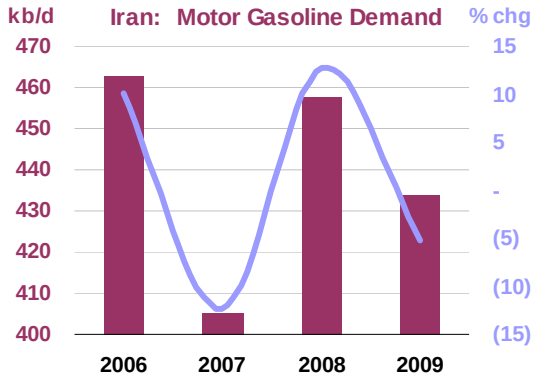
India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	408	427	456	19	29	4.6	6.7
Naphtha	310	328	269	18	-59	5.7	-17.9
Motor Gasoline	265	303	334	38	32	14.3	10.4
Jet & Kerosene	299	299	303	1	4	0.2	1.2
Gas/Diesel Oil	1,078	1,162	1,249	84	87	7.8	7.5
Residual Fuel Oil	394	394	377	-1	-17	-0.2	-4.3
Other Products	381	394	401	13	6	3.5	1.6
Total Products	**3,135**	**3,307**	**3,388**	**172**	**82**	**5.5**	**2.5**

India's Finance Minister has argued that the price adjustment attempts to enhance the country's fiscal consolidation and is unrelated to the Parikh report released in early February, which calls for the complete elimination of gasoline and gasoil subsidies. However, the opposition has loudly criticised higher prices on inflationary grounds and this, together with inevitable delays caused by cross-ministry consultation, clouds both the implementation and timing of the Parikh report's recommendations.

India is not the only country having second thoughts about fully liberalising fuel prices. In early March, the **Malaysian** government cancelled plans to curb subsidies from 1 May. The goal had been to reduce this year's subsidy bill by about 15% to some $5.3 billion and, in doing so, to diminish the country's fiscal deficit, which reached 7.4% of GDP in 2009. Officially, the scheme – based on rationing cards – was deemed too complicated, as consumers would have to register to be eligible while retail stations would have to verify a purchaser's identity through thumbprint scanning, potentially causing congestion. However, the decision – which followed a delay of previous plans to hike electricity prices and real estate taxes – was more likely related to impending regional elections. Indeed, the last attempt to liberalise fuel prices in 2007 led to riots and to the ruling party's poor electoral performance in the following year.

In **Iran**, by contrast, attempts to tackle fuel subsidies appear to be slowly moving forward. In mid-January, the Guardian Council gave its approval to a bill, passed by the Majlis (parliament) last November, aimed at gradually slashing subsidies on oil products, electricity, water, food and medicines over a five-year period. The legislation is to be implemented by late March at the latest (the beginning of the Iranian fiscal year). However, the government has seemingly realised that, under current circumstances, the new law could lead to a surge in inflation (from 25% currently), further social discontent amid an already difficult economic situation and the risk of renewed violent unrest, as it has periodically happened since last year's contested presidential elections. This may explain the government's last-minute attempt to withdraw the bill before it was submitted to the Guardian Council – before being overruled by parliament. The government then opted to announce that motorists would be granted an extra 20-litre allowance – above the heavily subsidised 80-litre monthly quota – for the New Year holiday, which begins in late March.



Yet the imperative to rationalise fuel demand is arguably becoming pressing, given mounting international efforts to curb gasoline imports, which account for roughly one-third of Iranian gasoline demand. The US Congress and Senate have both recently passed legislation to punish companies or individuals involved in shipping gasoline or other refined products to Iran, and a consolidated bill may shortly be signed by President Obama.

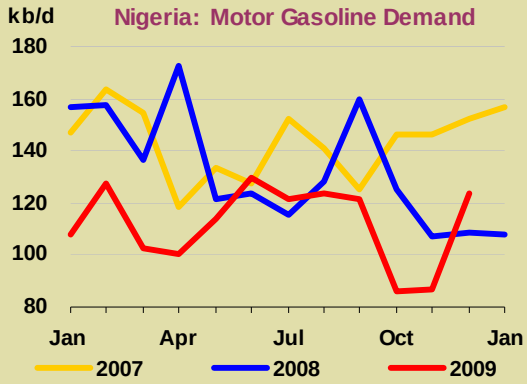
Iran: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	92	81	89	-11	8	-11.8	9.4
Naphtha	42	43	45	2	1	4.0	3.4
Motor Gasoline	457	434	462	-24	29	-5.2	6.6
Jet & Kerosene	154	138	142	-16	4	-10.2	3.1
Gas/Diesel Oil	622	559	584	-63	25	-10.1	4.6
Residual Fuel Oil	410	392	407	-18	16	-4.4	4.0
Other Products	85	98	96	13	-2	15.9	-2.0
Total Products	**1,861**	**1,744**	**1,825**	**-116**	**81**	**-6.2**	**4.6**

Iran is already finding it increasingly difficult to source gasoline imports (120 kb/d on average in 2009), as several of the country's regular suppliers – notably Glencore, IPG, Trafigura and Vitol – have reportedly ceased altogether or curbed significantly their oil trading operations with Iran in the past few months (BP and Shell, two other major gasoline suppliers, stopped shipments in 2008). In addition, Iran is reportedly struggling to obtain credit to finance imports, as many international banks are also reducing their business with state-owned National Iranian Oil Co. (NIOC). The jury is out, though, on whether further sanctions will effectively succeed in halting gasoline imports completely – since Iran has reportedly still access to alternative sources, either directly (Total, Petronas and Litasco) or indirectly (from Chinese and Indian sources) – and whether an embargo will engender a domestic backlash against the regime or instead promote nationalist support. Current expectations of 4.6% Iranian demand growth in 2010 are based on modest economic rebound, but the forecast could evolve to the downside if subsidies are removed or sanctions are hardened.

Tough Luck: Oil Market Reform in Nigeria

In Nigeria, the political vacuum and ensuing stalemate related to the poor health of President Umaru Yar'Adua since last November are not only fostering uncertainty in the upstream sector but are also delaying pressing reforms to the domestic oil market as well. The country faces two key downstream problems: on the one hand, none of its four state-owned refineries is currently operating, obliging it to import all of its fuel requirements; on the other, retail prices for gasoline, which accounts for 55% of total oil product demand, are among the lowest in the world (about $0.43/litre), thus entailing a subsidy burden estimated at some $3-4 billion per year. This situation has fostered the emergence of a handful of powerful oil importers, which effectively control the country's fuel supplies, backed by trade unions that consider cheap prices as an irrevocable entitlement.



In early 2009, the government announced plans to deregulate Nigeria's refining and marketing sectors as part of a yet to be approved new Petroleum Industry Bill (PIB). This triggered two standoffs (in April/May and October/November) between importers/trade unions and the government, which ended when the latter backed down. During the first episode, shortages briefly emerged as imports were deliberately curbed; in the second, rumours of an impending price hike led to panic purchases and further shortages. According to the latest data, the second disruption was particularly severe, with gasoline demand plummeting by almost a third. More recently, the Nigeria Labour Congress, the trade union umbrella organisation, threatened once again industrial action if the 'unacceptable' deregulation programme were to be pursued. Yet this is unlikely to happen: in mid-February Acting President Goodluck Jonathan instructed the House of Representatives to put the PIB on hold in order to "better assess" its consequences.

An earthquake in **Chile**, tightening sulphur specifications, drought-related power shortages and a pickup in agricultural activity are driving increased gasoil demand in Latin America. The earthquake that hit Chile on 27 February prompted the temporary closure of refining capacity and the importation of an additional 20 kb/d of gasoil in March (total gasoil demand in Chile accounts for roughly 46% of total oil product demand, estimated at 350 kb/d in 2009). However, **Argentina** is doubling natural gas exports to its neighbour, which should help meet power generation needs and temper the rise in gasoil demand. Meanwhile, both Chile and **Colombia** introduced lower sulphur specifications for on-road diesel earlier this year, boosting regional low sulphur diesel demand. Finally, drought-related power shortages in **Venezuela** have reportedly prompted widespread diesel generator use, while a seasonal increase in agriculture activity has spurred higher gasoil demand in **Brazil** and Argentina.

SUPPLY

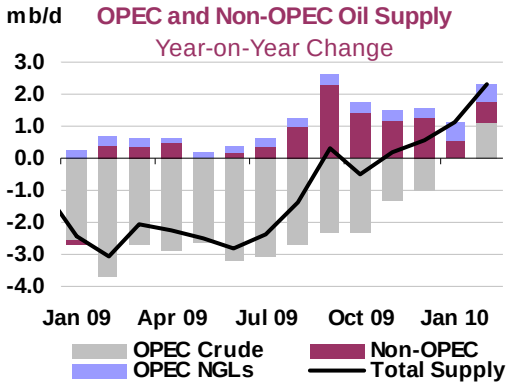
Summary

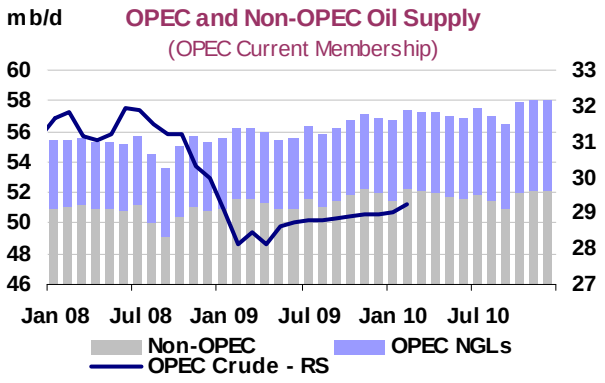
- **Global oil production rose by nearly 900 kb/d in February** to 86.6 mb/d. For the first time since October 2008, OPEC crude output is showing year-on-year growth—to the tune of 1.1 mb/d—which, combined with increments of 650 kb/d from non-OPEC and 550 kb/d of OPEC NGLs, comprises a healthy 2.3 mb/d gain in global output versus a year ago.

- **Crude oil production by OPEC hit a 14-month high of 29.2 mb/d in February**, with Iraq accounting for just over half of the monthly increase of 195 kb/d. OPEC NGLs are forecast to rise substantially from 4.7 mb/d in 2009 to 5.5 mb/d in 2010.

- **OPEC ministers will gather on 17 March** to review the market and current output targets. However, with prices hovering around $80/bbl, the producer group is widely expected to maintain current production levels. The call on OPEC crude and stock change, although revised down from last month due to higher non-OPEC expectations, nonetheless averages 29.6 mb/d in the second half of the year, after a seasonal dip closer to 29 mb/d in 2Q10.

- **Non-OPEC output rose by 0.7 mb/d to 52.2 mb/d in February** on higher output in the US, Canada, China, Brazil, the UK and Kazakhstan. Baseline revisions to historical Canadian data raise 2009 production by 110 kb/d to 51.5 mb/d. Non-OPEC growth of 750 kb/d in 2009 was the strongest annual increment since 2004. In 2010, the Canadian adjustment, as well as slightly brighter prospects for the North Sea, Egypt, Russia, Thailand and Colombia, offset downward revisions to the Caspian, China, Indonesia and Argentina. Production in 2010 is now forecast to rise by 330 kb/d to 51.8 mb/d.





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

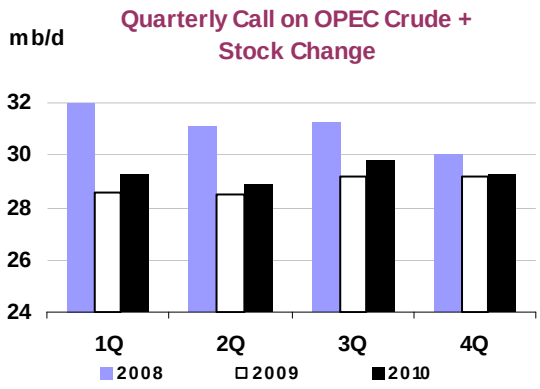
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

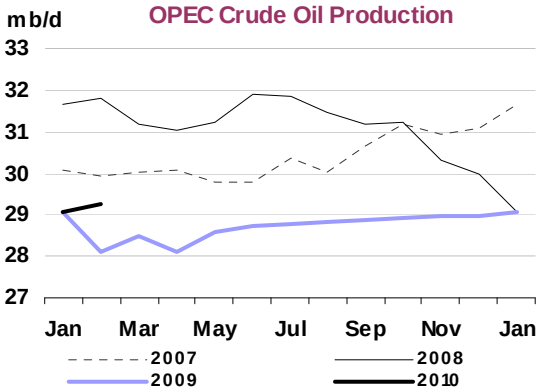
Crude oil supply from OPEC hit a 14-month high in February, with Iraq accounting for just over half of the monthly increase. Production averaged 29.2 mb/d in February, up by 195 kb/d compared with the previous month. Higher output by Iraq (+115 kb/d), Angola (+60 kb/d), Iran (+40 kb/d), Qatar (20 kb/d) plus 10 kb/d increases by Ecuador, Libya and Venezuela were partially offset by lower output by Saudi Arabia (40 kb/d), Nigeria (20 kb/d) and UAE (10 kb/d).

Output by OPEC-11, which excludes Iraq, was up by 80 kb/d to 26.7 mb/d in February, with the group producing about 1.86 mb/d above its 24.845 mb/d output target. Relative to targeted output cuts, OPEC's compliance rate slipped to just 56% in February compared with 58% the previous month.

OPEC ministers will gather on 17 March in Vienna to review the market and current output targets. However, with prices hovering around $78-81/bbl, the producer group is widely expected to maintain current production targets, which have been in place since January 2009.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Iraqi output was up by around 115 kb/d in February, to 2.54 mb/d. Total exports are estimated at 2.08 mb/d for February versus 1.93 mb/d in January—the highest level in two decades. Iraq has targeted an export rate of 2.15 mb/d for 2010. The increase in exports partly reflects state-owned SOMO's stepped-up practice of spiking surplus fuel oil into the Basrah and Kirkuk crude streams. The country's simple refineries are heavily weighted to the lower end of the barrel, with the result being insufficient light products and a surplus of heavy fuel oil. In the past, when fuel oil stocks were full, refinery operations had to be curtailed, but the country's growing demand for lighter products has meant that plants work full-out when possible. Fuel oil not burned at power plants is then injected into crude export flows, with price adjustments made for the varying crude quality. Spiked fuel oil volumes appear to vary month-to-month, but estimates range from around 60 kb/d to 100 kb/d. OMR calculates Iraqi crude supply as exports plus domestic use at refineries and power plants. For the past six months an estimated 100 kb/d of fuel oil spiked into crude exports has been subtracted from total supply to avoid double counting.

Crude oil exports from the southern Basrah terminals were up by 160 kb/d to 1.61 mb/d in February, compared with 1.45 mb/d in January. Northern exports of Kirkuk crude were off by a small 5 kb/d to 470 kb/d in February, including 10 kb/d sent to Jordan. Domestic crude demand for refinery use was down in February following an attack on the pipeline carrying crude from Iraq's northern fields to the 110 kb/d Daura refinery in southern Baghdad on 9 February. Repairs were still being completed in early March.

Plans put forward by the regional government to allow exports (which halted in October) to resume from the Kurdish region have been shelved for the time being and will probably only reach a resolution after a new national government is in place following the 7 March elections. Production from the Tawke and

Taq Taq fields has been reduced to a combined 20 kb/d from an earlier 100 kb/d last summer due to the ongoing battle between Baghdad and the Kurdish Regional Government (KRG) over legal and payment issues. As an intermediate step towards resuming exports, the KRG had proposed last month that shipments via the Ceyhan pipeline be restarted but that the companies would only be paid for the cost of producing the crude, not the sale price collected by SOMO for the exports. Oil companies have been cool to the idea and Baghdad has not formally responded to the proposal.

Nigerian crude output was down by 20 kb/d in February following renewed attacks on the oil infrastructure at end-January. Shell was forced to shut in 150 kb/d of Forcados output on 31 January following militant attacks on three key oil flow stations and pipelines. Shell reported that sections of the trans-Escravos and trans-Forcados pipelines were still shut down at end-February. However, increases in both offshore and onshore production helped offset the loss of production.

Political turmoil in Nigeria continues to threaten the country's oil production outlook despite the return to the country of the ailing President Umaru Yar'Adua after a three-month absence. Acting President Goodluck Jonathan remains in the top post for now, but internal political machinations over the country's leadership continue to undermine the government's plans to push forward controversial new oil industry legislation and implement measures related to ceasefire accords with militants.

Indeed, in addition to renewed attacks by the Niger Delta's main militant group, MEND, a splinter group of rebels operating under the umbrella of the Joint Revolutionary Council (JRC) has emerged, launching two separate attacks on oil infrastructure. On 2 March the JRC attacked Shell's non-producing Kokori flow station in the Delta state. Shell confirmed an explosion had damaged the facility. On 3 March JRC announced it had bombed Agip's Tura manifold, but the company has yet to confirm the incident.

OPEC Crude Production

(million barrels per day)

	Dec 2009 Supply	Jan 2010 Supply	Feb 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Feb 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.25	1.25	1.25	1.40	0.15	0.200	60%
Angola	1.85	1.89	1.95	2.10	0.15	0.244	0%
Ecuador	0.46	0.46	0.47	0.50	0.03	0.067	42%
Iran	3.72	3.70	3.74	4.00	0.26	0.562	12%
Kuwait[2]	2.29	2.29	2.29	2.65	0.36	0.374	86%
Libya	1.52	1.52	1.53	1.70	0.17	0.252	67%
Nigeria[3]	2.01	2.00	1.98	2.60	0.62	0.319	0%
Qatar	0.80	0.80	0.82	0.90	0.08	0.122	33%
Saudi Arabia[2]	8.12	8.20	8.16	12.00	3.84	1.318	98%
UAE	2.28	2.29	2.28	2.70	0.42	0.379	98%
Venezuela[4]	2.19	2.22	2.23	2.40	0.17	0.364	38%
OPEC-11	**26.49**	**26.62**	**26.70**	**32.95**	**6.25**	**4.201**	**56%**
Iraq	2.48	2.43	2.54	2.60	0.06		
Total OPEC	**28.97**	**29.04**	**29.24**	**35.55**	**6.31**		
(excluding Iraq, Nigeria, Venezuela					*5.46)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in February.

Iran's oil production inched higher in February, to 3.74 mb/d versus 3.70 mb/d in January. Iran increased the number of tankers holding crude off Kharg Island to seven in February versus three in January. Refiners and traders have curtailed their buying of Iranian crude this year, partly due to relatively high official price formulas and partly due to a tightening of credit by banks unwilling to underwrite purchases ahead of possibly looming sanctions. The US, UK, Germany and France, among others, are moving

forward with proposals for a fourth round of United Nations sanctions against Iran given its intransigence over its nuclear programme. Although China is adamantly resisting UN moves to tighten sanctions, Russia appears to be moving in favour of tougher sanctions while several key countries are prepared to move unilaterally, targeting the country's energy industry, and this appears to already be having an impact on the country's oil production outlook. IOCs from Italy and Russia announced they were abandoning investment plans in the country ahead of looming sanctions:

- Italy's ENI reported that it will not move forward with plans to develop the third phase of the Darkhovin field development until Iran's relations with the West improve. ENI was expected to boost output there from 100 kb/d to 260 kb/d in the last phase of its $550 million contract with state-owned National Iranian Oil Co.
- Russia's Gazprom said it would abandon plans to take a stake in the Azadegan field.

Iran has warned that it will cut off oil exports to the West if more sanctions are imposed but may not follow through on the threat given its hard currency needs and reliance upon oil revenues. In addition, IEA member countries hold public stocks sufficient to cover a 4 mb/d loss of production for approximately a year, while other OPEC members also have an estimated 6 mb/d in spare capacity available to offset any shortfall from Iran. Any disruption to oil flows via the Straits of Hormuz would represent a different order of disruption, albeit this remains an unlikely scenario for now.

Crude oil production in **Qatar** rose by 20 kb/d in February, to 820 kb/d. A ramp up in offshore Al-Shaheen production is behind the higher levels. Planned increases from the field are slated to push Qatari crude output capacity to 1 mb/d this year.

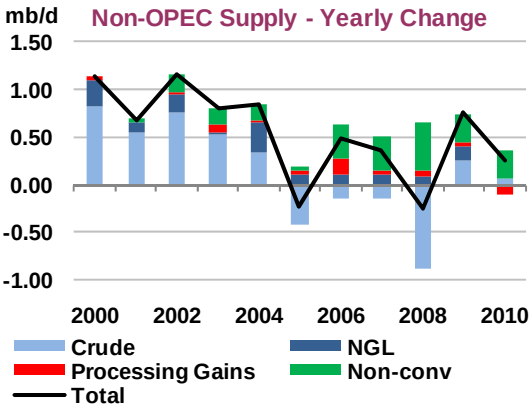
UAE production was off by a slight 10 kb/d, to 2.28 mb/d, in February. State-owned ADNOC tightened contract allocations for Asian buyers in February for lighter crudes while providing more heavier Upper Zakum barrels. Output is expected to move slightly higher again in March following a renewed easing of contract allocations by ADNOC.

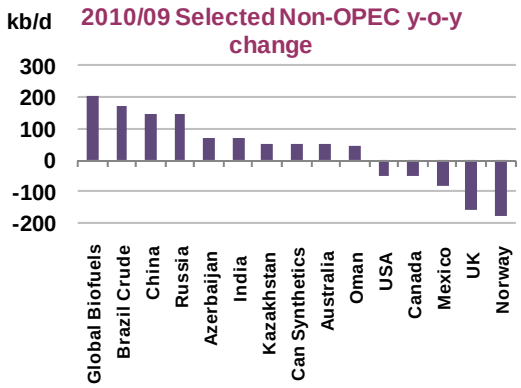
OPEC NGLs

Qatar NGL production is on course to reach an estimated 1.0 mb/d in 2010 following the ramp up of two new projects, Rasgas 3, Trains 6 and 7, and Al-Khaleej 2. The Rasgas production is expected to add 100 kb/d of condensate and 45 kb/d of other NGLs. The Al-Khaleej 2 project is on track to hit its 2010 plateau of 40 kb/d of ethane and 32 kb/d of LPG. In addition, Qatargas Phase 2, with two trains that came into operation in 2009, will ramp up output of condensate to 100 kb/d and other NGLs to 14 kb/d. All told, Qatar is the major contributor to expected 2010 OPEC NGL growth, which, including non-conventionals, rises from 4.65 mb/d in 2009 to 5.46 mb/d in 2010.

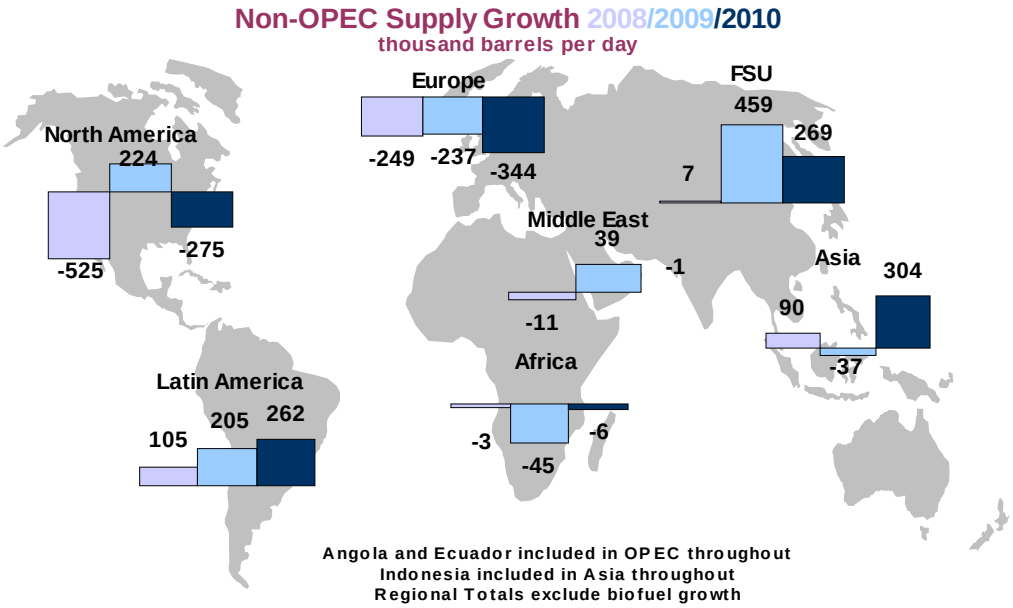
Non-OPEC Overview

In February, total non-OPEC oil production rose by 0.7 mb/d to 52.2 mb/d, as output picked up in the US, Canada, China, Brazil, the UK and Kazakhstan. Production is now also 0.7 mb/d higher than in February 2009. And with most readily available data for 2009 now in, it is evident that total year-on-year growth in 2009 – at 750 kb/d – was the strongest since 2004. This is not far from the level of growth implied by our original 2009 forecast, which stood at 640 kb/d when first published in July 2008, albeit we subsequently scaled back expectations amid reports of lower 2009 upstream spending. That said, it is worth noting that 2009 growth in non-OPEC countries was heavily influenced by supply outages that occurred in 2H2008, which effectively exaggerate the 2009 growth level. For this report, 2009 output was adjusted upward by 110 kb/d to 51.5 mb/d, almost wholly due to a baseline change to Canadian production on the basis of a revised data series running back to January 2007.



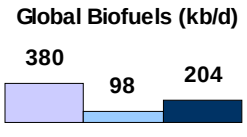


The Canadian revision is largely carried forward into 2010, while the outlook for the North Sea, Egypt, Russia, Thailand and Colombia has been upgraded, offsetting downward revisions to Azerbaijan, Kazakhstan, China, Indonesia and Argentina. In sum this leads to an upward adjustment of 205 kb/d to the 2010 forecast. Total non-OPEC oil production is now expected to reach 51.8 mb/d in 2010, up by a slightly more robust 0.3 mb/d from the 2009 level of 51.5 mb/d. Thus, following 2009's growth of 0.7 mb/d, which is roughly in line with the 15-year annual average, anticipated growth in 2010 comes in at around half that level.



Total Non-OPEC Supply Growth (kb/d)

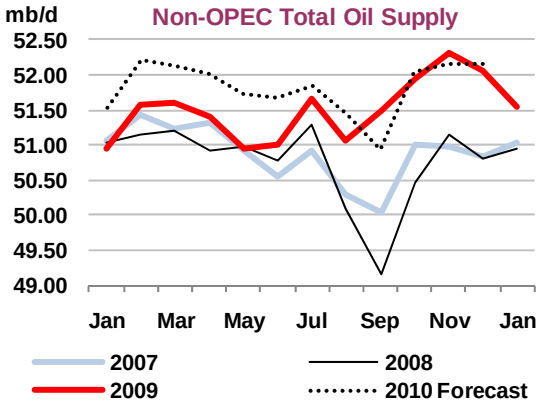
2008	-131
2009	747
2010	326

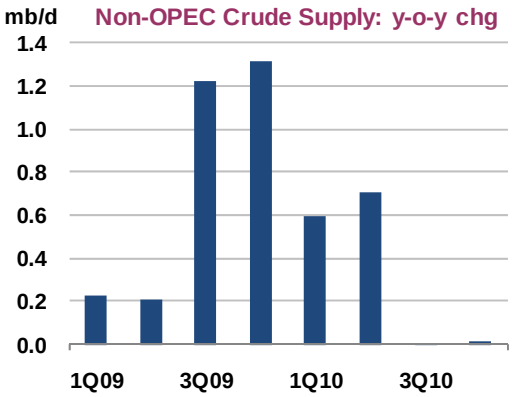


OPEC NGLs (kb/d)

2008	111
2009	253
2010	802

2010 growth in non-OPEC oil production will be driven by global biofuels (+200 kb/d), Brazilian crude and total liquids output in China and Russia (each around +150 kb/d), as well as the Caspian, India, Canadian mined synthetic crude, Australia and Oman (each around +60 kb/d). Noteworthy is also the fact that non-conventional oil growth in 2010 (biofuels and Canadian syncrude from mining) delivers nearly all the net growth we expect from non-OPEC overall. Total conventional crude only grows minimally and non-OPEC NGLs as well as processing gains actually dip slightly. The sharpest net decline in 2010 is expected to take place in Norway, the UK and Mexico.





Throughout mid-2010, non-OPEC oil production is expected to dip from 52 mb/d in 1Q10 to 51.8 mb/d in 2Q10 with the onset of (the first round of) seasonal maintenance, especially in the North Sea, but also in Canada, and then to dip further to 51.4 mb/d in 3Q10, when Caspian, Newfoundland and Albertan maintenance work takes fields offline. In 4Q10, we see production picking up to 52.1 mb/d again, as new field start-ups increase output, offsetting assumed hurricane outages in the US Gulf of Mexico of around -210 kb/d and -240 kb/d respectively for third and fourth quarters, based on the five-year average shut-in levels.

Non-OPEC Supply

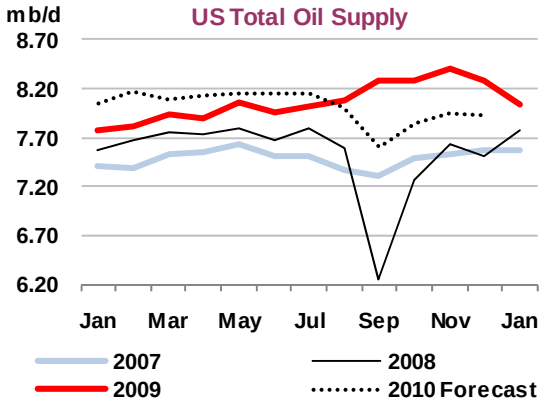
(million barrels per day)

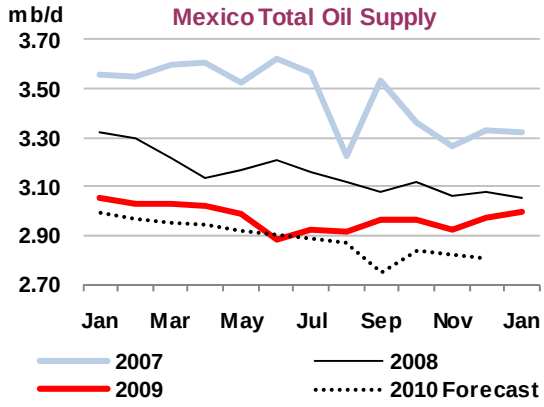
	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.2	14.2	13.8	14.1	14.1
Europe	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.4	4.1	4.0	4.2	4.2
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.1**	**19.2**	**19.7**	**19.4**	**19.4**	**19.0**	**18.6**	**18.9**	**19.0**
Former USSR	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.6	13.6	13.4	13.6	13.5
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	3.9	4.0	4.0	3.9
Other Asia	3.7	3.6	3.6	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.8	4.6
Middle East	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5
Total Non-OECD	**28.8**	**28.8**	**28.7**	**28.8**	**28.8**	**29.0**	**29.3**	**29.5**	**29.7**	**29.4**	**30.0**	**30.1**	**30.1**	**30.5**	**30.2**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.1**	**50.9**	**50.2**	**50.8**	**50.7**	**51.4**	**51.1**	**51.4**	**52.1**	**51.5**	**52.0**	**51.8**	**51.4**	**52.1**	**51.8**
Annual Chg (mb/d)	-0.1	0.0	-0.2	-0.1	-0.1	0.2	0.2	1.2	1.3	0.7	0.6	0.7	0.0	0.0	0.3
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.2

OECD

North America

US – February Alaska actual, others estimated: US total oil production in December was revised down by 175 kb/d to 8.3 mb/d on lower reported non-conventional oil, which, besides fuel ethanol (production of which came in slightly higher than expected), is largely oxygenates and other refinery additives. Total crude production was also weaker than expected. January and February saw some more minor adjustments, with total liquids output expected to dip to 8.1 mb/d on average, as NGL production in particular falls due to anticipated lower gas output. Following bumper growth of +550 kb/d in 2009, as Gulf of Mexico output saw sizeable new field start-ups and avoided any hurricane shut-ins, total US oil production is expected to dip by 50 kb/d to 8 mb/d in 2010, as decline in Alaska, California and other Lower-48 states offsets more modest growth in the GOM. The latter should see new output from the Cascade/Chinook, Droshky and Perdido field complexes, as well as incremental volumes from fields started up in 2009.





Canada – Newfoundland January actual, others December actual: Besides the impact of historical baseline revisions (see below), recently incorporated data for November and December contribute to an upward revision of 220 kb/d on average for those two months, with oil production reaching around 3.3 mb/d at the end of the year. January and February 2010 estimates were also adjusted higher as ongoing problems at one of Suncor's bitumen upgraders, which is expected to curb production by around 100 kb/d until at least early April, partly offset the historical baseline revision. Total Canadian oil production is forecast to dip slightly from just above 3.2 mb/d in 2009 to just below 3.2 mb/d in 2010.

Canadian Production Data Revisions Boost Outlook

As indicated in last month's report, revised historical monthly oil production data have now been provided by *Statistics Canada* (with adjustments made from January 2007). This has been incorporated into our supply database, resulting in a shift from bitumen to mined synthetic crude production, and an upward revision to NGL supply.

By extension, this also affects the production figures we report as Albertan light, medium and heavy crude, as they are derived from the total Albertan liquids production figure. For 2007 and 2008, these changes result in relatively minor upward revisions of around 10-30 kb/d to total Canadian liquids output. However, for 2009, the inclusion of the new data results a net upward revision of 110 kb/d, which we have partly carried through the forecast.

Revisions to Canadian Oil Production Data

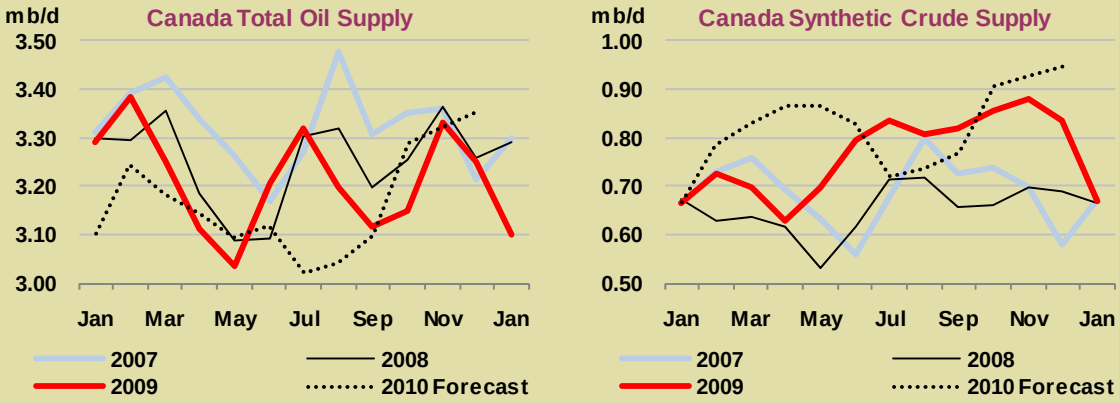
(million barrels per day)

	2007	2008	2009	2010
Conventional Crude (w/o bitumen)	3	6	72	127
Bitumen	-42	-66	-80	-34
Canada - Syncrudes	27	49	61	-13
Canada - NGLs	20	38	56	-3
Canada	**7**	**27**	**109**	**78**

Moreover, for other, unrelated reasons, *Statistics Canada* has revised Canadian NGL production figures up by 20 kb/d, 40 kb/d and 55 kb/d respectively for 2007, 2008 and 2009. Upward adjustments to propane, butane and pentanes-plus more than offset a slight downward revision to ethane, while condensate production numbers were virtually unchanged. As the 2009 revisions were centred predominantly on 2Q09 (and to a lesser extent, on 1Q09 and 3Q09), this has not affected the NGL forecast.

In total therefore, Canadian production data are adjusted up 110 kb/d and 80 kb/d for 2009 and 2010 respectively, accounting for 100% and 40% of the revisions made to total non-OPEC supply this month. However, our view of Canadian oil production trends has not changed. In 2010, total Canadian liquids are expected to decline by 50 kb/d to 3.2 mb/d, as dips in total crude (including bitumen) and NGLs of 80 kb/d and 20 kb/d respectively more than offset higher mined synthetic crude production (+50 kb/d).

Canadian Production Data Revisions Boost Outlook *(continued)*



Thereafter, as we showed in data published in our December 2009 *Medium-Term Oil Market Report Update*, we continue to see Canada as one of the main centres of net growth in non-OPEC, with expected strong increases in combined bitumen and mined synthetic crude outweighing lower production of conventional crude and NGLs. An updated Canadian outlook will be published in the next full *MTOMR* due in late June 2010.

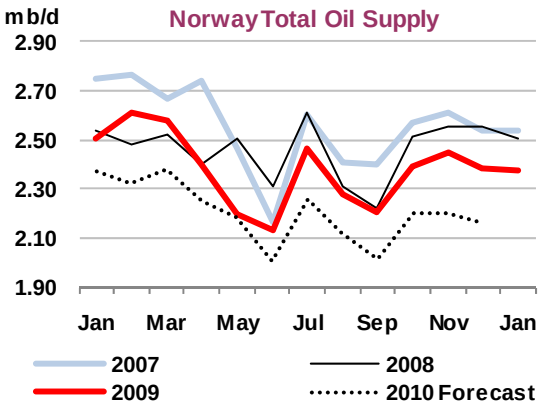
Note: For readers who subscribe to the field-by-field production databases, it is worth noting that for 2007 and 2008, the historically-higher mined synthetic crude volumes have been allocated to the "Other Mining/Syncrude" category, rather than being added to specific named projects.

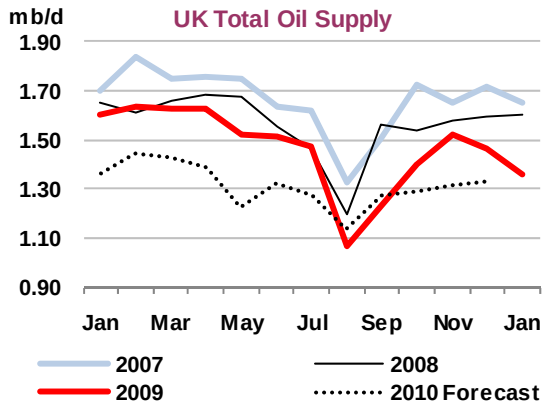
Mexico – January actual: Mexican production picked up in January, rising by 20 kb/d to just under 3 mb/d. In recent statements, national oil company Pemex was upbeat about slowing decline at Akal, the key field in the Cantarell complex, and Cantarell's output did indeed stabilise in January, at 540 kb/d. However, it is still down 235 kb/d or 30% year-on-year. Pemex, which has long pinned its hopes on raising output at the onshore Chicontepec complex, now claims that production there will rise from its current 30 kb/d to 60 kb/d by the end of the year. We have cautiously raised our 2010 total Mexican oil production forecast by 35 kb/d on recent, stronger performance, but still see total Mexican oil output declining by 85 kb/d to 2.9 mb/d in 2010, a slower decline than 2009, when production fell by 200 kb/d.

Meanwhile, wrangling over key incentive contracts with upstream service companies continues. Given constitutional limits on foreign involvement in Mexico's oil industry, but a need to ramp up investment to stem rapidly declining oil production, the government in 2008 crafted a measure allowing increased service company involvement to help to boost production. Reportedly, service contracts are nearing completion in time for a planned licensing round in May for work on the Chicontepec field. But objections raised are forcing the Supreme Court to judge on whether the contracts are constitutional, which could delay matters further.

North Sea

Norway – December actual, January provisional: While final December data saw only minor downward adjustment, preliminary January oil production data were revised higher by 110 kb/d to just below 2.4 mb/d. Previously-reported problems at the Kaarstoe gas processing plant have apparently continued, with small volumes still shut-in in February and early March. In late February, the Draugen field was shut-in due to ice, though it is not clear how long this will last. The field produced 60 kb/d on average in 2009. Loading schedules for March indicate a pick-up in output and generally better-than-expected recent performance at several fields prompts an upward adjustment of nearly 50 kb/d to the 2010 outlook. Nonetheless, from 2.4 mb/d in 2009, total Norwegian oil production is forecast to fall to 2.2 mb/d in 2010.





UK – December actual: Overall, December data brought minimal revisions to estimated 2009 production for the UK, which averaged 1.5 mb/d. Field-by-field data for November showed operational problems at some fields, including the relatively new Affleck, which started up in August 2009 and where output has been languishing at minimal volumes. Ettrick has suffered much the same fate, while the Don West and Southwest fields have also underperformed. Schiehallion, which has been out of action since June last year, started output again in early February, while Buzzard, the UK North Sea's largest producer, reportedly also returned to full strength around 200 kb/d in March, after repairs cut output by around 55 kb/d in February. But as with Norway, preliminary loading schedules and a generally better outlook have prompted a modest upward revision of 35 kb/d for 2010. Total production is now anticipated to fall from 1.5 mb/d in 2009 to 1.3 mb/d in 2010.

Pacific

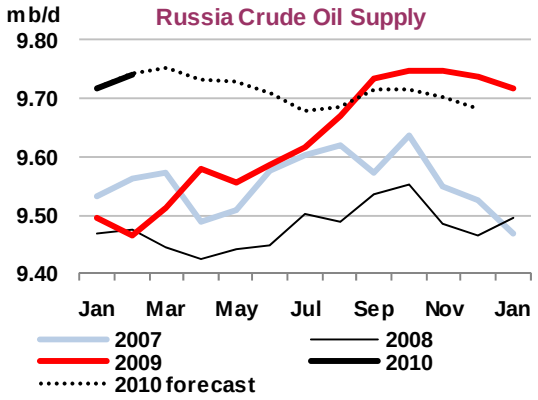
Australia – December actual: Australian oil production picked up in early 2010, rising to around 475 kb/d on average in January and February. Some production in the Cooper Basin was halted in February due to heavy rains, but was not quantified, while output at the long-suffering Woollybutt field finally returned in early March, after being offline since April last year for refurbishments on its FPSO. But these events were overshadowed by the start-up of both the Pyrenees and Van Gogh fields in February. Both start-ups had been delayed and Van Gogh peak capacity is now expected to be lower than originally planned at around 40 kb/d, but together the two fields should ultimately contribute around 130 kb/d to Australian production when they ramp up to capacity. Total Australian oil production is now forecast to rise from 550 kb/d in 2009 to 600 kb/d in 2010, its largest increase in 10 years.

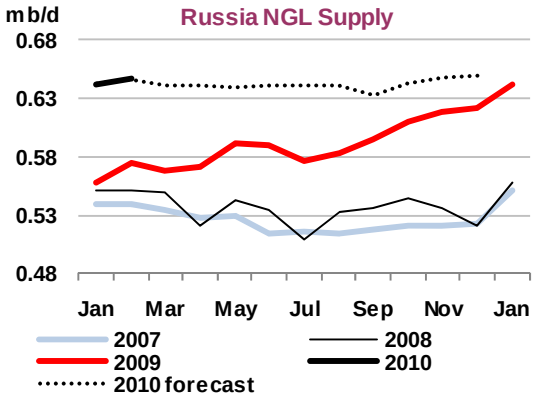
Former Soviet Union (FSU)

Russia – January actual, February provisional: While January Russian oil production was revised down by 55 kb/d, preliminary February data were around the same volume higher than expected, coming in at 10.4 mb/d and marginally higher than January. Ramp-up at new fields continues, though still amid calls for more certainty surrounding the duration of tax breaks for new fields in frontier areas (see *Further Uncertainty Over Eastern Siberian Tax Breaks* in report dated 11 February 2010). State-owned major Rosneft has threatened to curb growth at its Vankor field, which is already providing the bulk of oil for the new Eastern Siberia-Pacific Ocean (ESPO) pipeline and is set to increase output from its current 230 kb/d to 300 kb/d by early 2011 and to 500 kb/d by around 2015. Tax uncertainty notwithstanding, the forecast for 2010 has been raised by 45 kb/d on stronger-than-expected recent output from Bashneft, Lukoil and TNK-BP. From 10.2 mb/d in 2009, total Russian liquids production is forecast to rise to 10.4 mb/d in 2010.

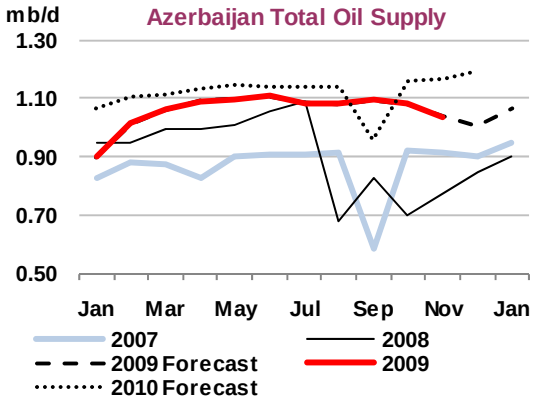
Azerbaijan – November actual: Finalised data for October and November, as well as preliminary numbers for December prompted downward adjustments to Azerbaijan's oil production, largely affecting output at the offshore Azeri-Chirag-Guneshli (ACG) complex. Total 2009 output is now seen at just under

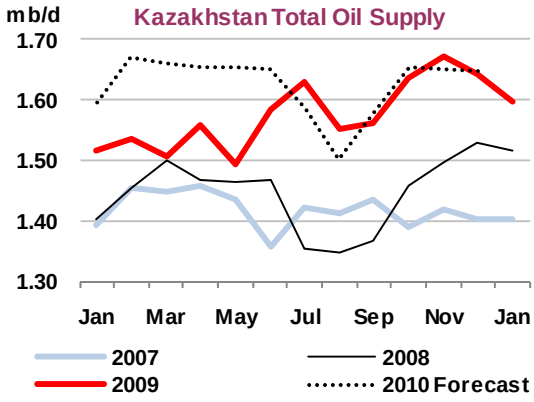
1.1 mb/d, up by 150 kb/d from 2008. Some preliminary data for January 2010, as well as company guidance, have also led us to adjust down the 2010 forecast by 70 kb/d, to just over 1.1 mb/d, implying year-on-year growth of only 70 kb/d. In early March, Azerbaijan's government gave the green light for the next phase of the ACG complex, the Chirag Oil Project, which should add a gross 185 kb/d of capacity, commencing production in 2013, and is expected to raise total ACG output capacity to around 1 mb/d.





Kazakhstan – January actual: In Kazakhstan, lower-than-expected January data brought a small downward adjustment to total 2010 output, which is now forecast to rise 50 kb/d to over 1.6 mb/d. Meanwhile, uncertainty surrounds the future of the Karachaganak gas and condensate field consortium. The government is reviewing the details of the production sharing agreements (PSAs) signed in the 1990s, when oil prices were much lower. Potential renegotiation of these could lead to higher taxes as the government looks for ways to bolster revenue squeezed by the economic and financial crisis. Similar developments and project delays led to the 2008 restructuring of the consortium developing the super-giant Kashagan field, with KazMunaiGaz doubling its stake in the project to 16.8%.





FSU net exports decreased seasonally by 1.7% in January to 9.1 mb/d. Crude oil volumes fell by 2.3% as shipments from the Baltic and the Black Sea dipped below previous months' levels due to wintry weather. BTC flows dropped after a brief halt of production at the ACG platform and a termination of Tengiz crude deliveries via the pipeline following an increase in transport tariffs. Small Tengiz volumes, around 40 kb/d, were then diverted by rail to smaller Black Sea ports as these routes reportedly offered better economic value. The flows via the CPC, carrying the bulk of Tengiz production, rose month-on-month as did volumes exported from Kozmino, the newest Russian export outlet. Furthermore, loadings at the Polish port of Gdansk were above the original schedule following the redirection of crude oil flows previously destined to Belarusian refineries. Product exports remained virtually unchanged in January as a fall in fuel oil exports due to a winter-related boost in domestic demand was balanced by higher gasoil and gasoline shipments.

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

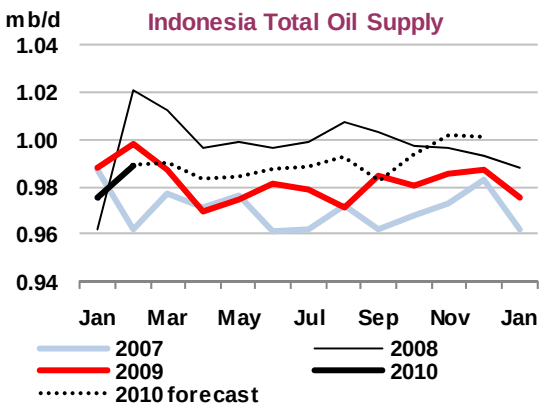
	2008	2009	1Q2009	2Q2009	3Q2009	4Q2009	Nov 09	Dec 09	Jan 10	Latest month vs. Dec 09	Latest month vs. Jan 09
Crude											
Black Sea	2.05	2.19	2.30	2.23	2.10	2.12	2.11	2.11	1.96	-0.15	-0.34
Baltic	1.46	1.62	1.57	1.66	1.61	1.65	1.58	1.67	1.58	-0.09	0.09
Arctic/FarEast	0.30	0.48	0.46	0.45	0.48	0.51	0.50	0.53	0.69	0.17	0.25
BTC	0.67	0.81	0.74	0.80	0.82	0.87	0.89	0.88	0.73	-0.15	0.07
Crude Seaborne	**4.48**	**5.09**	**5.07**	**5.14**	**5.02**	**5.15**	**5.08**	**5.19**	**4.97**	**-0.23**	**0.07**
Druzhba Pipeline	1.08	1.12	1.14	1.12	1.09	1.14	1.14	1.13	1.18	0.05	0.00
Other Routes	0.42	0.36	0.40	0.40	0.35	0.30	0.30	0.28	0.30	0.02	-0.11
Total Crude Exports	**5.98**	**6.58**	**6.61**	**6.66**	**6.45**	**6.59**	**6.52**	**6.60**	**6.44**	**-0.15**	**-0.04**
Of Which: Transneft	3.99	4.19	4.22	4.27	4.12	4.16	4.08	4.19	3.98	-0.21	-0.19
Products											
Fuel oil	1.09	1.08	0.96	1.16	1.16	1.05	1.08	1.09	0.98	-0.11	0.04
Gasoil	0.94	0.98	1.10	0.95	0.97	0.91	0.91	0.95	0.98	0.03	-0.19
Other Products	0.59	0.69	0.73	0.79	0.63	0.60	0.62	0.63	0.70	0.07	0.00
Total Product	**2.63**	**2.75**	**2.78**	**2.89**	**2.76**	**2.56**	**2.61**	**2.67**	**2.66**	**0.00**	**-0.15**
Total Exports	**8.61**	**9.32**	**9.39**	**9.55**	**9.21**	**9.15**	**9.13**	**9.26**	**9.11**	**-0.16**	**-0.19**
Imports	0.04	0.04	0.04	0.05	0.04	0.04	0.05	0.04	0.04	0.00	0.00
Net Exports	**8.57**	**9.28**	**9.35**	**9.50**	**9.17**	**9.11**	**9.08**	**9.22**	**9.07**	**-0.16**	**-0.19**

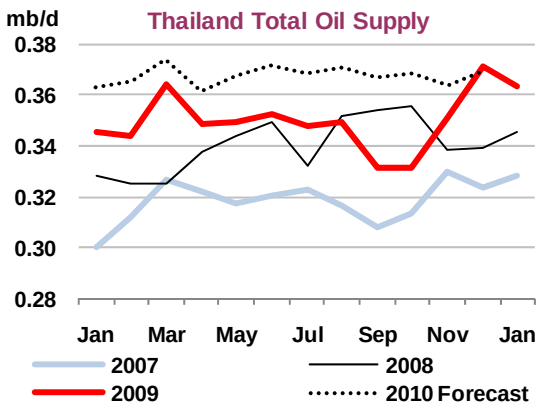
Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

Weather conditions indicate that February exports might have remained constrained at January levels. Preliminary data show Kozmino shipments continued to rise and BTC exports were back up despite missing Tengiz volumes. However, maintenance at the Baltic Pipeline System (BPS) cut back barrels handled at Primorsk, while upkeep at Tengiz facilities scaled back CPC volumes. Russian loading schedules for March show an increase in exports led by Kozmino and Primorsk shipments. Moreover, Russian crude oil export duties decreased by 6.3% in March. However, Belarus-bound crude oil volumes might be redirected to southern ports as the Russian companies are concerned about the ability of the Belarusian refineries to pay higher export duties.

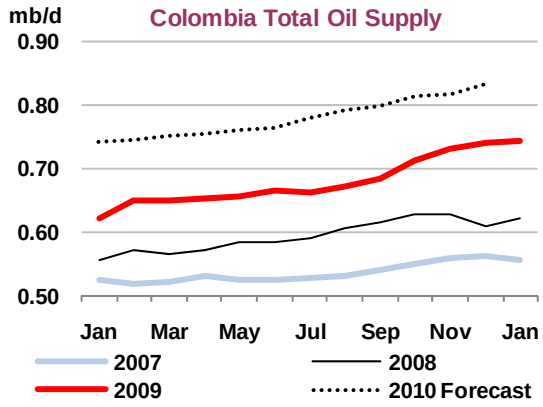
Other Non-OPEC

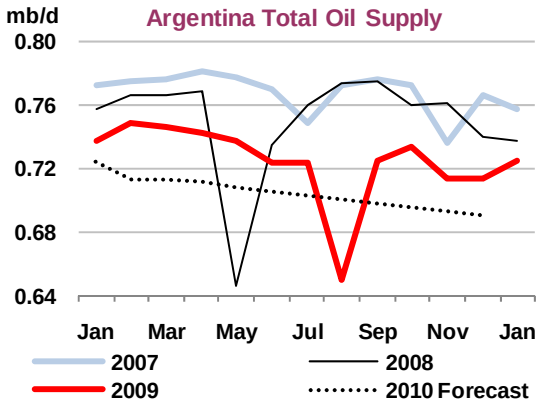
Various Asia-Pacific: In **China**, unconfirmed reports suggest earlier problems with extreme cold temperatures affecting coastal and offshore Bohai Bay production appear to be over. While 2009 production is unchanged at 3.8 mb/d, weak early-year indications and a reappraisal of the 2010 outlook have prompted a slight lowering of the forecast to 3.9 mb/d. In **Indonesia**, lower-than-expected early 2010 production data and ongoing delays to further development of the Cepu complex, which is now only expected to reach its full 160 kb/d capacity by 2014, brought a downward revision to the forecast. Total 2010 output is now expected to stay flat over 2009 at just under 1 mb/d. In **Thailand**, a surge in production to 370 kb/d in December pushed up the 2010 forecast by 20 kb/d and output is now set to rise from 350 kb/d in 2009 to 370 kb/d in 2010.





Various Latin America: Colombian oil production picked up significantly in 4Q09, rising by 55 kb/d from the end of September to 740 kb/d by end-December, largely from the Rubiales field, where output has now surpassed 100 kb/d. Final 2009 data now show total Colombian output at 675 kb/d, with a further 100 kb/d of growth expected for 2010. In contrast, prospects in **Argentina** look less rosy and expectations for 2010 have been trimmed by 20 kb/d. Output is forecast to decrease from 725 kb/d in 2009 to 705 kb/d in 2010. Meanwhile, the arrival of a drilling rig off the Falkland Islands re-ignited a long-standing sovereignty debate with the UK. However, despite indications of a potentially significant resource base, no oil discovery has yet been made. In **Brazil**, preliminary January production data pointed at output being curtailed by around 60 kb/d due to platform maintenance. Total output of 2.5 mb/d in 2009 is forecast to rise to 2.7 mb/d in 2010 on increases from the Marlim Sul, Jabuti, Parque das Conchas, Marlim Leste, Frade and Tupi fields.





Egypt – December actual: A reappraisal of Egyptian production data have prompted historical upward adjustments – 15 kb/d in 2008 and 25 kb/d in 2009. Moreover, the perspective also looks brighter than anticipated earlier, amid sustained investment and numerous small field start-ups. On this basis, we have increased the 2010 forecast by 35 kb/d in addition to the implied baseline adjustment. Production is now forecast to remain flat at around 680 kb/d in 2010 over 2009.

OECD STOCKS

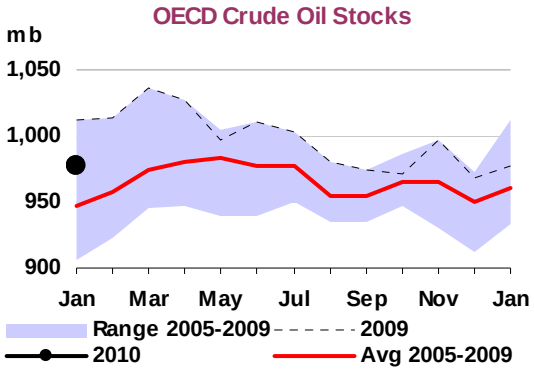
Summary

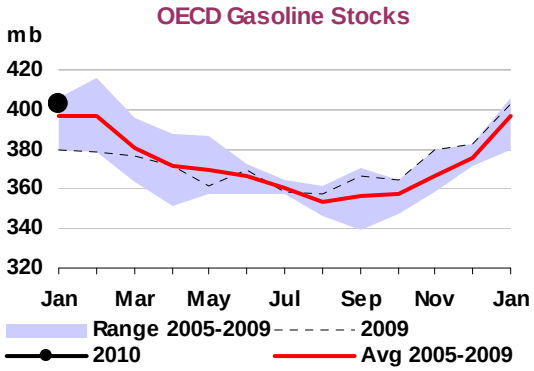
- **OECD industry stocks increased by 34.4 mb in January, to 2 703 mb**, slightly higher than the five-year average build of 32.9 mb. Rising crude, gasoline and distillate stocks in all three regions, with the exception of North American distillate, drove the change. A fall in North American ''other products'' provided a partial offset.

- **OECD stocks in days of forward demand rose to 59.2 days at end-January,** up from 58.3 days at end December, on rising stocks and falling three-month forward demand. Days cover increased the most in gasoline and middle distillates, particularly in the Pacific.

- **Preliminary data indicate total OECD industry oil inventories fell by 28.6 mb in February.** US stocks drew 2.5 mb, Japanese inventories fell 13.8 mb and EU-16 holdings, according to Euroilstock, fell 12.3 mb. The five-year average stock change for the OECD in February is a draw of 25.5 mb.

- **Short-term crude floating storage levels declined to 52 mb as of end-February,** from 59 mb at end January, as the crude contango narrowed. Products in short-term floating storage decreased to 74 mb from 86 mb at end January. Most of the products draw occurred in Europe and the Asia Pacific.





OECD Stock Position at End January and Revisions to Preliminary Data

OECD commercial inventories rose in January, by 34.4 mb, to 2 703 mb, propelled by gains in gasoline, middle distillates and crude oil. Gasoline increased by 20.3 mb, in line with its five-year average build of 20.9 mb, while middle distillates rose by 12.3 mb at a time when they typically rise by 9.2 mb. Crude increased 9.6 mb versus a five-year average build of 12.3 mb. Falling North American "other products" provided the only significant offsetting stock movement to the downside.

Preliminary Industry Stock Change in January 2010 and Fourth Quarter 2009

	January (preliminary) *(million barrels)*				January (preliminary) *(million barrels per day)*				Fourth Quarter 2009 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**5.1**	**3.6**	**0.9**	**9.6**	**0.16**	**0.12**	**0.03**	**0.31**	**-0.09**	**0.08**	**-0.06**	**-0.07**
Gasoline	10.4	7.0	2.9	20.3	0.33	0.23	0.09	0.65	0.13	0.07	-0.02	0.18
Middle Distillates	-1.4	11.5	2.2	12.3	-0.04	0.37	0.07	0.40	-0.11	-0.03	-0.11	-0.25
Residual Fuel Oil	2.4	-2.3	0.4	0.5	0.08	-0.07	0.01	0.02	0.01	0.02	-0.03	0.01
Other Products	-17.9	0.2	1.3	-16.4	-0.58	0.01	0.04	-0.53	-0.54	-0.02	-0.10	-0.66
Total Products	**-6.5**	**16.5**	**6.8**	**16.8**	**-0.21**	**0.53**	**0.22**	**0.54**	**-0.51**	**0.05**	**-0.27**	**-0.73**
Other Oils[1]	3.1	3.0	2.0	8.1	0.10	0.10	0.06	0.26	-0.25	-0.04	-0.07	-0.36
Total Oil	**1.7**	**23.1**	**9.6**	**34.4**	**0.05**	**0.75**	**0.31**	**1.11**	**-0.85**	**0.10**	**-0.39**	**-1.15**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

The OECD total oil stock change came out only slightly higher the five-year average build of 32.9 mb, thus keeping the overall surplus to the five-year average relatively unchanged at 58 mb. This surplus is significantly less than that seen in November, when it stood over 90 mb, and is at its lowest level since October 2008. A downward revision to December stock levels contributed. OECD inventories were revised down by 9.9 mb versus last month's report, led by an 8.0 mb adjustment in Japanese crude stocks and 8.9 mb lower North American "other oils" stocks. These downward revisions more than offset smaller upward revisions to European gasoline and North American middle distillates.

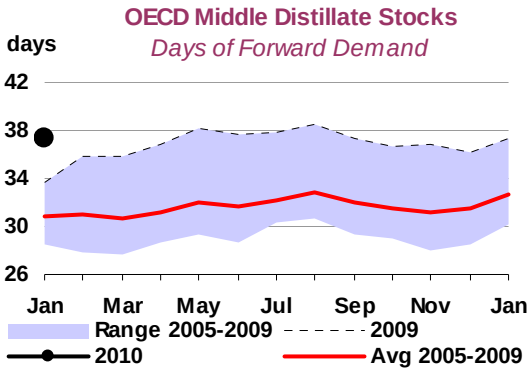
Revisions versus 11 February 2010 Oil Market Report

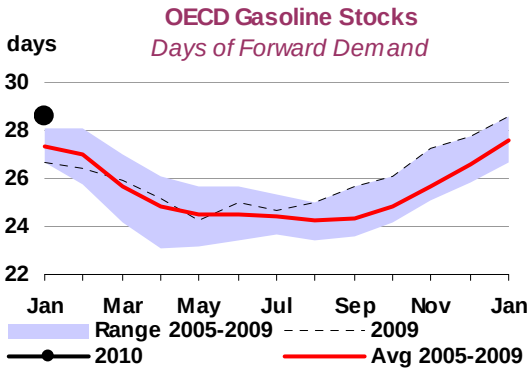
(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Nov 09	Dec 09	Nov 09	Dec 09	Nov 09	Dec 09	Nov 09	Dec 09
Crude Oil	**-0.7**	**-2.1**	**3.2**	**0.4**	**0.1**	**-9.4**	**2.6**	**-11.1**
Gasoline	0.9	-0.4	-1.0	3.6	0.2	0.3	0.1	3.4
Middle Distillates	0.2	3.0	4.8	0.0	0.3	1.4	5.4	4.5
Residual Fuel Oil	-0.4	0.5	-3.6	-0.4	0.0	0.2	-3.9	0.3
Other Products	-2.7	1.8	-1.4	0.4	0.0	0.1	-4.1	2.3
Total Products	**-1.9**	**4.9**	**-1.2**	**3.6**	**0.6**	**2.0**	**-2.6**	**10.5**
Other Oils[1]	-1.0	-8.9	0.0	-0.4	0.0	0.0	-1.0	-9.3
Total Oil	**-3.7**	**-6.2**	**2.1**	**3.7**	**0.6**	**-7.4**	**-1.0**	**-9.9**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Combined with falling three-month forward demand, rising stocks in January lifted days of forward cover to 59.2, up from 58.3 days at end December and reversing seven consecutive months of declines. Much of the gain came from distillate and gasoline, where stocks increased by 1.2 and 0.9 days, respectively. In both days cover and absolute terms, middle distillates are still relatively high as winter fizzles out and gasoline appears well buffered ahead of a period of seasonal draws.





The position of both OECD industry stocks and days cover relative to the five-year average may continue to hold in the near term. Preliminary February data point to a 28.6 mb OECD stock decline, in line with the five-year average draw of 25.5 mb. Additional stockdraws have transpired, yet they have been concentrated in reducing the floating storage overhang. In February, crude floating storage decreased by 7 mb while products fell by 11 mb as the contango narrowed in both crude and gasoil forward curves.

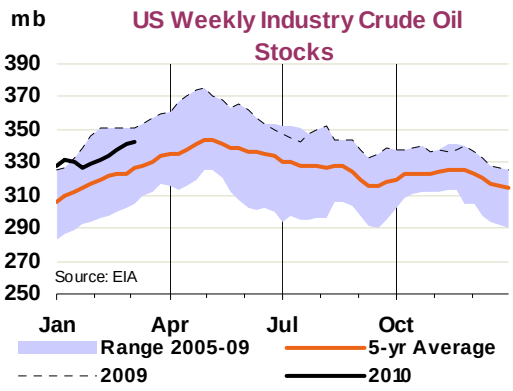
Seasonality and forward fundamentals will influence stocks in the months to come. Historically, OECD inventories build during the second quarter, aided by seasonally lower demand and increasing refinery output ahead of the summer driving season. While our own projections see global demand decreasing by over 0.4 mb/d from 1Q10 to 2Q10, global refinery throughputs should increase slightly. Higher runs in non-OECD Asia underpin much of this throughput strength, making the impact on OECD product stocks difficult to assess. This makes the recent reinstatement of publicly available Chinese inventory levels all the more welcome, even if they only offer a partial picture of oil stocks in that country.

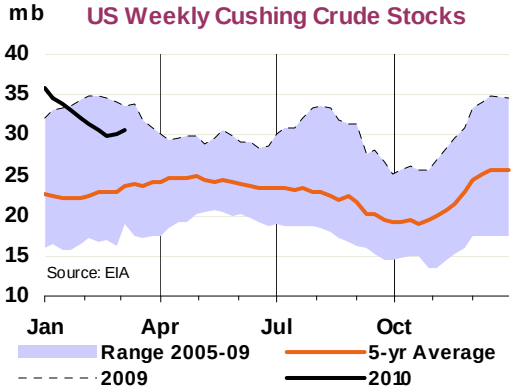
Analysis of Recent OECD Industry Stock Changes

OECD North America

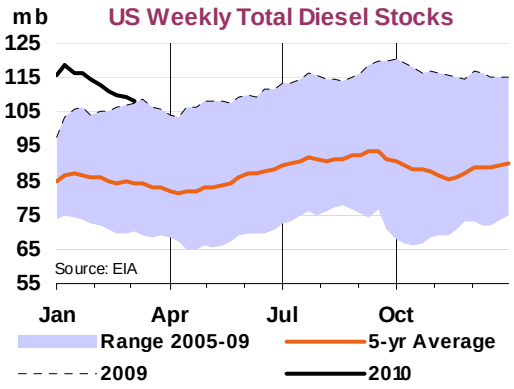
North American industry stocks rose 1.7 mb in January, driven by a 9.4 mb rise in US gasoline. In Mexico, stocks rose by 3.9 mb, led by crude and gasoline. All stock categories rose in the US and Mexico except for US distillate, which decreased slightly, and US other products, which fell by 18.3 mb.

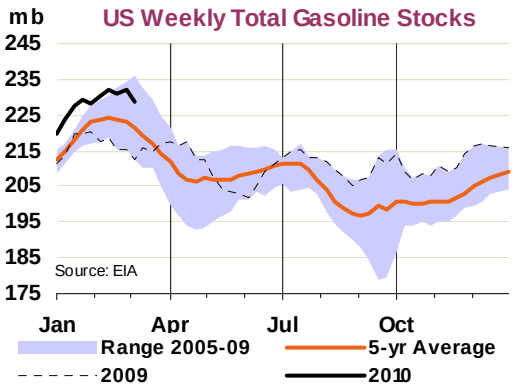
Preliminary data point to a 2.5 mb draw in total US commercial stocks in February. By comparison, the five-year average stock change is a 9.3 mb draw. Crude stocks increased by 12.2 mb, while stocks at Cushing, Oklahoma – the delivery point for the NYMEX light, sweet crude contract – fell by 1.5 mb. Recent production outages have curbed Canadian syncrude supplies into the Midcontinent, helping to draw stocks. As of 5 March, Cushing stocks stood at 30.6 mb.





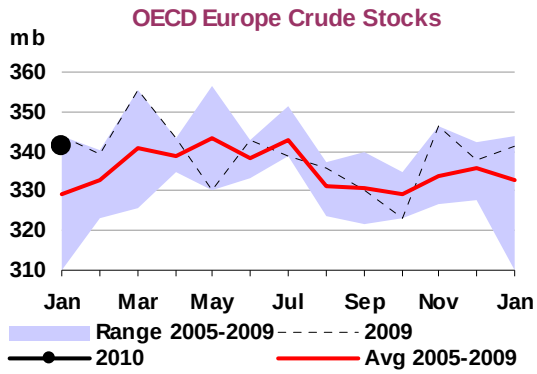
US product stocks fell by 14.7 mb in February, driven by a decrease in propane of 7.1 mb and a fall in distillate of 5.5 mb. Most of the distillate draw came from diesel, which trended down towards the top of the five-year range. Heating oil stocks along the US East Coast – the primary region for oil-based home heating – remained relatively stable on an absolute level and increased relative to the five-year average. US gasoline stocks increased by 1.6 mb and continued to trend in the top half of the five-year range.

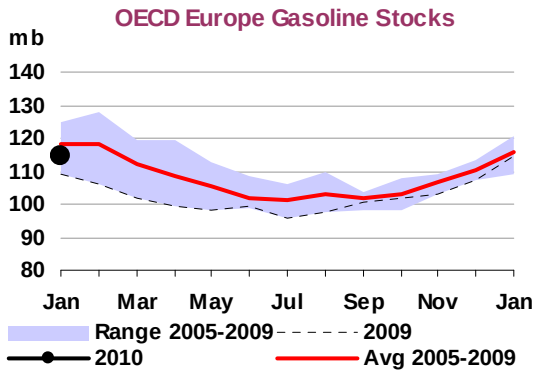




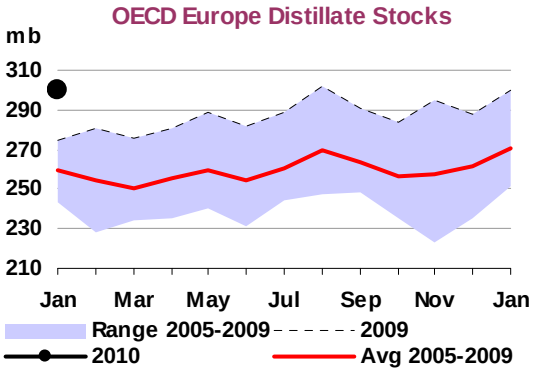
OECD Europe

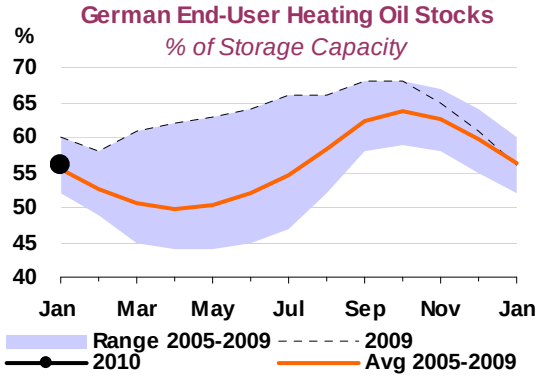
European inventories rose by 23.1 mb in January, with increases across all product categories except for residual fuel oil. Middle distillates posted an 11.5 mb gain, while gasoline increased 7.0 mb. German consumer heating oil stocks decreased to 56% capacity at end January from 61% at end December while products held in floating storage off Europe fell by almost 6 mb, suggesting that drawing consumer stocks and floating storage have buffered industry stocks against significant seasonal drawdowns.





February preliminary data show that products held in north-west Europe independent storage fell on the month, led by gasoil and gasoline. A labour-related disruption to refinery operations in France helped cause stocks to draw. Gasoil stocks drifted down to 2009 levels, even as floating storage was discharged. Though gasoline stocks fell during the month, levels jumped in early March. Products floating storage off Europe decreased almost 3 mb in February, with weakening contango in the gasoil futures curve. Still, levels remained robust at 54 mb at month-end.

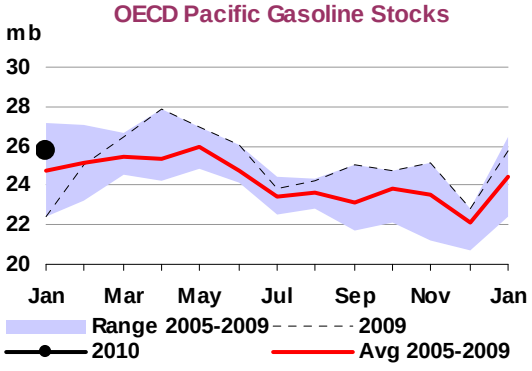


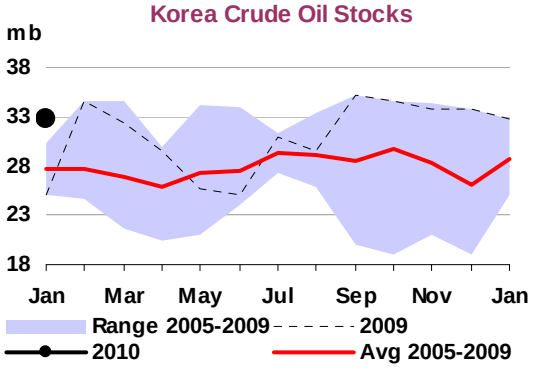


EU-16 preliminary data from Euroilstock pointed to further product draws in February. Gasoline and middle distillate stocks dipped by 2.8 mb and 2.6 mb, respectively, sparking an overall products draw of 5.3 mb. Fuel oil and naphtha stayed relatively unchanged. EU-16 crude stocks decreased by 7.0 mb, leading an overall commercial inventory draw of 12.3 mb.

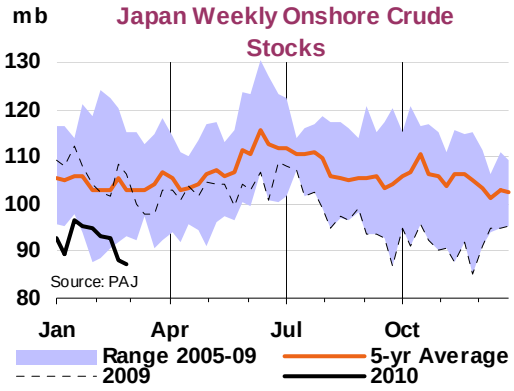
OECD Pacific

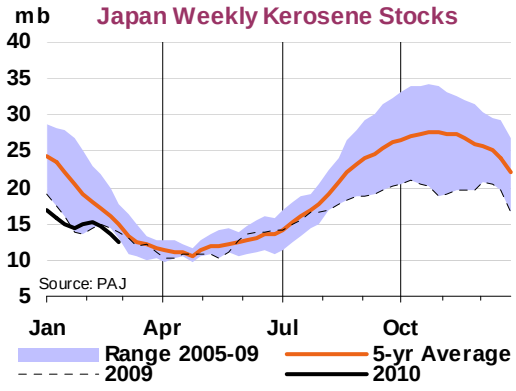
Pacific industry stocks rose by 9.6 mb in January, with gains across all product categories. Korean crude stocks remained at five-year highs while Japanese crude stocks trended below the five-year range. Gasoline in both Japan and Korea increased on the month and Pacific gasoline stocks continued to trend above the five-year average.





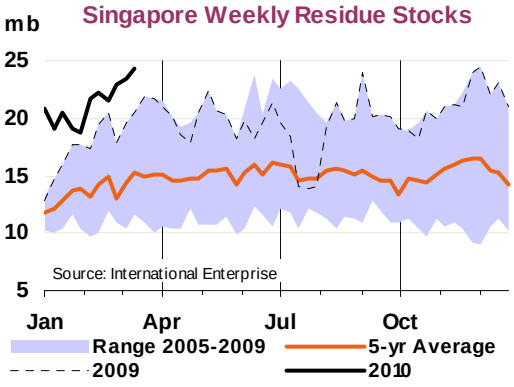
February preliminary data from the Petroleum Association of Japan (PAJ) point to a commercial stockdraw of 13.8 mb in February, with crude falling 6.6 mb and products decreasing 7.2 mb. Kerosene stocks decreased 2.5 mb and continued to trend at five-year lows. Gasoline stocks decreased 0.3 mb but remained near the five-year average.

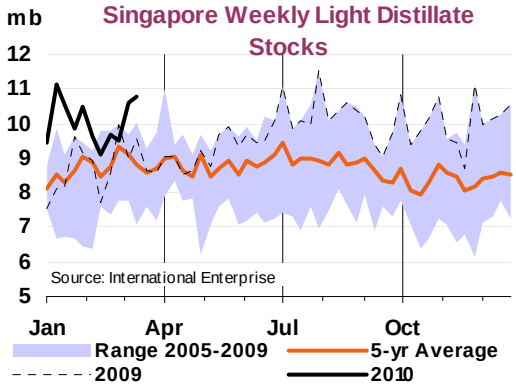




Recent Developments in Singapore and China Stocks

Singapore product stocks increased by 2.1 mb in February. Residual fuel oil increased by 2.9 mb to new five-year highs as regional supplies benefitted from shipments from the West. Middle distillates declined 0.9 mb with increased buying from Indian refiners. Early March indications point to some gasoil supplies moving from Asia to South America in the wake of Chile's earthquake. Light distillates edged up by 0.2 mb in February, with increased gasoline exports from China helping to buoy levels. Early March data showed more pronounced gains as gasoline buying from Indonesia began to wane.





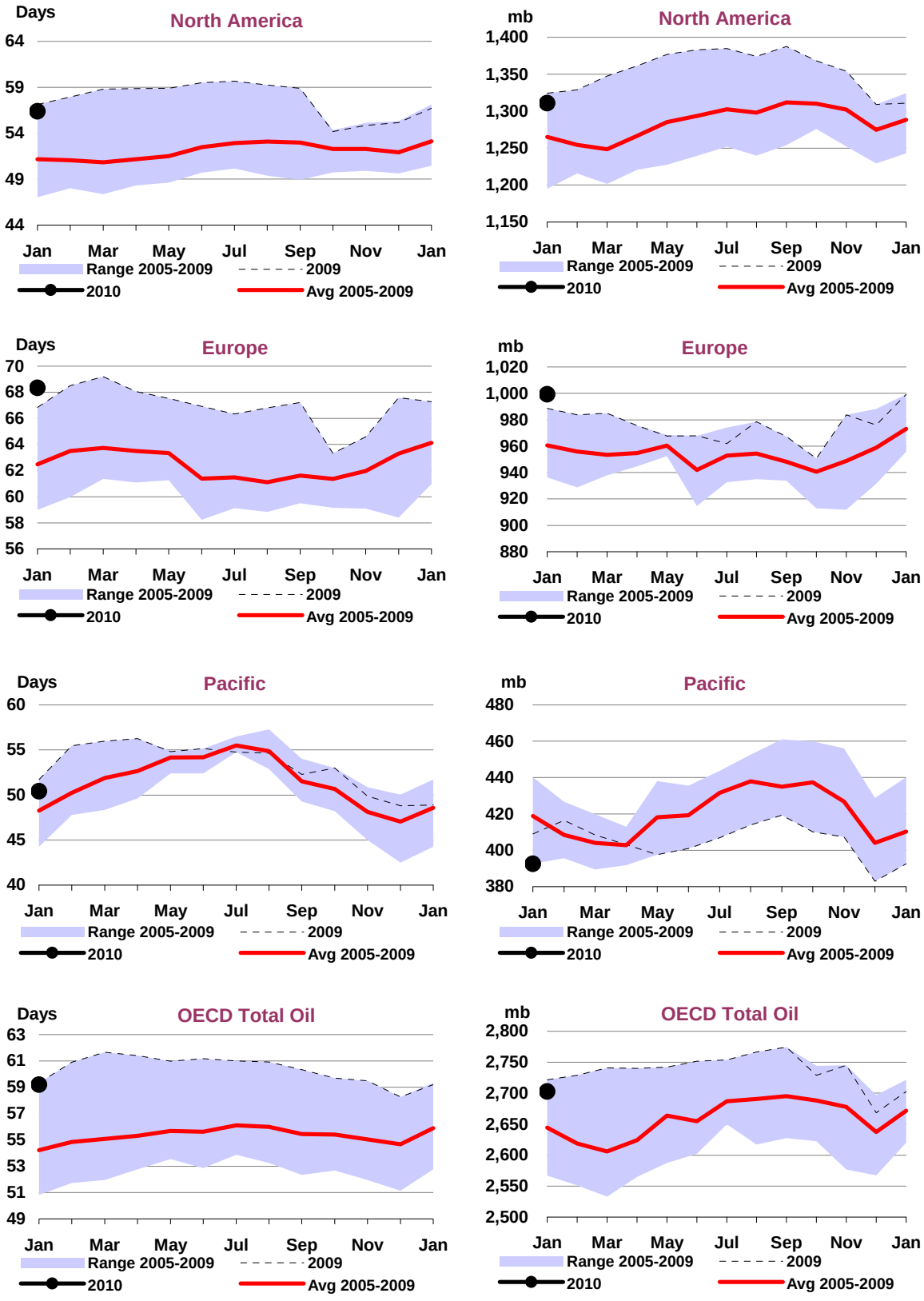
In a welcome move, *China Oil, Gas and Petrochemicals* (OGP), a publication of Xinhua News Agency, resumed publishing Chinese oil inventory levels. China's commercial crude inventories at the end of January reportedly stood at 196 mb while gasoline, gasoil and kerosene were at 56 mb, 71 mb and 13 mb, respectively. Previously, OGP had published Chinese crude inventory levels, including both commercial and strategic stocks, and gasoline and gasoil stocks as reported by Sinopec and CNPC. Both data series ran through August 2009. From September-December, only estimates of stock *changes* were made available.

The new product stock data appear more comprehensive, in that they stem from a nationwide survey (as opposed to just Sinopec and CNPC) and expand coverage to include kerosene. Moreover, both crude and product levels in the new data series represent commercial rather than strategic storage. As such, comparisons with historical inventory series remain problematic. Nevertheless, we aim to monitor trends in these new data as they become available.

Regional OECD End-of-Month Industry Stocks

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

Days[1] **Million Barrels**



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

PRICES

Summary

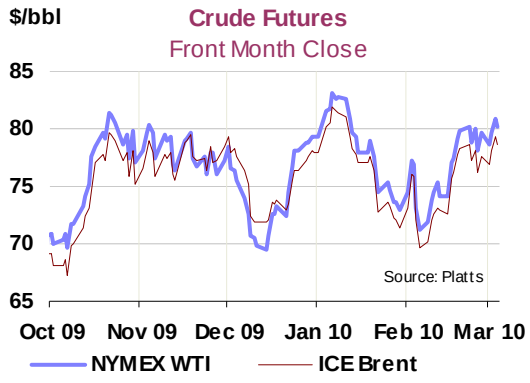
- **Benchmark crude oil prices were down by $2/bbl on average in February, but the month-on-month declines mask the sharp recovery in prices over the course of the month**. Futures prices for both WTI and Brent rebounded by almost $10/bbl from four-month lows posted on 5 February. WTI futures prices in February averaged $76.45/bbl, but by early March they were trading around $82/bbl. Brent futures averaged $74.79/bbl in February and have since rebounded to $80.50/bbl at writing.

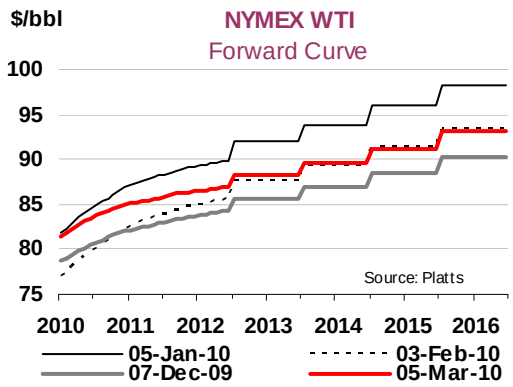
- **Oil prices also moved higher on escalating political pressures in Nigeria, Iran and Iraq and heightened fears of oil supply disruptions,** but market sentiment was tempered by ample physical oil supplies. Stocks both onshore and at sea have come down from peak levels but are still high. OPEC production inched up to 14-month highs in February.

- **Near-month crude oil prices were also supported by stronger crack spreads for naphtha, gasoline, gasoil and diesel in most major markets in February.** Spot prices for gasoline increased strongly by early March on expectations for a healthy recovery in demand during the peak summer months. Refining margins were up in most markets during February as a result.

- **Refiners have scheduled a heavier than usual seasonal maintenance work programme over the next several months, which will reduce spot purchases of crude oil** and could add some downward pressure. Even China is slated to curtail refinery runs in March, but at an estimated 8.1 mb/d are 1.2 mb/d above levels of a year ago. The lower run levels represent an attempt to sustain the firmer refining margins seen in February.

- **Freight rates continued to tumble in early February from their January peak on the back of weaker demand and increased vessel availability.** However, with oil demand now recovering from the 2009 slump, rates for large crude carriers held up, rebounding somewhat towards the end of the month as eastwards chartering activity increased after the Chinese New Year holiday.





Market Overview

Benchmark crude oil prices were down about $2/bbl on average in February, but the month-on-month declines mask the sharp recovery in prices over the last three-weeks of the month. Futures prices for both WTI and Brent rebounded by almost $10/bbl from four-month lows posted on 5 February. WTI futures prices in February averaged $76.45/bbl, but by early March were trading around $82/bbl. Brent futures averaged just under $75/bbl in February and have since rebounded to $80.50/bbl at writing.

Oil markets in early February were hit by the financial meltdown in Greece, with widespread fears the crisis would spread to the rest of the Eurozone, conspiring to push prices to six-week lows. Prices

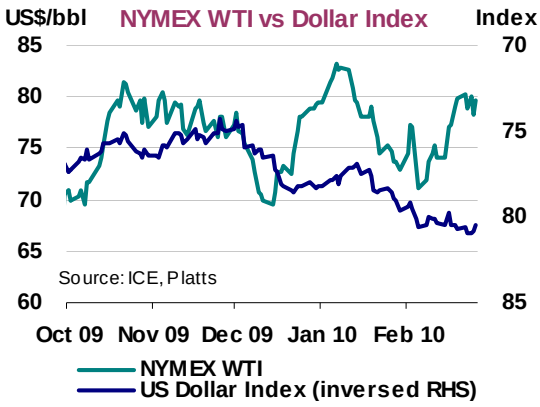
steadily retraced the losses as European leaders and financial institutions debated measures to grapple with sovereign debt issues, which helped renew confidence in global financial markets and usher in a fresh wave of economic optimism. Recent statements out of China that the government will maintain its economic stimulus measures were also seen as positive for oil demand. Over the past 12 days prompt futures prices for WTI traded in a fairly narrow $79-81/bbl range, while Brent has steadied between $77-$80/bbl over the same period.

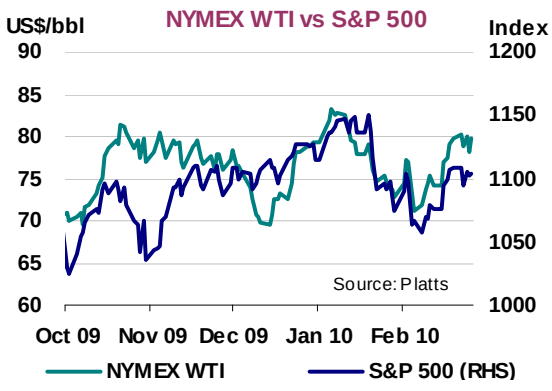
Oil prices also moved higher on escalating political pressures in Nigeria, Iran and Iraq and heightened fears of oil supply disruptions.

- In Nigeria, renewed violence and attacks on oil infrastructure resumed in February, threatening the country's oil exports yet again after more than six months of relative calm.
- The global community appears to be moving closer to imposing tougher sanctions on Iran as the country continues to pursue its nuclear ambitions. Plans by the US, UK, Germany and France, among others, to tighten sanctions under the umbrella of the United Nations in response to Tehran's intransigence over its nuclear programme have been stymied by lack of support from China but this is not likely to deter countries from imposing their own tougher sanctions. While Iran has threatened to halt oil exports if further sanctions are implemented, the impact on the market would be muted by the current high levels of stocks. Moreover, IEA government stocks are sufficient to replace 4 mb/d of production for a year if needed. OPEC also has spare capacity equivalent to 6 mb/d. Nonetheless, the escalating war of words with Iran continues to unnerve markets.
- By contrast, national elections in Iraq proceeded in relative calm on 7 March, which many now hope will improve the prospects for the strife-torn country, especially its plans to boost oil production. Though it will likely take months for the government to build a working coalition, the elections provided a welcome boost in confidence for the country's new joint venture partners.

While concerns that geopolitical issues could affect oil supply flows from key OPEC producers added upward pressure to futures prices, physical oil supplies continued to provide a counter weight. Stocks, both onshore and at sea, have come in from peak levels but are still high. Non-OPEC production is on course to rise by a further 300 kb/d in 2010, with Russian production setting new records in February. OPEC production also increased to a 14-month high of 29.2 mb/d in February. In addition, refiners have scheduled a heavier than usual seasonal maintenance work programme over the next several months, which will reduce spot purchases of crude oil. Even China is slated to curtail refinery runs in March after four months of steadily higher throughput rates.

Despite expected 2010 demand growth of 1.6 mb/d, the anticipated call on OPEC crude and stocks looks unlikely to breach 29.5 mb/d on a sustained basis, so market fundamentals should continue to provide a brake on upward price aspirations. Offsetting that, equity and currency markets could continue to play a more bullish role.





Prompt Month Oil Futures Prices

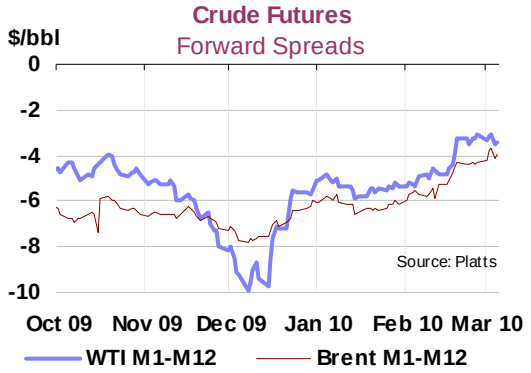
(monthly and weekly averages, $/bbl)

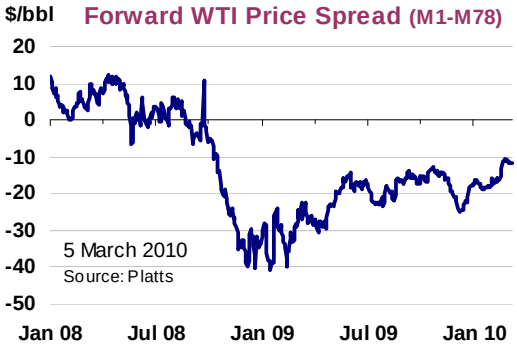
	Dec	Jan	Feb	Feb-Jan Avg Chg	% Chg	Week Commencing: 01 Feb	08 Feb	15 Feb	22 Feb	01 Mar
NYMEX										
Light Sweet Crude Oil	74.60	78.40	76.45	-1.95	-2.6	74.59	73.91	78.30	79.37	79.87
RBOB	81.20	85.90	83.97	-1.93	-2.3	82.52	80.78	85.58	87.33	92.75
No.2 Heating Oil	83.90	86.56	83.46	-3.09	-3.7	82.45	81.07	85.31	85.38	86.54
No.2 Heating Oil ($/mmbtu)	14.40	14.86	14.33	-0.53	-3.7	14.16	13.92	14.65	14.66	14.86
Henry Hub Natural Gas ($/mmbtu)	5.34	5.60	5.21	-0.38	-7.4	5.45	5.37	5.23	4.81	4.68
ICE										
Brent	75.21	77.01	74.79	-2.22	-3.0	73.36	72.15	76.09	77.57	78.22
Gasoil	83.06	85.33	82.07	-3.26	-4.0	80.98	78.82	83.30	85.20	86.65
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-0.61	1.39	1.66	0.27		1.23	1.77	2.22	1.80	1.65
NYMEX No.2 Heating Oil - WTI	9.30	8.15	7.01	-1.14		7.86	7.16	7.00	6.01	6.68
NYMEX RBOB - WTI	6.59	7.49	7.52	0.02		7.92	6.87	7.27	7.96	12.89
NYMEX 3-2-1 Crack (RBOB)	7.49	7.71	7.35	-0.37		7.90	6.97	7.18	7.31	10.82
NYMEX No.2 - Natural Gas ($/mmbtu)	9.06	9.26	9.11	-0.15		8.71	8.55	9.42	9.84	10.18
ICE Gasoil - ICE Brent	7.86	8.32	7.28	-1.03		7.62	6.67	7.21	7.63	8.43

Source: Platts

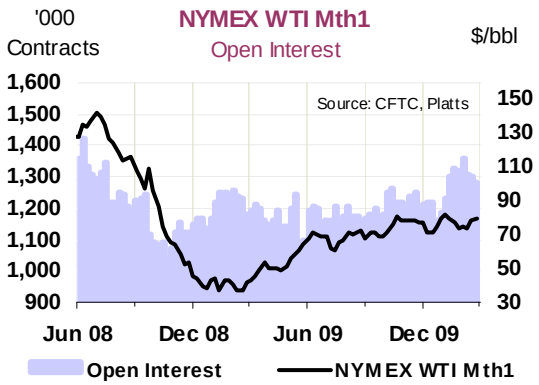
Futures Markets

The narrowing of the contango between front-month crude prices and forward markets continued in February and into early March. The WTI M1-M12 spread narrowed from $5.38/bbl in January, to $4.36/bbl in February and to $3.25/bbl in the first week of March. Brent's forward spread showed similar trends, coming in from $6.16/bbl in January, to $5.11/bbl in February and to $3.92/bbl in early March.



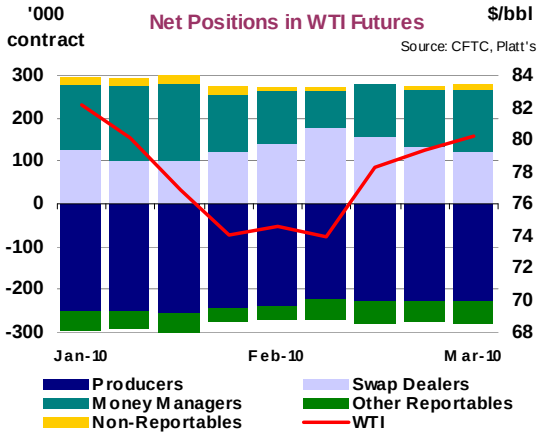


More pronounced, the price of front-month NYMEX crude futures increased by 2.5% in February from the December average, aided by the belated onset of colder winter weather. At the same time, oil futures 12 months out fell by 1.7%. The divergent trends between prompt and 12-month futures prices in February were more muted in early March. The flattening of the forward curve to a certain extent reflects market views that the long-term oil price may well have moved ahead of the much anticipated recovery in the economy and associated oil demand. Rising demand in 2010, in effect, has already been built into the forward price.



Marginally tighter prompt fundamentals, notably for WTI, likely also played a role. While near-month oil traded at a $7.60/bbl discount to the 12-month contract in December, the discount is now about $3.25/bbl.

After a hiatus since early January, investment banks and other long-term investors increased their net long positions in mid-February as the overall outlook for the economy improved. On a monthly basis, open interest in NYMEX WTI futures fell by 4.9% in February to 1,297,400 contracts from early-February highs, when they reached their highest since June 2008. Swap dealers increased their net-long holdings by 75% from mid-January to mid-February, but afterwards loosened them by 30%. In the same period, money managers decreased net long holdings from mid-January to mid-February by 50% but subsequently started to increase their bets on rising prices, with their net-long holdings rising by more than 60% as of 2 March.

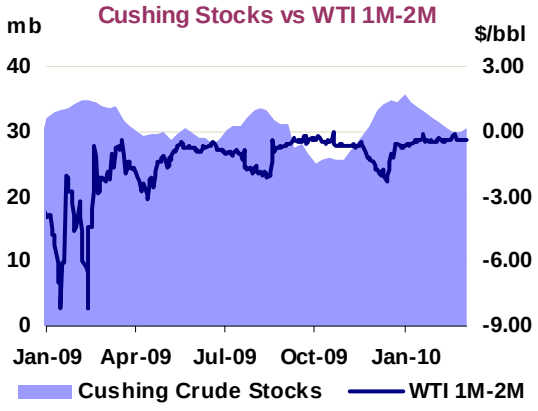


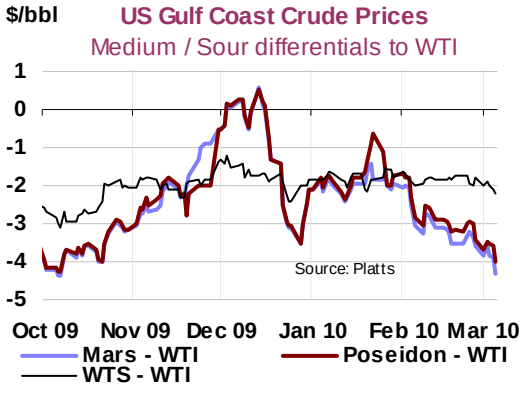
The shift came after trading volumes in NYMEX WTI futures reached the highest level this year on 5 February 2010 amid concerns about Europe's fiscal problems and the dollar. The sell-off of crude oil positions by hedge funds started two days before, and oil experienced its biggest one-day fall since July 2009 of $3.84/bbl on 4 February 2010, falling by a further $1.95/bbl to $71.19/bbl on 5 February 2010. A week later, trading volumes recovered, although to lower levels, as Eurozone countries held intensive talks on a possible rescue for debt-laden Greece.

Spot Crude Oil Prices

Spot prices for benchmark crudes were also lower, but the declines ranged from about $1.85/bbl to as much as $3.25/bbl in February. WTI posted the smallest declines, while Urals in the Mediterranean saw steeper drops. Spot prices steadily recovered over the month in line with futures markets and on improved crack spreads, and were up by $3.50-4/bbl by early March.

In the US, spot prices for WTI at Cushing in the first week of March rebounded by over $3.85/bbl from average February levels, in part due to improved crack spreads. A steady decline in Cushing stocks in January and most of February and tighter NYMEX prompt month contango also lent support to spot prices. The WTI M1-M2 differential narrowed to just -$0.36/bbl in February versus -$0.43/bbl in January and -$1.43/bbl in December, rendering the contango play uneconomic for now.



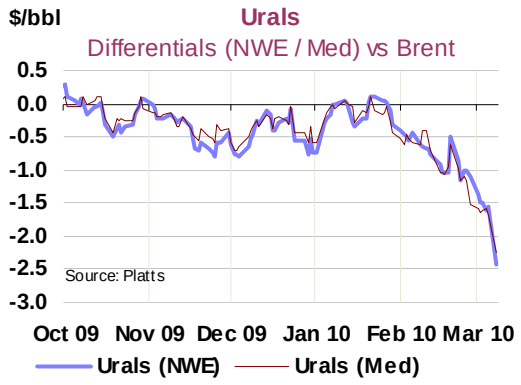


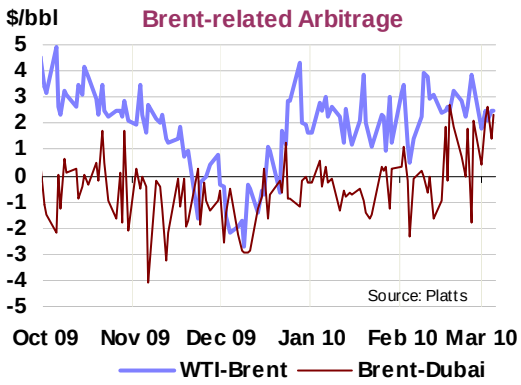
Lower shipments of Canadian light, sweet synthetic crude to the US midcontinent since December are partly behind the relatively stronger WTI spot prices. An oil sands upgrader operated by Suncor Energy near Fort McMurray, Alberta was shut following a fire on 9 February, just a week after another upgrader

had been brought back online following shut-in in December. The outage of syncrude also depressed values of sour crudes as refiners sought alternative lighter crude feedstocks. The reduced flows of Canadian crude to the US are also reflected in lower Cushing crude oil stocks, with volumes falling within the historical range for the first time in a year in February. Cushing stocks spent all of 2009 above the historical range.

Meanwhile, Canadian supplies of heavier grades to the US Midwest will be curtailed in coming months while TransCanada embarks on filling its southbound Keystone pipeline. Roughly 9 mb of heavier oil in total will be removed from the market while the pipeline, which is running 6-8 weeks behind schedule, is filled. The pipeline is being built in stages, with the first phase, from Hardisty to Wood River and Patoka, Illinois, slated to be in service in mid-2010 with a throughput capacity of 435 kb/d. Construction on the second phase of the expansion, Keystone XL, which will extend the pipeline to the US Gulf Coast, is expected to begin in early 2011.

In Europe, spot prices were down by $2.50-3.50/bbl in February, with sour crudes especially hard-hit due to weaker fuel oil crack spreads and ample supplies of sour crudes on offer, including Russian Urals, Iranian and Iraqi barrels. Spot prices for Urals crude recovered over the month but increased export volumes for March pushed differentials for the Russian grade in Northwest Europe to Brent down to their lowest level in 28 months by 8 March.





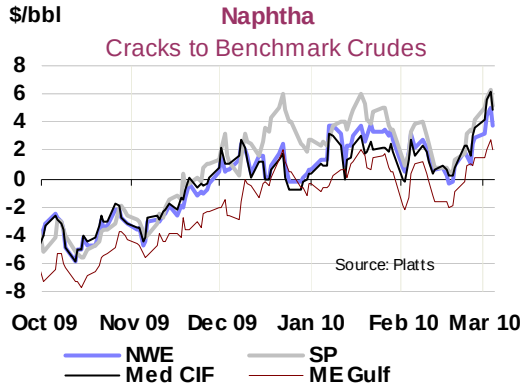
Dubai spot prices were down a sharper $3.21/bbl, reflecting the weight of increased supplies from Middle East producers. Spot crude price increases were tempered by ample supplies of OPEC crude on offer, including Nigerian and Angolan grades, and reduced refinery demand due to turnarounds. Increased supplies of Russian ESPO crude also displaced competing grades. Plentiful spot barrels of lighter crudes saw the Brent-Dubai spread collapse. Dubai's premium over Brent reversed course in February, declining from a premium of 50 cents a barrel in January to a discount of 15 cents/bbl on average in February. By early March, Dubai's discount to Brent ballooned to $1.79/bbl. Brent's loftier price levels had the unintended consequence of limiting long-haul purchases of light crude linked to the benchmark, including mainstay African grades.

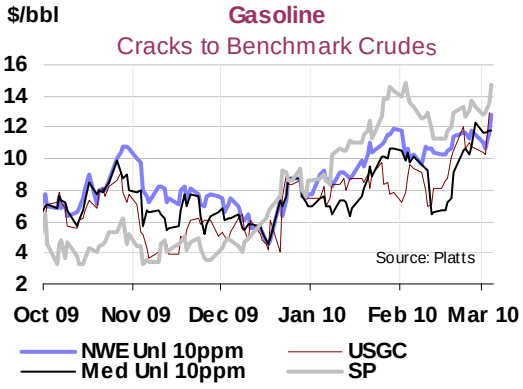
Spot Product Prices

Spot prices for refined products were down on average in February, by anywhere from 1.7% to 6.7%, but steadily rebounded over the month and into early March. Gasoline crack spreads posted strong gains in Asia and Europe in February. European gasoline crack spreads were buoyed by strong import demand from Africa and the Middle East.

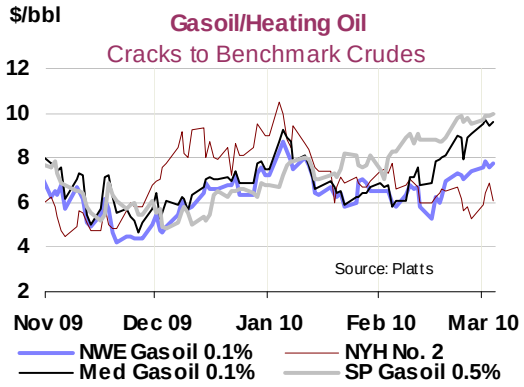
In the US, gasoline cracks in February were weaker on the East Coast but improved markedly on the Gulf Coast. By early March, gasoline cracks surged above $10/bbl on the US Gulf Coast on growing expectations of a strong summer gasoline demand season. The switch from winter grade gasoline to more expensive summer spec production also tightened crack spreads in the Gulf Coast region.

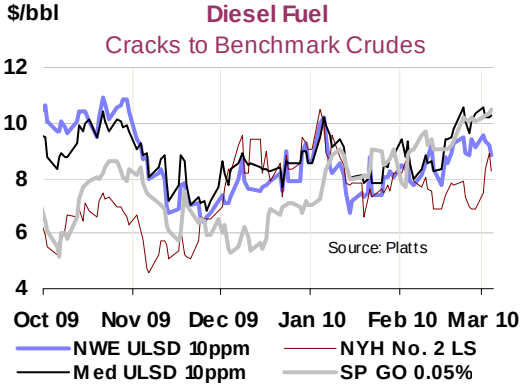
Naphtha crack spreads flirted near 12-month highs in Asia and Europe, with stronger petrochemical demand from Japan, China and South Korea helping to lift values. In addition to stronger demand as feedstock for petrochemicals, European naphtha cracks were also supported by increased demand for blending in gasoline.



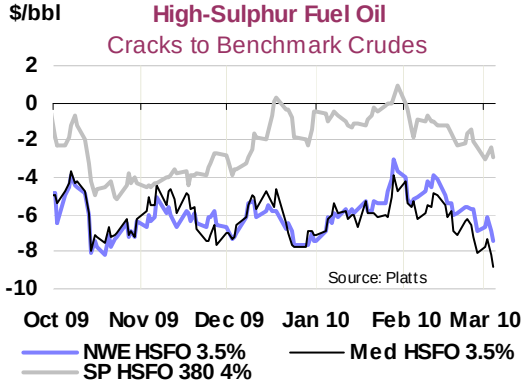


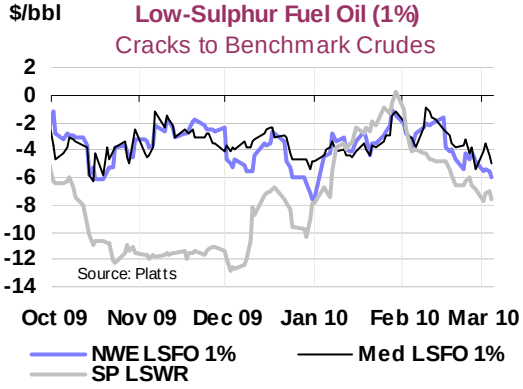
Middle distillate cracks also steadily improved over the month as winter weather returned in the Northern Hemisphere, with gasoil crack spreads higher in all major markets. In Europe, continued high levels of distillates in floating storage pressured values in early February but the narrowing of the gasoil contango encouraged sales from floating storage. Gasoil cracks in Singapore were also sharply higher in February as lower refinery throughput rates reduced supplies to the market. Singapore crack spreads for Dubai crude rose to $8.82/bbl last month versus $7.55/bbl in January.





By contrast, high-sulphur fuel oil differentials to benchmark crudes cascaded lower in all major markets on weaker demand. In Asia, an influx of HSFO supplies from the Middle East weighed on values while HSFO cracks in Europe were eroded by swelling stocks.





Spot Product Prices

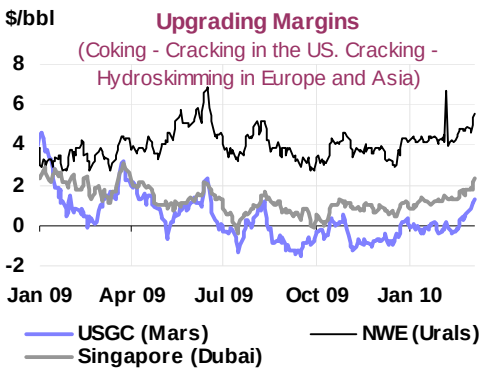
(monthly and weekly averages, $/bbl)

	Dec	Jan	Feb	Feb-Jan Chg	Feb-Jan %	Week Commencing: 01 Feb	08 Feb	15 Feb	22 Feb	01 Mar	Dec	Jan	Feb
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	80.81	86.03	84.42	-1.61	-1.9	83.35	81.11	85.46	87.77	89.22	6.53	9.84	10.79
Naphtha	75.30	78.99	75.02	-3.98	-5.0	74.56	72.22	75.08	78.21	81.80	1.03	2.80	1.38
Jet/Kerosene	83.13	86.02	82.95	-3.07	-3.6	82.09	80.19	84.10	85.44	87.89	8.86	9.83	9.32
ULSD 10ppm	82.22	84.30	82.27	-2.03	-2.4	81.00	79.27	83.47	85.34	86.93	7.94	8.11	8.64
Gasoil 0.1%	80.51	83.24	80.16	-3.08	-3.7	79.09	77.11	80.99	83.44	85.39	6.24	7.05	6.53
LSFO 1%	69.37	72.91	70.29	-2.62	-3.6	69.92	68.53	71.18	71.55	72.08	-4.91	-3.28	-3.34
HSFO 3.5%	67.83	70.72	68.45	-2.27	-3.2	67.85	66.39	69.28	70.28	70.93	-6.45	-5.46	-5.18
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	80.18	84.35	82.04	-2.32	-2.7	82.42	78.40	81.37	85.95	87.83	6.30	8.27	9.20
Naphtha	74.70	78.03	74.26	-3.77	-4.8	73.44	71.31	74.50	77.77	81.41	0.82	1.94	1.42
Jet Aviation fuel	82.04	83.93	81.33	-2.61	-3.1	80.13	78.12	82.30	84.75	85.83	8.16	7.85	8.49
ULSD 10ppm	82.33	84.76	82.01	-2.75	-3.2	81.09	78.67	83.16	85.13	86.42	8.45	8.68	9.18
Gasoil 0.1%	80.48	83.30	80.33	-2.96	-3.6	78.79	76.94	81.68	83.92	85.77	6.60	7.21	7.50
LSFO 1%	70.27	72.47	69.93	-2.53	-3.5	69.38	68.58	70.81	70.96	71.88	-3.62	-3.62	-2.90
HSFO 3.5%	67.66	70.26	66.85	-3.40	-4.8	66.92	64.77	67.60	68.13	68.08	-6.22	-5.83	-5.98
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	83.90	88.89	85.69	-3.20	-3.6	84.40	82.28	87.15	89.21	91.49	9.50	10.58	9.23
Unleaded	80.79	85.91	83.77	-2.14	-2.5	82.29	80.32	85.29	87.49	88.63	6.38	7.60	7.32
Jet/Kerosene	84.44	88.23	84.96	-3.27	-3.7	83.92	82.41	86.51	87.30	89.08	10.03	9.92	8.50
No. 2 (Heating Oil)	82.73	86.10	83.04	-3.06	-3.6	82.08	80.58	84.75	85.11	86.26	8.32	7.79	6.59
LSFO 1%†	70.19	71.66	69.13	-2.53	-3.5	67.94	67.47	70.32	71.03	71.03	-4.21	-6.65	-7.33
No. 6 3%†	69.46	71.33	69.39	-1.94	-2.7	67.93	67.70	70.77	71.44	71.16	-4.94	-6.99	-7.07
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	81.85	88.01	86.49	-1.51	-1.7	87.01	83.45	86.74	88.87	89.58	6.43	11.32	13.01
Naphtha	78.28	80.66	75.76	-4.90	-6.1	75.31	73.47	75.25	78.80	81.64	2.86	3.97	2.28
Jet/Kerosene	83.24	85.87	82.23	-3.64	-4.2	81.23	79.64	83.26	85.20	85.67	7.82	9.18	8.75
Gasoil 0.5%	81.29	84.24	82.30	-1.94	-2.3	80.89	80.02	83.28	85.38	85.91	5.87	7.55	8.82
LSWR Cracked	65.99	73.53	68.58	-4.95	-6.7	70.02	66.55	68.57	69.16	68.68	-9.43	-3.16	-4.91
HSFO 180 CST	72.14	74.84	71.22	-3.62	-4.8	71.05	69.30	71.88	72.92	72.65	-3.28	-1.85	-2.26
HSFO 380 CST 4%	73.61	76.10	72.08	-4.02	-5.3	72.14	70.14	72.54	73.69	73.24	-1.81	-0.59	-1.40

Source: Platts * CIF † Cargoes

Refining Margins

February refining margins rose for all benchmark crudes, bar Tapis hydroskimming in Singapore and China, where margins were mixed. Lower crude oil prices more than offset weaker product prices last month. Crack spreads strengthened mainly for gasoline and gasoil/diesel, while naphtha cracks ballooned in the USGC. Consequently, by the end of the month, upgrading margins strengthened, reaching positive territory at $0.68/bbl in the USGC, $1.80/bbl in Singapore and $4.92/bbl in Europe.



Simple margins remained negative, with the exception of Brent in Northwest Europe (NWE), which stayed barely positive, helped by its higher gasoline yield compared to Urals. Cracking margins were mixed across the regions. NWE and Mediterranean margins were positive, while in the USGC margins for Bonny and Brent remained negative, along with Alaska North Slope and Oman in the US West Coast (USWC).

Refining margins have generally been recovering since November, outside of the USWC. European margins have gained between $2-3/bbl, based on stronger naphtha and gasoline. USGC improvements have been stronger still, based on naphtha and jet fuel, while gains have generally been greatest in Singapore, where fuel oil, gasoline and naphtha have underpinned better margins. Despite these four-month gains, February margins nonetheless continue to lag levels of a year ago, aside from the USGC.

Selected Refining Margins in Major Refining Centres

($/bbl)

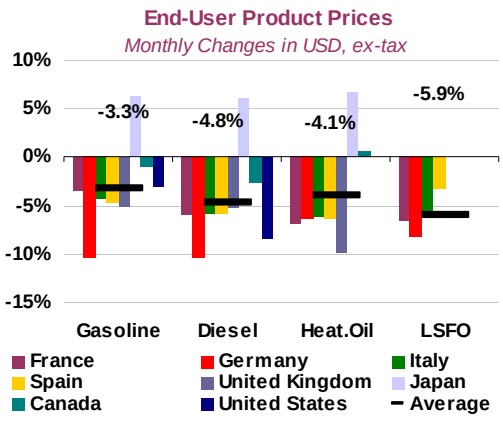
		Monthly Average				Change	Average for week ending:				
		Dec 09	Jan 10	Feb 10		Feb 10-Jan 10	05 Feb	12 Feb	19 Feb	26 Feb	05 Mar
NW Europe	Brent (Cracking)	0.12	2.04	2.69	↑	0.65	3.30	2.57	2.11	2.76	2.75
	Urals (Cracking)	0.87	2.20	3.23	↑	1.02	3.47	3.15	2.80	3.49	3.83
	Brent (Hydroskimming)	-1.45	-0.01	0.29	↑	0.30	0.78	0.51	-0.34	0.21	-0.01
	Urals (Hydroskimming)	-2.77	-2.06	-1.33	↑	0.73	-1.30	-0.99	-1.74	-1.29	-1.23
Mediterranean	Es Sider (Cracking)	-1.88	-0.60	0.44	↑	1.04	1.21	0.19	-0.51	0.85	1.19
	Urals (Cracking)	-0.75	0.44	1.08	↑	0.64	1.93	0.77	0.15	1.45	1.61
	Es Sider (Hydroskimming)	-4.88	-4.08	-3.05	↑	1.03	-2.71	-2.64	-3.61	-3.22	-3.07
	Urals (Hydroskimming)	-5.07	-4.37	-3.90	↑	0.46	-3.37	-3.65	-4.43	-4.16	-4.50
US Gulf Coast	Bonny (Cracking)	-2.65	-1.94	-0.47	↑	1.47	-1.01	-0.15	-0.64	-0.09	-0.95
	Brent (Cracking)	-2.51	-1.57	-0.18	↑	1.39	-0.43	0.32	-0.50	-0.11	-0.82
	LLS (Cracking)	-1.49	-0.41	0.32	↑	0.73	0.49	-0.01	0.09	0.70	0.89
	Mars (Cracking)	-0.01	0.67	1.68	↑	1.02	1.57	1.63	1.66	1.88	1.97
	Mars (Coking)	-0.43	0.54	1.69	↑	1.15	1.47	1.36	1.56	2.36	3.01
	Maya (Coking)	-1.03	0.01	1.48	↑	1.47	1.50	0.97	1.03	2.41	3.85
US West Coast	ANS (Cracking)	-0.55	-4.25	-2.60	↑	1.65	-1.84	-2.57	-4.18	-1.81	-0.86
	Kern (Cracking)	6.47	0.53	1.44	↑	0.91	2.04	3.06	0.68	-0.03	0.68
	Oman (Cracking)	-2.47	-4.32	-1.50	↑	2.82	-2.24	-1.39	-2.04	-0.34	0.05
	Kern (Coking)	8.61	4.46	7.31	↑	2.85	7.53	6.61	5.92	9.16	9.86
Singapore	Dubai (Hydroskimming)	-3.27	-2.22	-1.89	↑	0.34	-2.25	-1.56	-2.00	-1.75	-1.97
	Tapis (Hydroskimming)	-4.80	-3.21	-3.33	↓	-0.12	-3.08	-2.90	-3.77	-3.56	-3.44
	Dubai (Hydrocracking)	-2.44	-1.09	-0.45	↑	0.64	-0.90	-0.23	-0.62	-0.05	0.01
	Tapis (Hydrocracking)	-2.90	-1.93	-1.81	↑	0.13	-1.88	-1.43	-2.24	-1.67	-1.33
China	Cabinda (Hydroskimming)	-7.11	-4.95	-5.30	↓	-0.35	-4.20	-4.15	-6.31	-6.54	-8.10
	Daqing (Hydroskimming)	-6.74	-2.38	-3.06	↓	-0.69	-0.94	-2.61	-3.94	-4.76	-4.88
	Dubai (Hydroskimming)	-3.74	-2.03	-1.70	↑	0.33	-2.04	-1.37	-1.80	-1.58	-1.83
	Daqing (Hydrocracking)	-2.54	1.36	0.90	↓	-0.46	2.81	1.13	-0.06	-0.30	0.02
	Dubai (Hydrocracking)	-2.90	-0.79	-0.17	↑	0.62	-0.56	0.03	-0.34	0.20	0.29

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in February

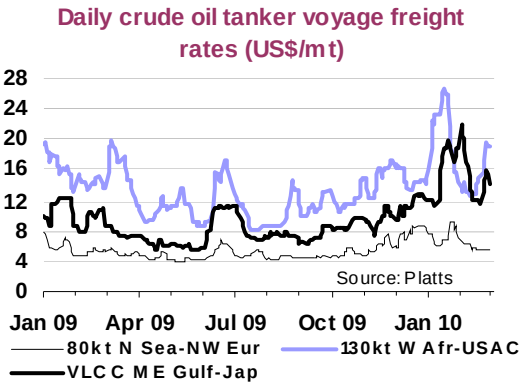
End-user product prices decreased in February by 4.5% on average from January levels, in US dollars, ex-tax. Retail prices fell in all surveyed IEA member countries except Japan, where prices rose by 6.4% on average. Transport fuel prices dropped steeply in Germany with gasoline and diesel prices falling by more than 10%. In the US, gasoline prices fell by 3.1% while diesel prices posted steeper declines of 8.5% in February. Overall, ex-tax prices in low-sulphur fuel oil and heating oil prices fell by 5.9% and 4.1%, respectively, while gasoline prices decreased by 3.3% and diesel fell by 4.8%, in US dollars, ex-tax. Gasoline consumers paid in the US $2.64/gallon ($0.70/litre), in Japan ¥128.9/litre ($1.44/litre) and in the UK £1.12/litre ($1.68/litre). In continental Europe, the average price at petrol stations ranged between €1.10/litre ($1.50/litre) in Spain to €1.32/litre ($1.79/litre) in Germany. End-user product prices in February were 40% on average above levels of a year ago, with fuel oil prices up by more than 60% and diesel 25% above the previous year.

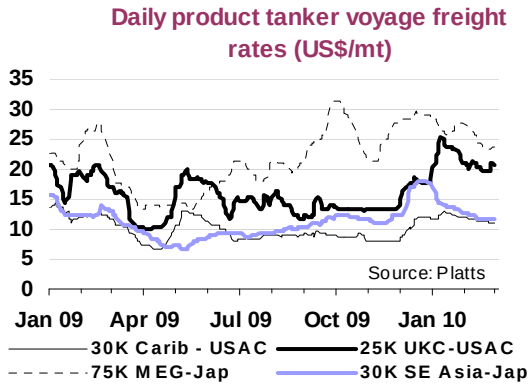


Freight

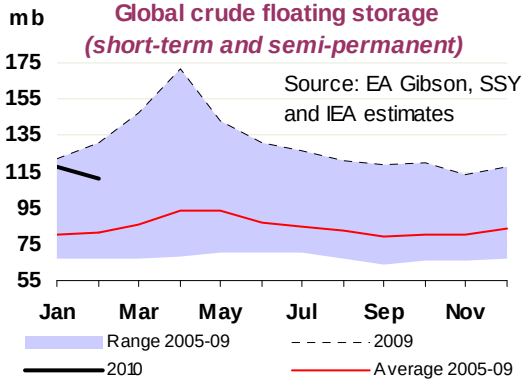
Freight rates continued to tumble in early February from their January peak on the back of weaker demand and increased vessel availability. However, with oil demand now recovering from the 2009 slump, rates for large crude carriers held up, rebounding somewhat towards the end of the month as eastwards chartering activity increased after the Chinese New Year holiday.

VLCC rates on the benchmark Middle East Gulf – Japan route plummeted to below $12/mt in early February following lower enquiries and swelling tonnage. As stated in last month's report, due to the phasing out of single-hull tankers, rates now reflect more expensive double-hulled VLCCs. This switch results in an associated one-off correction from $19/mt to $22/mt on 1 February, shown in the chart below. Suezmax rates on the West Africa – US Atlantic Coast route bottomed out at $13/mt in mid-month, compared with a January high of $27/mt. Together with VLCC rates, they recovered in the second half of the month, boosted by a post-Chinese New Year increase in eastwards charter activity. This was supported by recent reports suggesting, that for the first time Chinese refiners sourced the majority of their crude from West Africa. Rates settled at approximately $6/mt in the short-haul Aframax North Sea market on soft fundamentals as plentiful vessel supply partly resulted from continued ice-class requirements in the Baltic.





Clean charter rates softened on all benchmark routes at the beginning of February following poor demand and increased vessel availability. Rates on carriers trading between the Middle East and Japan fell sharply from $27/mt at the beginning of the month to a low of $23/mt on 19 February. Due to the oversupply of tonnage, Handymax rates on the benchmark Caribbean - US Atlantic coast and Singapore – Japan routes eroded to month-end lows of under $11/mt and $12/mt, respectively. Increased gasoline demand from West Africa helped offset the oversupply of ships and stabilise rates on the UK – US Atlantic coast route at $20-22/mt.



Short-term floating storage fell by 18 mb to 126 mb at the end of February, comprising draws of 7 mb for crude and 11 mb for products. Data suggest 112 tankers were engaged in floating storage at end-February, down from 128 a month earlier, with seven Aframaxes and seven Suezmaxes released from floating storage. Reportedly, 8 mb of crude came ashore in North West Europe while the run down of products was centred in Asia Pacific, where floating stocks of products decreased by over half to 7 mb. Looking forward, the outlook for the freight market remains bearish as seasonally lower demand combines with a swelling fleet. Even taking into account the phasing out of single hulls and a delay factor of over 30% on new deliveries, vessel oversupply will likely persist weighing heavy on freight rates.

REFINING

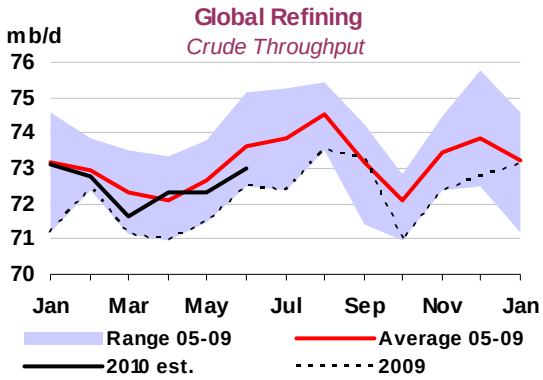
Summary

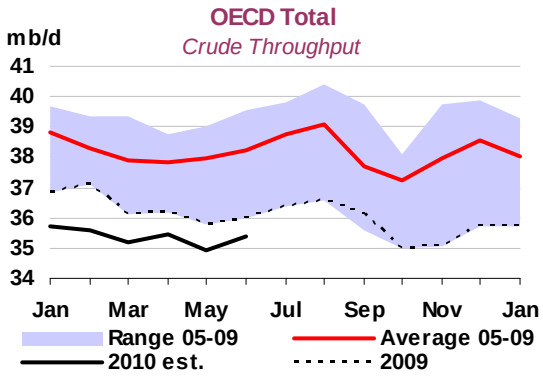
- **Refinery margins in February got a boost from higher product prices,** as extreme cold weather across the Northern Hemisphere supported runs in January and February. However, the backdrop for the industry, at least in the OECD, remains bearish, with overcapacity and weak demand likely to lead to further restructuring and consolidation ahead.

- **Global refinery throughputs are estimated at 72.5 mb/d in 1Q10,** 910 kb/d higher than a year earlier, but 140 kb/d lower than in our previous report. Newly added refinery capacity in China and Other Asia boost runs by a combined 2.1 mb/d year-on-year, effectively curbing throughputs in the OECD, which continues to see structural declines.

- **Global refinery throughputs are revised down by 140 kb/d to 72.5 mb/d for 1Q10**, nonetheless 910 kb/d higher than a year earlier. Newly added refinery capacity pushes up expected Chinese and Other Asian runs by a combined 2.1 mb/d year-on-year in 1Q10, but OECD throughputs remain constrained.

- **OECD refinery runs were 35.7 mb/d in January,** unchanged from December and 130 kb/d higher than our previous estimate. Pacific throughputs were surprisingly robust, 250 kb/d higher than our forecast. Preliminary February weekly data for the US, Canada and Japan were similarly much stronger than expected, on the back of improved economics. A heavier maintenance schedule and more outages than expected in Europe, however, partly offset the increases seen elsewhere.





- **December OECD refinery yields increased for naphtha, gasoline, jet fuel/kerosene and fuel oil** at the expense of gasoil/diesel and other products. Gasoline yields rose to 35.5%, with yields in North America at 48.8%; gasoline refinery gross output trended along its five-year average. Gasoil/diesel yields fell from five-year-average levels to 29%, with gross output falling 1.5 mb/d to 12.3 mb/d on a yearly basis, still reflecting brimming distillate stock levels. Naphtha yields rose to 4.8% supported by stronger crack spreads and robust demand in the Pacific, although constrained throughput kept naphtha gross output subdued at 2.0 mb/d.

Global Refinery Overview

Although refinery economics continued to improve in February, with margins improving across all regions, the outlook for the industry remains weak. Short-term support to product prices came from exceptionally cold weather experienced across the Northern Hemisphere, but weak demand generally and over-capacity in the refining sector remain key concerns of the industry. Integrated oil companies and independents alike try to minimise downstream losses by reducing runs, shedding capacity and

cutting operating costs. Chevron announced this week that, as a cost-cutting measure to boost profits, it would lay off another 2000 employees from its refining and marketing business this year, after already having shed as many jobs in 2009. The company further announced that it would try to sell refining assets in Europe and its lubricants and marketing business in Latin America and the Caribbean. Japanese refiners are looking for opportunities in the renewables sector after shedding surplus capacity. More than 600 kb/d of Japanese refining capacity has already been scheduled to close before the end of next year and a further 200 kb/d by March 2015.

Elsewhere, refinery workers protested against the closures of sites, as seen in both France and the Netherlands Antilles recently, and discontent is mounting over integrated companies restructuring while posting hefty full-year profits. Workers at Total's six French refineries walked out in protest over the uncertain future of the Dunkirk refinery, which has been closed since September on poor economics. Total announced 8 March that the Dunkirk refinery would be closed permanently and dismantled by 2013. Instead the company would create a training and technical support centre on the site to preserve jobs. Total has made public plans to cut global refining capacity by 500 kb/d by 2011, in order to boost profitability, but subsequently stated it would not close any further sites in France in the next five years.

Despite this poor outlook, new complex and highly competitive capacity is being brought on-line in non-OECD countries. Asia and the Middle East added 1.6 mb/d crude distillation (CDU) capacity by in 2009 and will add a further 630 kb/d this year to meet growing demand. Runs have outpaced demand growth so far though, putting additional strain on OECD refiners who face increased competition in export markets. Chinese refiners have run at record high throughputs in part due to guaranteed margins and have recorded net product exports for two months running. A move by Chinese state-controlled refiner Sinopec to subsidise its refineries to export products in February will further encourage refiners to keep operating rates high (despite an increase in crude prices which may lead to a scaling back of government-guaranteed margins). The challenges for the industry are by no means over and further consolidation and restructuring lie ahead.

Global Refinery Throughput

1Q10 global refinery throughput is estimated at 72.5 mb/d, 140 kb/d lower than in our last report but 910 kb/d higher than in 1Q09. Higher estimates for the OECD, and in particular for the OECD Pacific, are offset by a weaker outlook for the non-OECD since our last report. The OECD Pacific has been revised higher for January and February by 250 kb/d and 240 kb/d respectively, as submitted data were much stronger than expected. Other Asia has been lowered by 310 kb/d in 1Q10, following weaker than expected runs at the tail-end of 2009 for a number of countries in the region and a higher outage forecast early in 2010. Refinery activity in Latin America has similarly been revised lower, following refinery shutdowns in Chile and the Netherlands Antilles in March. Partly offsetting these downwards revision, estimates for the Middle East have been revised upwards for the quarter, as previously assumed maintenance is now expected later in the year.

Global refinery runs in 2Q10 are expected to average 72.6 mb/d, an increase of 50 kb/d from the previous quarter. Runs are 920 kb/d higher than the depressed levels seen in 2Q09, with China and Other Asia up by a combined 1.4 mb/d year-on-year. OECD runs is set to fall in the second quarter, as the Pacific enters peak turnaround season. Japanese runs alone are expected to be curtailed by more than 1 mb/d in both May and June due to maintenance. Runs in both North America and Europe are likely to improve somewhat as refiners there complete, predominantly first quarter, scheduled work, but nonetheless remain at low levels due to continued weak economics.

Global Refinery Crude Throughput[1]

(million barrels per day)

	Dec 09	4Q09	Jan 10	Feb 10	Mar 10	1Q10	Apr 10	May 10	Jun 10	2Q10
OECD										
North America	17.1	*16.9*	*16.7*	*16.9*	*16.8*	*16.8*	*16.8*	*16.9*	*17.3*	*17.0*
Europe	11.9	*12.0*	*12.1*	*11.9*	*11.9*	*11.9*	*12.0*	*12.1*	*12.1*	*12.1*
Pacific	6.7	*6.4*	*6.9*	*6.8*	*6.5*	*6.8*	*6.6*	*6.0*	*6.1*	*6.2*
Total OECD	35.7	*35.3*	*35.7*	*35.6*	*35.2*	*35.5*	*35.5*	*35.0*	*35.4*	*35.3*
NON-OECD										
FSU	6.3	*6.1*	*6.2*	*6.2*	*6.2*	*6.2*	*6.1*	*6.2*	*6.3*	*6.2*
Europe	0.6	*0.6*	*0.7*	*0.6*	*0.6*	*0.6*	*0.7*	*0.8*	*0.8*	*0.7*
China	8.2	*8.0*	*8.2*	*8.2*	*8.1*	*8.1*	*8.3*	*8.4*	*8.3*	*8.3*
Other Asia	8.4	*8.5*	*8.6*	*8.5*	*8.4*	*8.5*	*8.5*	*8.5*	*8.5*	*8.5*
Latin America	5.4	*5.2*	*5.3*	*5.3*	*5.1*	*5.2*	*5.3*	*5.3*	*5.3*	*5.3*
Middle East	5.9	*6.0*	*6.0*	*6.2*	*5.9*	*6.0*	*5.8*	*6.0*	*6.1*	*6.0*
Africa	2.3	*2.3*	*2.4*	*2.3*	*2.2*	*2.3*	*2.2*	*2.3*	*2.3*	*2.3*
Total Non-OECD	37.0	*36.8*	*37.4*	*37.2*	*36.4*	*37.0*	*36.9*	*37.4*	*37.6*	*37.3*
Total	72.8	*72.0*	*73.1*	*72.8*	*71.6*	*72.5*	*72.3*	*72.3*	*73.0*	*72.6*

1 Crude runs in italics are estimates. Forecast crude throughput is based on current IEA demand forecasts.

OECD Refinery Throughput

1Q10 OECD crude throughputs have been revised higher by 150 kb/d to average 35.5 mb/d. Higher runs in the Pacific, and to a lesser extent North America, more than offset the weaker estimate for Europe. Submitted January data show runs flat from December for the region, as higher runs in Europe and the Pacific were offset by lower activity in North America. An improvement in refinery margins may have supported runs in Europe and the Pacific, while North American runs were tempered by heavy refinery maintenance and outages. Preliminary weekly data for Japan and the US for February suggest higher runs than expected, and both OECD Pacific and North America have been revised higher by about 230 kb/d for February. Larger than expected outages in Europe for the month however, partly offset the changes and result in an overall upward revision of 240 kb/d for February. **2Q10 runs** are expected to dip by a further 240 kb/d for the OECD, as heavy maintenance in the Pacific depresses total throughputs.

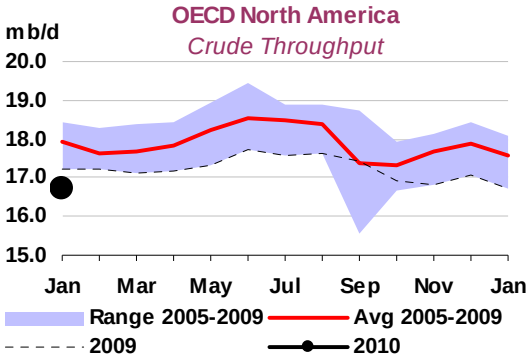
Refinery Crude Throughput and Utilisation in OECD Countries

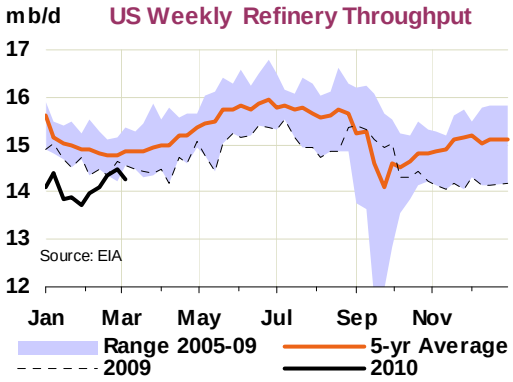
(million barrels per day)

							Change from		Utilisation rate[1]	
	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	*Dec 09*	*Jan 09*	Jan 10	Jan 09
OECD North America										
US[2]	14.57	14.68	14.05	13.86	13.98	13.72	-0.26	-0.40	77.61	80.10
Canada	1.79	1.51	1.55	1.65	1.75	1.69	-0.05	-0.12	83.96	90.04
Mexico	1.27	1.25	1.29	1.32	1.33	1.32	-0.01	0.04	85.91	83.53
Total	17.62	17.44	16.90	16.84	17.05	16.73	-0.32	-0.48	78.82	81.29
OECD Europe										
France	1.45	1.40	1.36	1.34	1.34	1.24	-0.10	-0.21	63.18	73.71
Germany	2.12	2.05	1.99	1.95	1.88	1.91	0.03	-0.16	79.18	85.80
Italy	1.70	1.65	1.62	1.58	1.56	1.60	0.04	-0.03	68.53	69.76
Netherlands	0.94	1.08	0.96	0.90	1.04	1.09	0.06	0.09	90.29	82.68
Spain	1.01	1.02	1.01	0.91	1.01	1.06	0.05	-0.15	83.51	95.27
UK	1.46	1.52	1.38	1.45	1.49	1.39	-0.09	-0.16	73.79	82.17
Other OECD Europe	3.73	3.62	3.77	3.75	3.62	3.75	0.13	-0.03	79.98	80.62
Total	12.41	12.34	12.08	11.86	11.94	12.05	0.11	-0.64	76.41	80.47
OECD Pacific										
Japan	3.53	3.45	3.13	3.44	3.68	3.80	0.12	0.09	81.27	79.42
Korea	2.34	2.25	2.33	2.26	2.28	2.38	0.09	-0.12	86.89	91.38
Other OECD Pacific	0.71	0.64	0.56	0.68	0.74	0.75	0.00	0.06	92.59	85.51
Total	6.58	6.34	6.02	6.38	6.71	6.93	0.21	0.02	84.25	84.00
OECD Total	36.60	36.13	35.00	35.08	35.71	35.71	0.00	-1.10	78.97	81.50

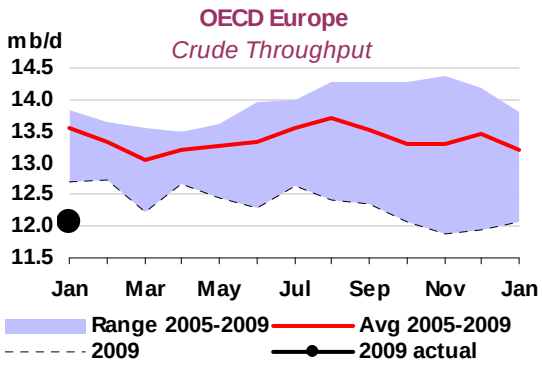
1 Expressed as a percentage, based on crude throughput and current operable refining capacity
2 US50

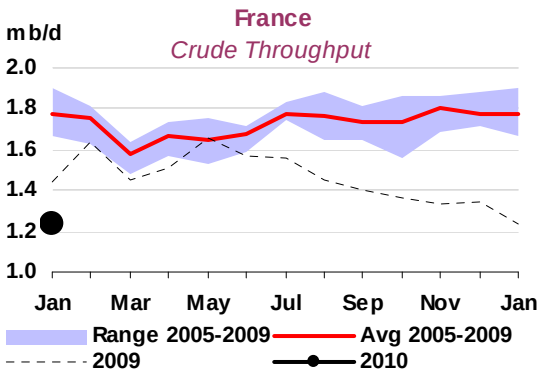
OECD North American refinery throughputs have been revised up by 70 kb/d and 80 kb/d for 4Q09 and 1Q10 respectively. Official December statistics were quite a bit higher than suggested by preliminary weekly data for both the US and for Canada. US refinery runs were 155 kb/d higher, averaging 14.0 mb/d for the month while Canadian runs were 50 kb/d higher at 1.75 mb/d. After a slew of maintenance and outages in January, US runs rebounded in February to average 13.9 mb/d for the month, and reached their highest weekly utilisation rate since September 2009 (at 81.9% of operable capacity in the week ending 26 February). Runs improved on the East Coast (PADD 1 & 2) and on the West Coast (PADD 5). Activity on the Gulf Coast remained depressed, however, as refineries there were in peak spring turnarounds. Regional refinery activity is expected to increase further in 2Q10 as heavy 1Q10 turnarounds are completed. At 17 mb/d, 2Q10 regional runs look likely to remain well below levels of a year ago on weak product demand and poor economics.





European crude runs inched higher in January, following an improvement in margins, but remain well below their 5-year range. Crack spreads improved across the barrel in January with some support coming from exceptionally cold weather across the Northern Hemisphere. NWE Brent cracking margins averaged $2.04/bbl in January, up from only $0.12/bbl in December. Urals cracking margins were even higher, at $2.20/bbl in NWE and turning positive in the Med. for the first time since May 2009 (on a monthly basis). Although margins improved further in February and early March, refinery activity is estimated lower as the region has entered its peak turnarounds (spring maintenance). A total of 1.4 mb/d of distillation capacity is scheduled to have been offline in February and a further 1.2 mb/d in March, up from 880 kb/d in January.

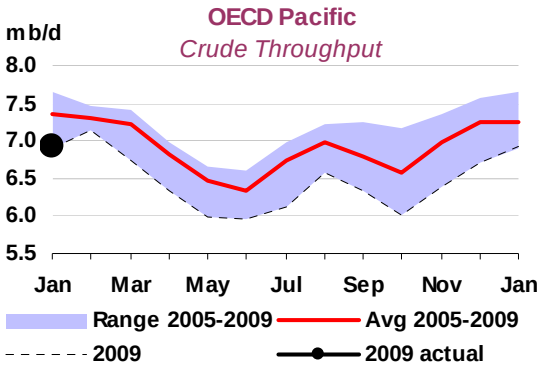


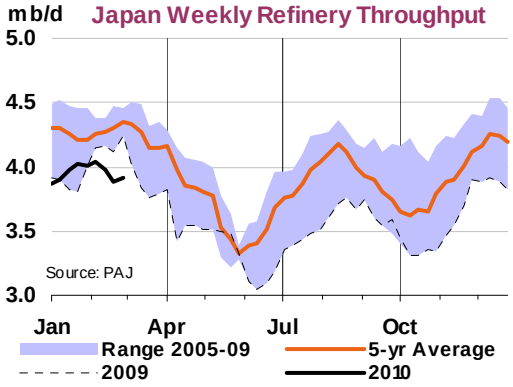


European refinery news was dominated by the 8-day strike at Total's French refineries in February, which threatened to disrupt regional fuel supplies. Workers at Total's six refineries walked out in protest on 17 February over the uncertain future of the 140 kb/d Dunkirk refinery, which has been idled since September on poor economics. Workers at Total's five other refineries (Donges, La Mede, Grandpuits, Feyzin and Gonfreville) returned to work as Total pledged not to close or divest any further refineries in France in the next five years. At the site of the Dunkirk refinery, which will be closed permanently and

dismantled by 2013, a training and technical support centre will be created in order to preserve jobs. Although some news reports of panic buying and gas stations running out of fuel emerged, supply disruptions were limited with less than 5% of fuel stations running out of one or more products. Total had earlier said it would shed 500 kb/d of refinery capacity by 2011, and speculations are that in addition to permanently closing Dunkirk, Total could sell its UK Lindsey plant to meet its key target.

Preliminary data for January and February indicate that refinery activity in the **OECD Pacific** ran at higher levels than previously thought. January crude runs have been revised up by 250 kb/d, following higher throughput data for South Korea (+114 kb/d) and Australia (+83 kb/d) in particular. February was likewise revised higher by 240 kb/d following the publication of weekly Japanese data. Runs there are now thought to have averaged 3.95 mb/d, representing a capacity utilisation rate of 82.4%. This is a 1 percentage point increase in utilisation from January, albeit partly exaggerated due to some capacity closures from early February.

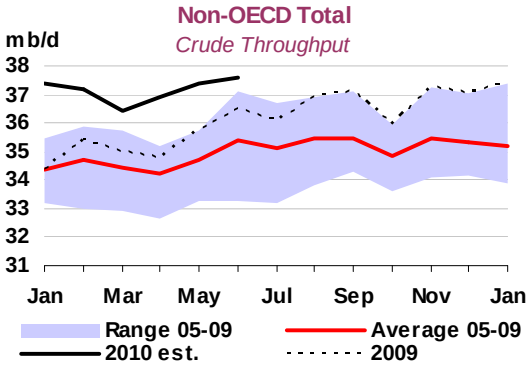


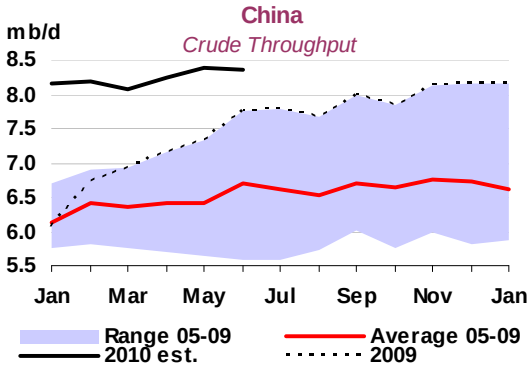


In light of the higher reported throughput levels and more information on refinery maintenance, we have also raised our Pacific forecast for March and April. Some maintenance previously slated for April is now only expected in May and June, and as a result, the April outlook has been increased by about 400 kb/d. The region is expected to hit peak maintenance in May, with an estimated 1.2 mb/d of capacity offline followed by 1.1 mb/d in June. This includes the permanent closure of 100 kb/d of capacity by Cosmo Oil effective February 2010, including the Chiba (20 kb/d), Yokkaichi (50 kb/d) and Sakaide (30 kb/d) refineries. Japanese refiners have announced another 720 kb/d of capacity cuts by 2015, led by Nippon Oil and Japan Energy. The two companies are planning to cut their combined capacity of 1.8 mb/d by 30% before the end of 2015, with more than 500 kb/d scheduled to be shut before the end of next year.

Non-OECD Refinery Throughput

Non-OECD refinery runs have been revised lower by 290 kb/d for 1Q10, to average 37.0 mb/d, following disappointing run data for a number of countries for the tail end of 2009 and heavier than previously assumed outages early in the year. 1Q10 still sees a massive 2.1 mb/d increase from the previous year,



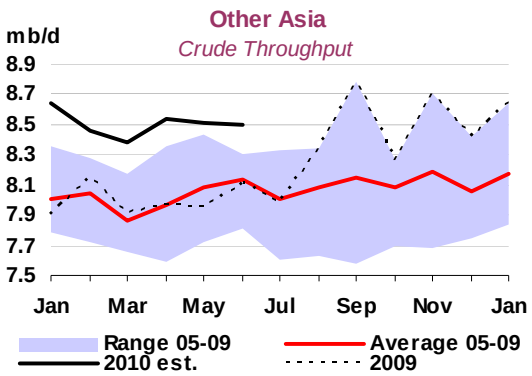


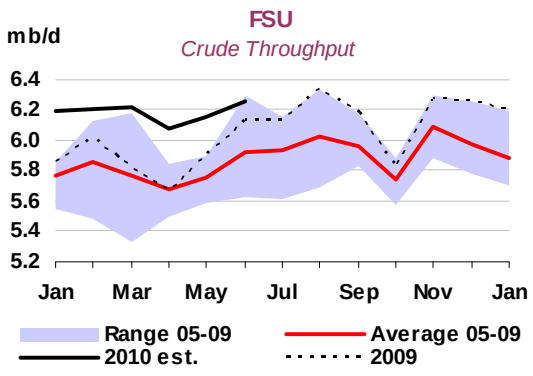
as refiners in China and Other Asia utilise new capacity to gain market share at the expense of refiners in OECD countries. 4Q09 non-OECD refinery runs are now estimated to have averaged 36.8 mb/d, 240 kb/d lower than our previous estimate. Runs were still 1.5 mb/d higher than 4Q08, as refiners in Other Asia and China increased runs sharply. 2Q10 throughputs are seen increasing by 290 kb/d as runs in Asia continue to rise and activity in Latin America rebounds from reduced 1Q10 levels.

January Chinese refinery runs have been held steady from December's record levels of 8.2 mb/d. Official data from the National Bureau of Statistics (NBS) were delayed due to the New Year celebrations and not available in time to be included in this report. Subsequently released data, however, revealed January refinery runs lower than our assumption (at 8.0 mb/d) while February runs reached record highs (8.3 mb/d), implying a net change of -20 kb/d to our 1Q10 estimate. February's record high was in part supported by a decision by Chinese state-controlled refiner Sinopec to start subsidising its refineries to export products in February, as weak demand and increasing inventories pressure domestic markets. Sinopec's move will encourage refiners to keep operating rates high, despite the fact that mounting crude prices in recent weeks have diminished Chinese refining margins. Throughputs are expected to decline from these high levels in March, when several major refineries on the eastern and southern coasts plan maintenance to reduce the current product overhang.

Other Asian throughputs were revised lower for December following the submission of data for several countries through JODI. Throughputs fell short of expectations in Malaysia, Indonesia, Taiwan and the Philippines (-350 kb/d combined), and the lower runs have largely been carried forward to 2010. Reports of maintenance at India's MPRL's Mangalore and IOC's Chennai refineries in February and March have also been included in our forecast, reducing runs by a further 260 kb/d and 400 kb/d respectively.

Indian refinery runs averaged 3.8 mb/d in January, 100 kb/d higher than December and 550 kb/d higher than January 2009. Reported refinery maintenance was low in January with only 30 kb/d reported (down from 266 kb/d in December).





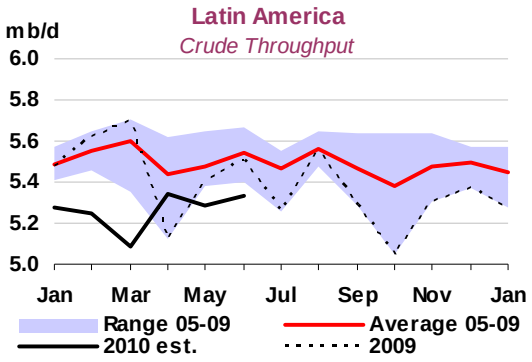
FSU throughputs have been revised marginally lower for the first quarter. Runs are now expected to average 6.2 mb/d, 90 kb/d higher than the previous quarter and an increase of 300 kb/d from 1Q09. **Russian** refinery runs were reported at 4.9 mb/d in January, 70 kb/d higher than a month earlier and 300 kb/d higher than in January 2009. The largest monthly increase came from Lukoil's Norsi refinery, which operated at 339 kb/d for the month compared with 263 kb/d in Dec and 228 kb/d in November.

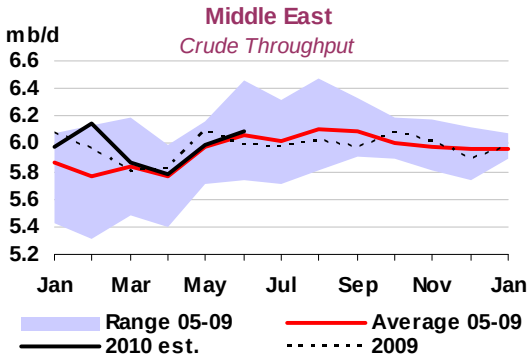
Throughputs in Kazakhstan averaged 278 kb/d in January, down 15.4% from December but still 37% higher than a year earlier. The Atyrau and Pavlodar refineries reduced their throughputs by 25 kb/d and 20 kb/d respectively. Kazakh refineries reportedly experienced interruptions to their crude supplies in early February, as Russian deliveries were halted amid uncertainties over export duties under the new customs union between Russia, Kazakhstan and Belarus.

Refineries in Belarus equally experienced difficulties with their Russian crude supplies in February. A recent agreement between the two countries allows for only 125 kb/d of crude on a tax-free basis, (equal to domestic consumption) to be exchanged against zero export duty on Russian product exports. The remaining crude shipped to Belarus, or two-thirds of oil Russian imports, is subject to a 100% export duty. Uncertainty over payment capabilities of the Belarus refiners has led several suppliers to re-route crude for March delivery. The 220 kb/d Mozyr refinery said it was forced to work below usual levels in February to leave some crude for March, when total deliveries should total only a third of the volumes originally scheduled.

Latin American crude runs have been revised lower by 180 kb/d for 1Q10, following an adjustment to our outages forecast for January and February and a larger revision (-340 kb/d) to March figures. Although we have incorporated more detailed outages data for a number of countries, the main changes have been made to the Netherlands Antilles and Chile. PDVSA's 320 kb/d Isla refinery in the **Netherland Antilles** (Curaçao) remains shut after a power outage on 1 March. The refinery had been closed for a few days prior to the outage due to workers' concerns over the refinery's future. Although the strike only lasted a few days, the refinery is likely to remain closed for several weeks after two of three air compressors failed at the restart.

Chile's refinery industry was hard hit when a massive earthquake devastated the country on 27 February and shut two of the country's three refineries. Chilean state-run company Enap's largest refinery, Refinería Bío Bío (116 kb/d), suffered structural damage and could, according to some reports, be off-line for at least a month. The company's second largest refinery, Refinería Aconcagua (104 kb/d), was expected to return to operation much sooner following the restoration of electrical power. Enap has deferred crude purchases scheduled from Ecuador, and instead contracted cargoes of diesel. Independent traders have also booked tankers to ship clean products from the US and Asia to prevent a potential shortfall in products while refinery operations are constrained.

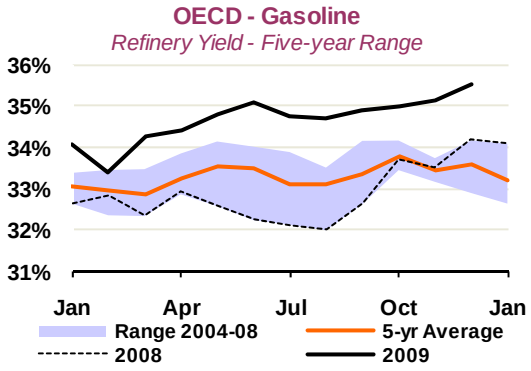


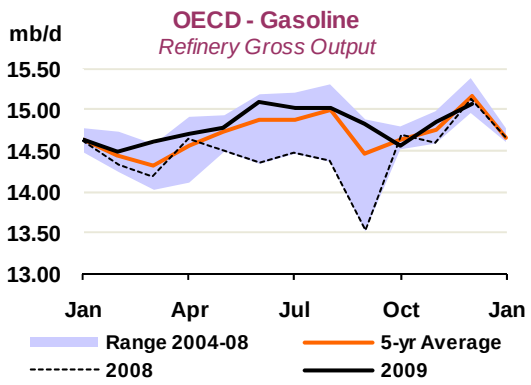


Middle Eastern refinery throughputs have been revised higher by 140 kb/d for 1Q10 as previously assumed February maintenance has been rescheduled for later in the year. Combined with work in Oman and Syria, maintenance at Saudi Arabia's 400 kb/d Yanbu refinery and the 190 kb/d Shuaiba refinery in Kuwait will cut an estimated 525 kb/d and 600 kb/d of operable capacity in March and April respectively. **Iraqi** throughputs are estimated to have averaged 540 kb/d in February, 40 kb/d lower than January's estimate, but 100 kb/d higher than February of last year. An attack on the pipeline carrying crude from Iraq's northern fields to the 110 kb/d Daura refinery in Baghdad on 9 February, reduced runs.

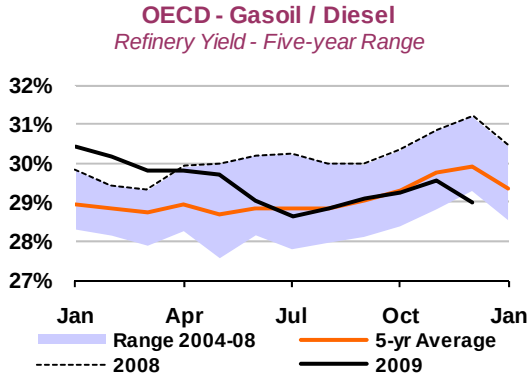
OECD Refinery Yields

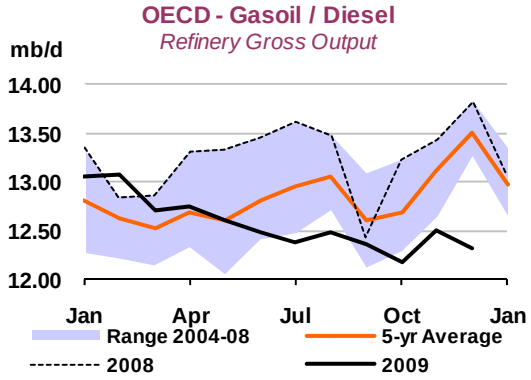
December OECD refinery yields increased for naphtha, gasoline, jet fuel/kerosene and fuel oil at the expense of gasoil/diesel and other products yields. Yearly patterns show how refiners in OECD countries are adapting to a depressed demand environment, which constrained 2009 refinery throughputs to an estimated 36.1 mb/d on average, 1.8 mb/d lower than the 2008 level.



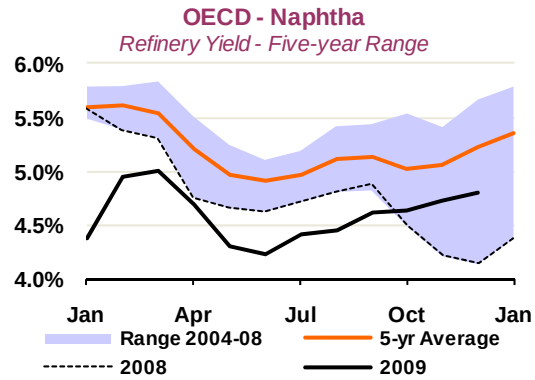


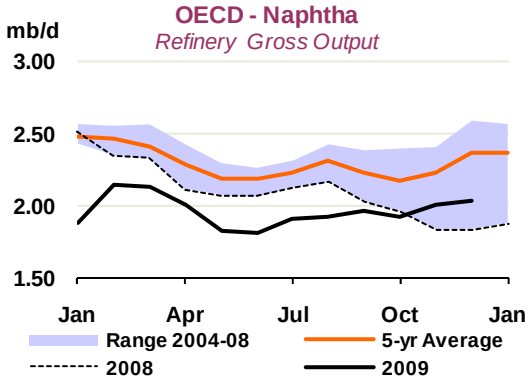
OECD gasoline yields continued trending upwards, reaching 35.5%, with yields in North America at 48.8%, their highest level in at least 10 years. However, gross output is trending along the five-year average. Refiners in Europe are constraining gasoline yields, which reached 22.2%, 0.5 percentage points below the five-year average. This yield combined with lower refinery throughputs resulted in gross output of 3.1 mb/d, 291 kb/d lower year-on-year and 490 kb/d lower than the five-year average. In the Pacific, yields are hovering above the five-year levels, with gross output at last year's level, 35 kb/d above the five-year range.





Gasoil/diesel yields fell from five-year-average levels to 29%, 2.2 percentage points below last year's level. Yields decreased counter-seasonally in Europe and North America but rose, again counter-seasonally, in the Pacific. Gross output fell 1.5 mb/d to 12.3 mb/d on a yearly basis, still reflecting brimming distillate stock levels. Gross output remains particularly subdued in Europe and North America, at 5.2 mb/d and 5.0 mb/d, respectively, equivalent to a year-on-year fall of 0.7 mb/d in each region.





Naphtha yields continued their upward trend, supported by stronger crack spreads across all regions and strong demand for petrochemical feedstock in the Pacific. Yields increased from a low of 4.2% in June 2009 to 4.8% in December. This level represents an increase of 0.7 percentage points on a yearly basis, but is still 0.4 percentage points below the five-year average level. Gross output remains subdued at 2.0 mb/d, 200 kb/d higher than last year's level but 320 kb/d below the five-year average.

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

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.2	23.6	23.3	23.4	23.1	23.5	23.5	23.4
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.4	14.5	14.3	14.3	14.6	14.6	14.5
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	8.0	7.7	8.1	7.1	7.1	7.8	7.5
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.6	44.4	45.0	46.0	45.5	45.8	44.5	45.2	45.9	45.4
NON-OECD DEMAND																	
FSU	4.0	4.1	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	4.0	3.9	4.2	4.0	4.2	4.1	4.1
Europe	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.9	8.5	9.0	9.1	9.0	9.0	9.0
Other Asia	9.0	9.5	10.0	9.9	9.4	9.5	9.7	10.0	10.1	9.8	10.1	10.0	10.3	10.4	10.1	10.4	10.3
Latin America	5.4	5.7	5.7	6.0	6.0	5.9	5.9	5.7	5.9	6.1	6.1	6.0	5.9	6.2	6.3	6.3	6.2
Middle East	6.3	6.5	6.7	7.1	7.6	7.0	7.1	6.7	7.3	7.8	7.1	7.2	7.1	7.6	8.0	7.4	7.5
Africa	3.0	3.1	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3
Total Non-OECD	35.7	37.3	38.5	39.0	39.2	38.0	38.7	37.9	39.7	40.3	40.1	39.5	40.5	41.4	41.6	41.3	41.2
Total Demand[1]	85.3	86.5	87.4	86.3	85.9	85.4	86.2	84.5	84.1	85.3	86.1	85.0	86.3	85.9	86.8	87.2	86.6
OECD SUPPLY																	
North America[4]	14.2	14.3	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.2	14.2	13.8	14.1	14.1
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.4	4.1	4.0	4.2	4.2
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.1	19.2	19.7	19.4	19.4	19.0	18.6	18.9	19.0
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.6	13.6	13.4	13.6	13.5
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	3.9	4.0	4.0	3.9
Other Asia[2]	3.7	3.7	3.7	3.6	3.6	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America[2,4]	3.9	3.9	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.8	4.6
Middle East	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5
Total Non-OECD	28.0	28.5	28.8	28.8	28.7	28.8	28.8	29.0	29.3	29.5	29.7	29.4	30.0	30.1	30.1	30.5	30.2
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.4	50.9	51.1	50.9	50.2	50.8	50.7	51.4	51.1	51.4	52.1	51.5	52.0	51.8	51.4	52.1	51.8
Non-OPEC: Historical Composition[2]	51.4	50.4	50.1	49.9	49.2	49.8	49.7	51.4	51.1	51.4	52.1	51.5	52.0	51.8	51.4	52.1	51.8
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.6	28.5	28.8	29.0	28.7					
NGLs	4.3	4.3	4.3	4.4	4.4	4.5	4.4	4.6	4.5	4.7	4.8	4.7	5.1	5.2	5.6	5.8	5.5
Total OPEC[2]	35.0	34.6	35.9	35.7	35.9	35.0	35.6	33.1	33.0	33.5	33.8	33.4					
OPEC: Historical Composition[2]	34.1	35.1	36.9	36.7	36.9	36.0	36.6	33.1	33.0	33.5	33.8	33.4					
Total Supply[6]	85.4	85.5	87.0	86.6	86.1	85.8	86.4	84.5	84.1	84.9	85.9	84.9					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.0	0.3	0.6	0.4	0.4	0.5	0.1	0.2	-1.2	-0.1					
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1					
Total	0.3	-0.2	0.1	0.3	0.6	0.4	0.4	0.7	0.3	0.3	-1.2	0.0					
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.0	0.5	0.3					
Miscellaneous to balance[7]	0.0	-0.8	-0.9	0.0	0.0	0.0	-0.2	-1.3	-0.5	-0.7	0.5	-0.5					
Total Stock Ch. & Misc	0.2	-1.0	-0.4	0.3	0.2	0.4	0.1	0.0	0.0	-0.3	-0.2	-0.1					
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.6	31.3	32.0	31.1	31.3	30.1	31.1	28.6	28.5	29.2	29.2	28.9	29.2	28.9	29.8	29.3	29.3
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.2	30.0	30.9	27.3	28.0	28.5	29.6	28.4	28.9	28.5	29.4	28.9	28.9

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.5	-	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	0.1	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.3	-	-	-0.1	-0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.1	-0.1	-	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.6	0.1	-0.1	0.1	0.2
Total Demand	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.3	0.1	-0.1	-	0.1
OECD SUPPLY																	
North America	-	-	0.1	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	0.1	-	-	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.2
Non-OPEC: historical composition	-	-	-	-	-	0.1	-	-	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	0.1	-	-	0.2	0.1	0.1	0.1					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	0.1	-0.1	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	0.1	-0.1	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-	-	0.1	-	-	0.1	-	-	0.2	0.1	-	0.1					
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	0.2	0.1	-0.1	-					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-0.2	-0.1	0.1	-	0.2	-0.1	-0.4	-0.2	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-0.1	0.1	-	0.2	-0.1	-0.4	-0.2	-0.1

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.25	23.57	23.31	23.41	23.10	23.49	23.51	23.38
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.90	14.24	14.46	14.39	14.50	14.31	14.29	14.61	14.60	14.46
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	8.02	7.68	8.08	7.15	7.12	7.80	7.53
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.56	44.45	44.98	45.98	45.49	45.80	44.54	45.22	45.91	45.37
Asia	17.11	17.84	17.87	17.51	17.12	17.58	17.63	18.72	18.62	19.03	18.50	19.27	19.58	19.13	19.40	19.35
Middle East	6.53	6.72	7.13	7.57	6.95	7.10	6.71	7.31	7.76	7.14	7.23	7.06	7.59	8.04	7.44	7.53
Latin America	5.69	5.71	5.96	6.04	5.92	5.91	5.75	5.94	6.05	6.11	5.96	5.94	6.16	6.25	6.28	6.16
FSU	4.15	4.23	4.06	4.26	4.06	4.15	3.89	3.79	4.00	3.95	3.91	4.20	3.98	4.17	4.13	4.12
Africa	3.07	3.20	3.19	3.14	3.22	3.19	3.23	3.21	3.16	3.19	3.20	3.33	3.31	3.26	3.34	3.31
Europe	0.77	0.77	0.75	0.72	0.75	0.75	0.73	0.73	0.71	0.69	0.71	0.74	0.75	0.73	0.72	0.73
Total Non-OECD	37.32	38.47	38.96	39.23	38.03	38.67	37.93	39.70	40.29	40.11	39.52	40.54	41.37	41.58	41.32	41.20
World	86.51	87.43	86.32	85.87	85.36	86.24	84.49	84.15	85.27	86.08	85.01	86.33	85.91	86.80	87.23	86.57
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.86	18.77	18.78	18.67	18.82	18.79	18.77
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.41	8.85	8.92	8.88	9.01	8.86	8.81	8.93	8.97	8.89
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.84	8.92	8.51	9.00	9.15	9.00	9.00	9.03
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.59	4.36	4.64	3.86	3.94	4.36	4.20
India	3.00	3.25	3.18	2.97	3.14	3.14	3.40	3.35	3.14	3.35	3.31	3.40	3.45	3.25	3.45	3.39
Russia	2.89	2.90	2.82	3.02	2.78	2.88	2.64	2.60	2.80	2.73	2.69	2.91	2.76	2.94	2.87	2.87
Brazil	2.35	2.37	2.46	2.53	2.51	2.47	2.39	2.48	2.58	2.64	2.52	2.49	2.59	2.67	2.72	2.62
Saudi Arabia	2.17	2.22	2.47	2.71	2.27	2.42	2.23	2.78	3.00	2.50	2.63	2.43	2.89	3.14	2.64	2.78
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.16	2.25	2.17	2.25	2.13	2.27	2.28	2.23
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.29	2.22	2.33	2.17	2.06	2.28	2.21
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.14	2.08	2.06	2.02	2.11	2.13	2.08
Iran	1.72	1.86	1.89	1.86	1.83	1.86	1.77	1.73	1.73	1.75	1.74	1.83	1.82	1.82	1.84	1.83
Total	61.58	62.24	60.99	60.41	60.21	60.96	59.77	59.24	60.13	60.90	60.01	61.00	60.31	60.94	61.34	60.90
% of World	71.2%	71.2%	70.7%	70.4%	70.5%	70.7%	70.7%	70.4%	70.5%	70.7%	70.6%	70.7%	70.2%	70.2%	70.3%	70.3%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.4	-1.5	-3.6	-0.5	0.8	1.0	-0.2	0.3
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.5	-5.6	-6.8	-6.8	-5.4	-4.0	0.4	1.0	1.5	-0.3
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	0.6	-4.8	-0.8	-2.1	-2.1	-2.7	-1.9
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.1	-3.5	-2.9	-4.4	-1.6	0.2	0.5	-0.1	-0.3
Asia	5.1	5.8	3.0	3.6	-1.3	2.7	-1.2	4.7	6.3	11.2	5.2	9.3	4.6	2.7	1.9	4.6
Middle East	3.2	4.9	9.2	12.4	7.6	8.6	-0.2	2.5	2.5	2.6	1.9	5.2	3.7	3.7	4.2	4.2
Latin America	5.5	4.8	5.2	3.9	1.6	3.8	0.6	-0.4	0.2	3.2	0.9	3.4	3.8	3.3	2.9	3.3
FSU	2.7	2.4	2.6	1.4	-5.7	0.1	-8.1	-6.7	-6.0	-2.6	-5.9	8.0	5.1	4.1	4.5	5.4
Africa	4.0	3.2	5.4	4.0	2.6	3.8	1.2	0.7	0.5	-1.0	0.3	2.9	3.1	3.3	5.0	3.6
Europe	3.6	1.0	0.3	-6.7	-4.5	-2.5	-5.3	-1.9	-1.8	-7.8	-4.2	1.3	2.3	3.3	4.0	2.7
Total Non-OECD	4.4	4.8	4.5	4.8	0.4	3.6	-1.4	1.9	2.7	5.5	2.2	6.9	4.2	3.2	3.0	4.3
World	1.5	1.1	1.0	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.8	-1.4	2.2	2.1	1.8	1.3	1.8
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.33	-0.37	-0.86	-0.11	0.19	0.24	-0.05	0.07
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.39	-0.84	-1.06	-1.04	-0.83	-0.59	0.05	0.15	0.21	-0.04
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	0.04	-0.39	-0.06	-0.15	-0.15	-0.22	-0.15
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.40	-2.91	-1.65	-1.36	-2.08	-0.76	0.09	0.24	-0.06	-0.12
Asia	0.83	0.98	0.52	0.61	-0.23	0.47	-0.21	0.85	1.11	1.91	0.92	1.65	0.86	0.51	0.37	0.84
Middle East	0.20	0.32	0.60	0.84	0.49	0.56	-0.02	0.18	0.19	0.18	0.14	0.35	0.27	0.29	0.30	0.30
Latin America	0.30	0.26	0.29	0.23	0.10	0.22	0.03	-0.02	0.01	0.19	0.05	0.19	0.22	0.20	0.18	0.20
FSU	0.11	0.10	0.10	0.06	-0.25	0.00	-0.34	-0.27	-0.25	-0.11	-0.24	0.31	0.19	0.16	0.18	0.21
Africa	0.12	0.10	0.16	0.12	0.08	0.12	0.04	0.02	0.02	-0.03	0.01	0.09	0.10	0.10	0.16	0.11
Europe	0.03	0.01	0.00	-0.05	-0.04	-0.02	-0.04	-0.01	-0.01	-0.06	-0.03	0.01	0.02	0.02	0.03	0.02
Total Non-OECD	1.59	1.77	1.68	1.81	0.16	1.35	-0.54	0.74	1.06	2.08	0.84	2.61	1.67	1.29	1.21	1.69
World	1.26	0.98	0.82	-0.44	-2.39	-0.26	-2.94	-2.17	-0.59	0.72	-1.24	1.84	1.76	1.53	1.15	1.57
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.03	0.05	-0.02	-0.02	-0.06	-0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01	-0.15	-0.04	-0.46	-0.02	-0.02	-0.09	-0.15
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.01	0.11	0.00	-0.01	0.08	0.04
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01	0.01	0.00	-0.31	-0.04	-0.05	-0.08	-0.12
Asia	0.00	0.02	0.03	0.03	0.02	0.02	0.03	0.03	0.03	0.15	0.06	0.47	0.13	-0.03	0.07	0.16
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.02	-0.03	-0.02	-0.02
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.04	0.01	0.00	0.00	-0.01	0.04	0.01
FSU	0.00	-0.01	-0.01	-0.01	-0.02	-0.01	0.00	0.02	-0.01	0.07	0.02	0.14	0.04	0.02	0.06	0.06
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	-0.01	-0.02	-0.01	-0.01	-0.03	-0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	-0.01	0.00	0.00	-0.01	0.00
Total Non-OECD	0.00	0.02	0.02	0.02	0.00	0.02	0.03	0.04	0.00	0.20	0.07	0.57	0.13	-0.06	0.11	0.19
World	0.00	0.02	0.02	0.02	0.00	0.02	0.03	0.05	0.00	0.20	0.07	0.26	0.09	-0.10	0.03	0.07
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.02	0.02	0.02	0.00	0.02	0.01	0.03	-0.02	0.20	0.05	0.24	0.04	-0.10	-0.17	0.00

* France, Germany, Italy, Spain and UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	3Q09	4Q09	1Q10	2Q10	3Q10	Dec 09	Jan 10	Feb 10
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.92		7.94	7.94				7.86	7.94	7.90
Iran	3.90	3.74		3.77	3.69				3.72	3.70	3.74
Iraq	2.38	2.45		2.55	2.45				2.48	2.43	2.54
UAE	2.59	2.27		2.27	2.28				2.28	2.29	2.28
Kuwait	2.31	2.01		1.97	2.02				2.03	2.03	2.03
Neutral Zone	0.57	0.54		0.54	0.53				0.52	0.52	0.52
Qatar	0.85	0.77		0.76	0.78				0.80	0.80	0.82
Angola	1.85	1.77		1.80	1.88				1.85	1.89	1.95
Nigeria	1.95	1.82		1.76	1.96				2.01	2.00	1.98
Libya	1.72	1.55		1.55	1.52				1.52	1.52	1.53
Algeria	1.36	1.25		1.24	1.24				1.25	1.25	1.25
Ecuador	0.50	0.47		0.46	0.46				0.46	0.46	0.47
Venezuela	2.35	2.16		2.20	2.20				2.19	2.22	2.23
Total Crude Oil[6]	31.23	28.71		28.82	28.96				28.97	29.04	29.24
Total NGLs[1,6]	4.40	4.65	5.46	4.70	4.82	5.13	5.24	5.61	4.82	5.13	5.13
Total OPEC[6]	35.63	33.36		33.52	33.78				33.79	34.18	34.37
OPEC: Historical Composition[6]	36.63	33.36		33.52	33.78				33.79	34.18	34.37
NON-OPEC[2]											
OECD											
North America	13.94	14.26	14.07	14.27	14.52	14.25	14.19	13.81	14.50	14.14	14.39
United States[5]	7.52	8.07	8.02	8.13	8.32	8.10	8.15	7.92	8.28	8.04	8.18
Mexico	3.16	2.97	2.89	2.94	2.95	2.97	2.92	2.84	2.97	2.99	2.97
Canada	3.25	3.22	3.17	3.21	3.24	3.17	3.12	3.05	3.25	3.10	3.25
Europe	4.75	4.52	4.18	4.23	4.51	4.43	4.13	4.03	4.49	4.39	4.43
UK	1.56	1.47	1.32	1.26	1.46	1.41	1.31	1.23	1.46	1.36	1.44
Norway	2.46	2.38	2.21	2.32	2.41	2.36	2.15	2.13	2.39	2.37	2.32
Others	0.72	0.66	0.66	0.66	0.64	0.66	0.67	0.66	0.64	0.65	0.66
Pacific	0.65	0.65	0.72	0.67	0.65	0.67	0.72	0.73	0.64	0.67	0.67
Australia	0.55	0.55	0.60	0.57	0.55	0.56	0.61	0.61	0.54	0.56	0.55
Others	0.10	0.10	0.11	0.10	0.10	0.11	0.11	0.11	0.10	0.11	0.11
Total OECD	19.33	19.43	18.97	19.18	19.68	19.35	19.04	18.56	19.63	19.20	19.49
NON-OECD											
Former USSR	12.82	13.27	13.54	13.36	13.48	13.56	13.60	13.41	13.43	13.47	13.61
Russia	10.01	10.21	10.36	10.26	10.36	10.38	10.36	10.33	10.36	10.36	10.39
Others	2.80	3.06	3.19	3.10	3.12	3.18	3.24	3.07	3.08	3.11	3.22
Asia	7.45	7.41	7.65	7.45	7.45	7.54	7.61	7.71	7.48	7.40	7.60
China	3.79	3.79	3.94	3.83	3.81	3.88	3.93	3.97	3.79	3.78	3.93
Malaysia	0.77	0.74	0.71	0.74	0.72	0.72	0.71	0.70	0.74	0.72	0.71
India	0.81	0.80	0.87	0.80	0.81	0.81	0.84	0.90	0.82	0.80	0.81
Indonesia	1.00	0.98	0.99	0.98	0.98	0.98	0.99	0.99	0.99	0.98	0.99
Others	1.08	1.10	1.15	1.10	1.12	1.15	1.15	1.15	1.15	1.13	1.15
Europe	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.12	0.13	0.13	0.13
Latin America	4.13	4.32	4.62	4.30	4.42	4.51	4.56	4.65	4.44	4.47	4.53
Brazil[5]	2.37	2.49	2.70	2.49	2.53	2.61	2.66	2.73	2.54	2.56	2.63
Argentina	0.75	0.72	0.70	0.70	0.72	0.72	0.71	0.70	0.71	0.72	0.71
Colombia	0.59	0.67	0.78	0.67	0.73	0.75	0.76	0.79	0.74	0.74	0.75
Others	0.42	0.43	0.44	0.43	0.44	0.44	0.44	0.43	0.44	0.44	0.44
Middle East[3]	1.64	1.68	1.68	1.70	1.69	1.67	1.68	1.69	1.69	1.66	1.66
Oman	0.75	0.81	0.86	0.83	0.83	0.83	0.85	0.87	0.84	0.82	0.83
Syria	0.39	0.38	0.36	0.37	0.37	0.37	0.36	0.36	0.37	0.37	0.37
Yemen	0.30	0.30	0.28	0.30	0.29	0.28	0.28	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.60	2.55	2.54	2.55	2.53	2.55	2.54	2.54	2.53	2.55	2.55
Egypt	0.70	0.69	0.68	0.68	0.67	0.68	0.68	0.68	0.67	0.68	0.68
Gabon	0.21	0.23	0.24	0.23	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Others	1.68	1.64	1.63	1.64	1.61	1.63	1.63	1.63	1.62	1.64	1.63
Total Non-OECD	28.78	29.38	30.17	29.50	29.69	29.95	30.11	30.13	29.70	29.68	30.08
Processing Gains[4]	2.24	2.29	2.20	2.29	2.29	2.20	2.20	2.20	2.29	2.20	2.20
Other Biofuels[5]	0.39	0.41	0.48	0.44	0.45	0.45	0.46	0.51	0.46	0.45	0.45
TOTAL NON-OPEC[6]	50.75	51.50	51.82	51.40	52.11	51.96	51.81	51.40	52.07	51.53	52.22
Non-OPEC: Historical Composition[6]	49.75	51.50	51.82	51.40	52.11	51.96	51.81	51.40	52.07	51.53	52.22
TOTAL SUPPLY	86.38	84.86		84.93	85.88				85.86	85.71	86.59

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Sep2009	Oct2009	Nov2009	Dec2009	Jan2010*	Jan2007	Jan2008	Jan2009	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	477.6	482.5	483.4	469.4	474.4	459.7	434.7	496.9	0.49	-0.15	-0.21	-0.09
Motor Gasoline	240.9	237.7	251.2	252.8	263.1	255.9	262.4	248.0	0.06	-0.05	-0.03	0.13
Middle Distillate	249.2	243.4	244.1	238.7	237.3	210.6	207.4	217.0	0.00	0.19	0.16	-0.11
Residual Fuel Oil	44.1	42.7	43.6	45.2	47.6	50.9	47.0	42.7	0.03	-0.03	-0.01	0.01
Total Products[3]	743.2	720.0	714.7	696.1	689.7	687.6	670.2	678.4	0.02	0.42	0.21	-0.51
Total[4]	1387.7	1368.2	1354.0	1309.2	1310.9	1288.6	1243.0	1324.1	0.53	0.39	0.05	-0.85
Europe												
Crude	330.1	323.4	346.2	337.8	341.4	309.9	331.6	343.7	0.15	-0.14	-0.14	0.08
Motor Gasoline	100.5	101.9	102.9	107.3	114.4	116.1	120.4	109.3	-0.07	-0.03	0.01	0.07
Middle Distillate	290.5	283.7	295.1	288.0	299.5	270.7	251.0	274.4	0.03	0.06	0.10	-0.03
Residual Fuel Oil	69.4	66.0	68.8	71.7	69.4	81.6	78.1	80.2	-0.07	0.01	-0.05	0.02
Total Products[3]	569.3	558.8	571.9	573.7	590.2	572.3	557.8	570.1	-0.14	-0.01	0.13	0.05
Total[4]	967.3	950.6	983.8	976.1	999.2	955.8	960.7	988.6	-0.04	-0.19	-0.01	0.10
Pacific												
Crude	165.9	165.5	167.2	160.5	161.5	173.4	167.4	171.5	0.08	0.00	-0.05	-0.06
Motor Gasoline	25.1	24.8	25.1	22.9	25.8	26.4	22.9	22.4	0.06	0.00	-0.01	-0.02
Middle Distillate	72.5	68.6	69.2	62.2	64.4	81.3	69.4	64.6	-0.09	0.06	0.11	-0.11
Residual Fuel Oil	21.3	21.1	19.2	18.6	19.0	21.7	20.0	20.7	0.00	-0.01	0.03	-0.03
Total Products[3]	185.2	180.1	177.4	160.7	167.5	192.9	175.4	169.4	-0.07	-0.05	0.22	-0.27
Total[4]	419.2	410.1	407.3	382.9	392.6	440.2	416.5	409.0	0.01	-0.08	0.20	-0.39
Total OECD												
Crude	973.7	971.4	996.8	967.7	977.3	943.0	933.7	1012.0	0.72	-0.28	-0.40	-0.07
Motor Gasoline	366.5	364.4	379.2	383.0	403.3	398.4	405.7	379.7	0.06	-0.09	-0.03	0.18
Middle Distillate	612.2	595.7	608.4	588.9	601.2	562.6	527.7	556.1	-0.06	0.31	0.37	-0.25
Residual Fuel Oil	134.8	129.8	131.5	135.4	136.0	154.2	145.1	143.5	-0.03	-0.04	-0.03	0.01
Total Products[3]	1497.7	1458.8	1464.0	1430.5	1447.3	1452.8	1403.4	1418.0	-0.19	0.36	0.56	-0.73
Total[4]	2774.2	2729.0	2745.1	2668.3	2702.7	2684.5	2620.1	2721.8	0.51	0.12	0.24	-1.15

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Sep2009	Oct2009	Nov2009	Dec2009	Jan2010*	Jan2007	Jan2008	Jan2009	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	725.1	725.1	726.1	726.6	726.6	688.6	698.4	703.8	0.12	0.12	0.01	0.02
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	186.3	185.6	183.7	184.2	184.2	174.4	184.2	186.4	0.01	-0.01	0.00	-0.02
Products	241.4	239.7	241.0	240.8	240.8	235.9	234.6	232.9	0.06	0.05	0.03	-0.01
Pacific												
Crude	388.4	388.4	388.8	389.0	389.0	384.6	385.1	389.2	0.02	0.00	-0.01	0.01
Products	19.2	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.00	0.00	0.01
Total OECD												
Crude	1299.8	1299.1	1298.5	1299.8	1299.8	1247.6	1267.6	1279.4	0.16	0.11	0.00	0.00
Products	262.5	261.8	263.0	262.8	262.8	254.3	255.5	254.0	0.06	0.05	0.03	0.00
Total[4]	1564.0	1562.3	1563.0	1564.1	1564.1	1502.9	1524.8	1534.4	0.23	0.15	0.03	0.00

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2008		End March 2009		End June 2009		End September 2009		End December 2009 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	193.9	88	197.7	95	197.9	92	195.9	87	193.1	-
Mexico	50.3	25	45.5	23	48.1	23	50.2	23	44.5	-
United States[4]	1738.7	92	1797.0	97	1841.0	99	1846.5	98	1778.1	-
Total[4]	2005.1	86	2062.3	90	2109.1	91	2114.7	90	2037.8	87
Pacific										
Australia	41.4	45	40.8	43	40.5	43	44.9	46	40.0	-
Japan	629.6	133	611.3	152	611.2	149	607.3	132	588.8	-
Korea	134.9	58	155.2	72	149.1	72	167.0	73	155.0	-
New Zealand	7.9	51	9.5	61	8.5	56	7.5	47	8.1	-
Total	813.8	100	816.8	112	809.3	111	826.8	103	791.9	98
Europe[5]										
Austria	21.4	77	19.9	74	19.8	71	20.8	77	21.8	-
Belgium	34.9	56	34.3	62	33.6	56	34.2	52	34.4	-
Czech Republic	21.4	114	22.7	111	22.0	98	21.8	103	21.5	-
Denmark	22.9	131	25.1	152	26.4	161	25.0	153	25.5	-
Finland	30.7	147	33.5	167	26.6	128	29.3	141	33.1	-
France	179.2	89	177.6	98	172.9	95	174.0	93	174.9	-
Germany	277.4	108	277.7	116	280.2	117	276.7	116	284.1	-
Greece	40.0	83	36.7	93	35.9	94	35.5	89	35.0	-
Hungary	15.0	100	15.7	100	15.1	93	14.4	88	14.3	-
Ireland	11.4	63	11.5	74	11.7	78	12.4	72	11.4	-
Italy	127.9	83	131.0	86	129.1	82	129.0	82	125.6	-
Luxembourg	0.7	14	0.7	14	0.8	16	0.8	15	0.8	-
Netherlands	129.2	128	129.8	134	136.8	141	136.6	137	139.1	-
Norway	29.9	143	24.0	108	23.6	122	24.7	138	21.9	-
Poland	58.1	119	58.9	111	63.1	106	64.8	114	64.0	-
Portugal	24.7	92	25.0	90	24.8	91	24.5	91	26.2	-
Slovak Republic	8.8	122	9.8	123	8.4	99	8.3	102	8.3	-
Spain	137.6	89	137.8	94	135.6	92	135.0	93	132.6	-
Sweden	37.4	116	40.8	125	39.5	122	38.5	122	39.0	-
Switzerland	36.3	120	36.8	133	38.0	148	38.2	133	37.0	-
Turkey	60.9	110	59.2	97	58.8	93	57.8	111	57.6	-
United Kingdom	98.8	57	100.4	60	91.7	55	94.2	59	94.5	-
Total	1404.6	94	1408.8	98	1394.5	96	1396.7	97	1402.6	98
Total OECD	4223.5	91	4287.9	96	4312.9	96	4338.3	94	4232.3	92
DAYS OF IEA Net Imports[6]	-	130	-	133	-	134	-	135	-	145

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End December 2009 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand*[2]		
4Q2006	4167	1499	2669	84	30	54
1Q2007	4107	1507	2599	85	31	54
2Q2007	4165	1506	2659	85	31	54
3Q2007	4171	1520	2651	83	30	53
4Q2007	4091	1524	2567	83	31	52
1Q2008	4101	1529	2571	86	32	54
2Q2008	4128	1526	2602	88	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4223	1527	2697	91	33	58
1Q2009	4288	1547	2741	96	35	62
2Q2009	4313	1561	2752	96	35	61
3Q2009	4338	1564	2774	94	34	60
4Q2009	4232	1564	2668	92	34	58

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 4Q2009 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	Oct 09	Nov 09	Dec 09	Year Earlier Dec 08	Year Earlier change
Saudi Light & Extra Light												
North America	0.60	0.73	0.70	0.58	0.51	0.44	0.54	0.69	0.42	0.51	0.79	-0.28
Europe	0.78	0.70	0.70	0.57	0.60	0.57	0.61	0.58	0.71	0.55	0.49	0.06
Pacific	1.32	1.19	1.22	1.40	1.16	1.23	1.32	1.14	1.45	1.37	1.29	0.08
Saudi Medium												
North America	0.64	0.56	0.64	0.42	0.45	0.41	0.34	0.28	0.36	0.37	0.64	-0.27
Europe	0.14	0.05	0.05	0.03	0.02	0.01	0.02	0.02	-	0.04	0.05	-0.01
Pacific	0.35	0.34	0.39	0.34	0.33	0.35	0.33	0.27	0.40	0.31	0.37	-0.05
Saudi Heavy												
North America	0.21	0.09	0.07	0.04	0.02	0.02	0.03	0.08	-	0.02	0.03	-0.01
Europe	0.18	0.11	0.09	0.03	0.03	0.01	0.01	0.00	0.02	0.00	0.12	-0.12
Pacific	0.23	0.20	0.24	0.22	0.15	0.12	0.12	0.10	0.12	0.14	0.25	-0.11
Iraqi Basrah Light[2]												
North America	0.52	0.50	0.60	0.44	0.31	0.45	0.40	0.34	0.41	0.46	0.43	0.03
Europe	0.32	0.30	0.21	0.13	0.12	0.19	0.06	0.06	0.11	0.01	0.17	-0.17
Pacific	0.08	0.17	0.15	0.26	0.20	0.24	0.27	0.28	0.13	0.39	0.15	0.24
Iraqi Kirkuk												
North America	0.00	-	0.08	0.07	0.02	0.11	0.04	0.03	0.03	0.06	0.07	-0.02
Europe	0.01	0.11	0.23	0.26	0.34	0.34	0.29	0.38	0.22	0.27	0.18	0.09
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.26	0.27	0.23	0.15	0.16	0.13	0.16	0.06	0.27	0.16	0.26	-0.10
Pacific	0.13	0.09	0.08	0.11	0.06	0.06	0.06	0.06	0.03	0.10	0.09	0.00
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.58	0.56	0.49	0.33	0.41	0.48	0.37	0.42	0.39	0.29	0.30	0.00
Pacific	0.56	0.64	0.61	0.65	0.51	0.57	0.56	0.55	0.54	0.58	0.64	-0.06
Venezuelan Light & Medium												
North America	0.66	0.76	0.62	0.51	0.63	0.33	0.09	0.16	0.13	-	0.37	-
Europe	0.11	0.08	0.06	0.07	0.13	0.04	0.02	0.01	0.03	0.03	0.08	-0.04
Pacific	-	0.01	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.72	0.68	0.65	0.74	0.62	0.87	0.75	0.72	0.70	0.82	0.86	-0.04
Europe	0.06	0.07	0.07	0.07	0.06	0.06	0.08	0.13	0.06	0.06	0.07	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.24	1.22	1.02	1.06	0.96	0.87	0.82	0.83	0.80	0.83	0.90	-0.07
Europe	0.16	0.14	0.14	0.08	0.09	0.09	0.12	0.12	0.08	0.16	0.15	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.04	0.01	0.01	0.01	0.00	0.01	0.00	0.01	-	0.01	-	-
Europe	0.01	0.02	0.01	0.01	-	0.02	-	-	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.09	0.06	0.05	0.09	0.27	0.17	0.06	0.02	-	0.14	-	-
Europe	1.68	1.86	1.81	1.58	1.76	1.76	1.80	1.73	1.84	1.83	1.71	0.12
Pacific	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.79	0.88	0.68	0.47	0.40	0.63	0.67	0.61	0.61	0.77	0.51	0.26
Europe	0.33	0.24	0.29	0.25	0.39	0.30	0.34	0.28	0.41	0.33	0.35	-0.02
Pacific	0.04	0.01	-	-	0.01	-	0.01	-	-	0.02	-	-
Nigerian Medium												
North America	0.17	0.23	0.27	0.14	0.30	0.19	0.21	0.12	0.21	0.31	0.21	0.09
Europe	0.10	0.07	0.14	0.12	0.12	0.12	0.15	0.06	0.07	0.31	0.13	0.18
Pacific	0.00	0.01	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]

(thousand barrels per day)

	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	Oct-09	Nov-09	Dec-09	Year Earlier Dec-08	Year Earlier % change
Crude Oil												
North America	8194	8214	8046	7743	7541	7316	6721	6856	6909	6404	7258	-12%
Europe	9784	9685	9779	9001	9128	8793	8722	8533	8965	8676	9716	-11%
Pacific	6816	6718	6605	6559	5706	5960	6104	5831	6124	6358	6624	-4%
Total OECD	24794	24616	24429	23304	22376	22069	21547	21219	21998	21437	23923	-10%
LPG												
North America	14	28	29	28	11	9	5	6	0	8	31	-75%
Europe	264	276	268	251	250	249	256	242	260	267	272	-2%
Pacific	578	557	589	504	518	566	529	515	591	483	504	-4%
Total OECD	856	861	885	784	779	823	790	763	851	758	808	-6%
Naphtha												
North America	71	40	55	40	19	18	12	8	4	23	92	-75%
Europe	314	265	260	319	232	282	334	292	394	319	242	32%
Pacific	754	794	776	746	814	907	896	963	825	898	706	27%
Total OECD	1138	1099	1091	1105	1066	1207	1242	1263	1223	1240	1040	19%
Gasoline[3]												
North America	1143	1128	1078	996	889	843	790	820	815	737	988	-25%
Europe	160	203	218	239	280	247	177	1	218	313	214	46%
Pacific	96	73	90	120	71	97	96	100	102	85	117	-27%
Total OECD	1399	1404	1386	1355	1239	1187	1063	922	1134	1135	1319	-14%
Jet & Kerosene												
North America	161	183	63	80	45	67	56	77	56	36	45	-21%
Europe	374	372	402	454	464	453	428	533	348	400	454	-12%
Pacific	69	43	34	79	49	37	48	40	37	68	47	44%
Total OECD	603	598	500	612	558	556	532	650	441	503	546	-8%
Gasoil/Diesel												
North America	175	132	72	106	39	36	69	60	75	74	153	-52%
Europe	967	781	869	1224	964	970	1030	1107	1026	956	1076	-11%
Pacific	77	91	119	81	81	73	116	146	89	112	116	-4%
Total OECD	1219	1004	1060	1410	1084	1078	1215	1314	1189	1142	1345	-15%
Heavy Fuel Oil												
North America	343	323	286	326	326	205	227	195	229	257	312	-18%
Europe	477	433	447	474	567	643	527	483	568	532	465	14%
Pacific	91	95	125	144	128	103	79	60	62	115	93	24%
Total OECD	911	851	858	943	1021	951	834	739	859	905	870	4%
Other Products												
North America	1121	1050	1075	935	896	896	754	737	858	672	1061	-37%
Europe	929	854	792	738	777	830	736	776	717	714	684	4%
Pacific	243	254	298	279	324	337	353	324	354	380	345	10%
Total OECD	2294	2158	2166	1952	1997	2063	1843	1836	1929	1767	2090	-15%
Total Products												
North America	3028	2883	2658	2509	2226	2073	1914	1902	2036	1806	2681	-33%
Europe	3485	3184	3255	3698	3534	3673	3488	3435	3530	3501	3407	3%
Pacific	1908	1906	2032	1952	1985	2119	2117	2148	2060	2141	1929	11%
Total OECD	8421	7974	7946	8160	7745	7866	7519	7485	7626	7449	8017	-7%
Total Oil												
North America	11222	11097	10704	10253	9767	9390	8634	8758	8945	8210	10264	-20%
Europe	13269	12870	13034	12699	12662	12466	12210	11968	12495	12177	13123	-7%
Pacific	8724	8623	8637	8512	7691	8079	8221	7979	8184	8499	8553	-1%
Total OECD	33215	32590	32375	31464	30120	29935	29066	28704	29625	28886	31940	-10%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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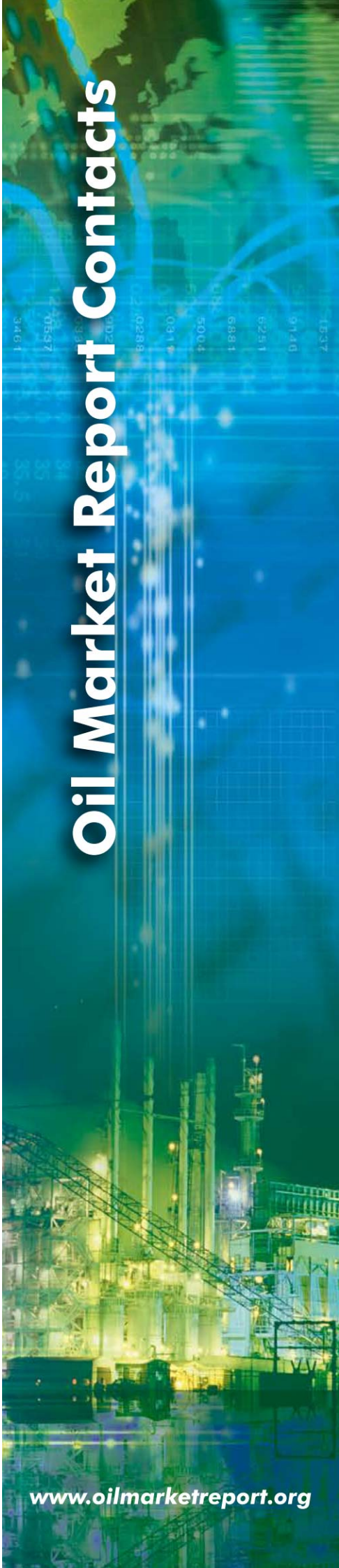

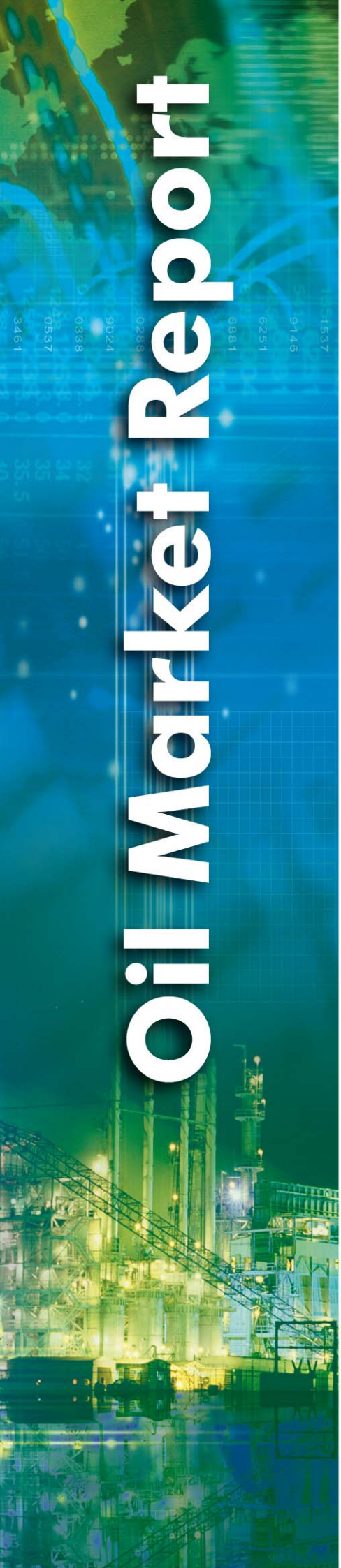

International Energy Agency

13 April 2010

HIGHLIGHTS

- **Crude oil futures hit 18-month highs in early April,** with expectations for an accelerating economic recovery, spurring financial and commodity markets, and stronger oil demand ahead. Nonetheless, underlying concerns remain that oil markets are overheated with WTI and Brent both recently trading around $85/bbl.
- **Global oil demand is revised down by 70 kb/d in 2009 and up by 30 kb/d in 2010** on preliminary data adjustments in the OECD and non-OECD (Asia, Africa and Middle East). With demand now seen at 84.9 mb/d in 2009 and 86.6 mb/d in 2010, year-on-year growth averages -1.3 mb/d and +1.7 mb/d, respectively.
- **Global oil supply fell by 220 kb/d to 86.6 mb/d in March** on lower OPEC output. Non-OPEC supply was unchanged in March at 52.5 mb/d, and up by 900 kb/d year-on-year. Non-OPEC 2010 output is revised up 220 kb/d to 52.0 mb/d, reaffirming a more optimistic supply outlook amid elevated price levels since 2Q09. Non-OPEC supply and OPEC NGLs should rise by a combined 1.3 mb/d in 2010.
- **OPEC crude production posted its first significant monthly decline** in over a year, falling by 190 kb/d in March to 29.0 mb/d. Yet the lower output reflected a near 10% decline in Iraqi crude rather than effort by OPEC-11 members to rein in above-target output. OPEC-11 production, which excludes Iraq, increased by 30 kb/d to 26.7 mb/d.
- **Global refinery throughput is estimated at 72.5 mb/d for 1Q10,** 800 kb/d above 1Q09 – the first annual increase since 2Q08, though from a low base. While China, India and Russia all posted record highs in February, European throughputs fell to their lowest level in 17 years. Global runs should seasonally rise to 72.9 mb/d in 2Q10 (+1 mb/d year-on-year).
- **OECD industry stocks fell by 38.4 mb to 2 685 mb** in February, 1.6% below 2009's level, with lower crude, distillates and 'other products'. End-February forward demand cover rose to 60.0 days, but stood 0.9 days below levels of a year ago. Preliminary March data point to a 8.0 mb OECD stock build amid continued decline in floating storage.

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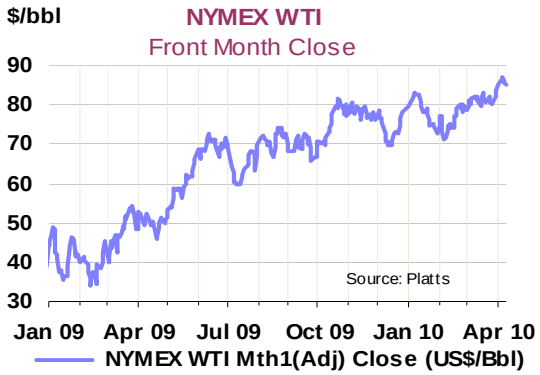
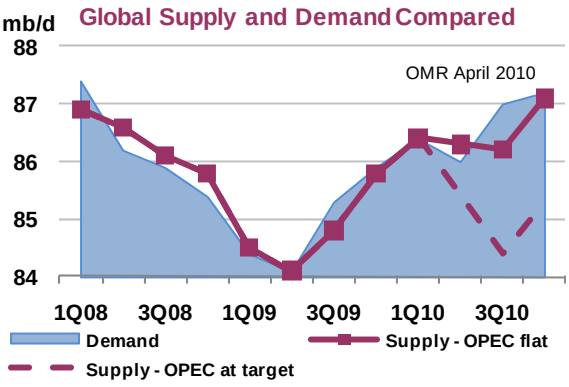
BEAUTY IN THE EYE OF THE BEHOLDER

Much has been said on the 'ideal' nature of $60-80/bbl prices, with OPEC Ministers and industry executives singing their praises on the margins of IEF deliberations in Cancun last month (although the final communiqué wisely avoided anything so prescriptive). We also shy away from nominating any preferred price level, despite suggesting last month that price is one of the few reliable bits of real-time information with which to gauge the state of the market amid lags in supply/demand data. While rising non-OPEC investment costs may keep prices above historical norms, this does not preclude some concerns for the fragile economic recovery now that they have shifted higher.

Many have raised anew the ogre of a speculative-driven rally, and indeed recent exuberance over gasoline may have played a role. But the declining open interest for NYMEX light sweet crude during March as a whole that accompanied higher prices points to more complex market drivers than the 'it's-all-speculation' bandwagon might admit. That said, regulators justifiably seek more visibility on opaque elements in financial markets, with the EU due to propose OTC derivatives oversight measures at mid-year and the US CFTC soon closing its consultation on position limits. Ideally, new regulation will lean towards enhanced transparency, without choking off liquidity or the ability of physical players to hedge.





OPEC Ministers again decided in mid-March to leave output targets unchanged, not only because of contentment with prevailing prices, but also perhaps acknowledging re-emerging discord over allowable production levels. A number of OPEC producers seem unhappy at existing production limits, even if the current quotas exist more in theory than in practice. However, scheduling the organisation's next gathering in October suggests a certain confidence in the way the market is headed.

The recent tightening at the front of the price curve may partly reflect perceptions of renewed short-term supply risk as non-OECD demand recovers (with Nigeria, Iran, Russia and the expected autumn hurricane season making headlines), even though a sizable cushion of spare capacity and OECD stock persists. Nor does 2010's global market balance (above) look overly weak under most scenarios for the rest of the year. Moreover, some of the more hysterical supply concerns for mid-decade have receded, and the five-year time spread has narrowed from $30/bbl a year ago to nearer $5/bbl now.

Belief in a more resilient economy and broader perceptions of stronger demand help underpin OPEC's more sanguine view of the market. Our own expectations of demand growth of around 1.6 mb/d in 2010 have been in place for almost six months. It is too early to judge their accuracy, although we note that our outlook is now considered less overly optimistic than before, and indeed has been overtaken by several prognoses for growth of 2 mb/d or more, such is the resilience of non-OECD demand (even if, paradoxically, OPEC's own official demand view remains weaker). Refining margins and utilisation have picked up to a degree, at least outside Europe. While ongoing price subsidies may shield non-OECD consumers from the reality of any potential renewed surge in prices, this, plus tighter credit than two years ago, could stall OECD economic recovery or render it more 'oil-less' than we currently envisage. Ultimately, things might turn messy for producers if $80-100/bbl is merely seen as the new $60-80/bbl, stunting economic recovery while prompting resurgent non-oil and non-OPEC supply investment.

DEMAND

Summary

- **Global oil demand** has been revised by -70 kb/d in 2009 and by +30 kb/d in 2010. The former adjustment resulted from revisions to preliminary data in OECD North America, non-OECD Asia and Africa, while the latter stemmed from higher-than-expected data from OECD North America and the Pacific, as well as non-OECD Asia and the Middle East. With oil demand now estimated at 84.9 mb/d in 2009 and 86.6 mb/d in 2010, year-on-year growth averages -1.3 mb/d and +1.7 mb/d, respectively.

- **OECD oil product demand** has been adjusted down by 20 kb/d in 2009, but remains unchanged in 2010 as higher readings in North America and the Pacific offset inordinately weak European data. The petrochemical-led, manufacturing-based, export-oriented economic recovery appears to be ebbing in Europe. Although industrial production has risen in France, Germany and the UK, it remains well below pre-recession levels, while in Italy and Spain it has barely increased from its recessionary depths. In addition, Greece's continued fiscal predicament has introduced a further element of economic uncertainty. Overall, OECD oil demand, estimated at 45.5 mb/d in 2009 (-4.4% or -2.1 mb/d year-on-year), is projected to decline to 45.4 mb/d in 2010 (-0.2% or -0.1 mb/d versus 2009).

Global Oil Demand (2008-2010)

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.1	3.2	3.2	3.3	3.3	3.3	3.3
Americas	30.5	30.4	29.6	29.9	30.1	29.3	28.8	29.3	29.6	29.3	29.5	29.3	29.8	29.7	29.6
Asia/Pacific	26.7	25.7	25.1	25.1	25.6	25.7	26.0	25.9	27.0	26.1	27.4	26.8	26.4	27.2	26.9
Europe	16.1	15.8	16.2	16.2	16.1	15.6	15.0	15.2	15.1	15.2	14.9	15.0	15.3	15.3	15.1
FSU	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	3.9	3.9	4.2	4.0	4.2	4.1	4.1
Middle East	6.7	7.1	7.6	6.9	7.1	6.7	7.3	7.8	7.1	7.2	7.2	7.6	8.1	7.4	7.6
World	**87.4**	**86.2**	**85.9**	**85.4**	**86.2**	**84.4**	**84.1**	**85.3**	**85.9**	**84.9**	**86.3**	**86.0**	**87.0**	**87.2**	**86.6**
Annual Chg (%)	1.3	1.1	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.6	-1.5	2.2	2.2	2.0	1.5	2.0
Annual Chg (mb/d)	1.1	0.9	-0.4	-2.4	-0.3	-2.9	-2.2	-0.6	0.5	-1.3	1.8	1.9	1.7	1.2	1.7
Changes from last OMR (mb/d)	-0.08	-0.07	0.02	0.00	-0.03	-0.07	-0.07	0.02	-0.18	-0.07	-0.06	0.06	0.20	-0.08	0.03

- **Non-OECD total oil demand** has been amended by -60 kb/d in 2009 and by +40 kb/d in 2010. The changes in 2009 were largely due to downward revisions to historical data in Asia (notably Thailand since 2008) and preliminary data in Africa (South Africa in 4Q09). By contrast, the adjustment to the 2010 forecast resulted from higher-than-expected demand readings in Asia, with China continuing to exceed expectations (although apparent demand estimates may reflect a degree of product stocking), and in the Middle East, as Saudi Arabia demand continues to be boosted by direct crude burning for power generation. Total oil demand, estimated at 39.5 mb/d in 2009 (+2.1% or +0.8 mb/d year-on-year), is projected to rise to 41.2 mb/d in 2010 (+4.5% or +1.8 mb/d versus 2009). It is worth noting that six large non-OECD countries – China, Saudi Arabia, Russia, Brazil, Iran and India – are expected to account for almost three-quarters of global oil demand growth in 2010.

OECD

Preliminary data indicate that OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose year-on-year in February for the first time since April 2008, albeit by a modest 0.1%. Growth was essentially driven by **OECD Pacific** and **OECD North America** (which includes US Territories). Demand in these regions increased by 2.4% and 1.6%, respectively, on the back of strong deliveries of LPG and naphtha (mostly used by the petrochemical industry and considered as a leading indicator for economic activity), as well as strong middle distillates and residual fuel oil requirements, largely because of cold temperatures. By contrast, demand in **OECD Europe** shrank by 3.4% year-on-year as weak LPG and naphtha growth failed to offset heating oil and residual fuel oil, which continued to post sharp losses despite cold temperatures.

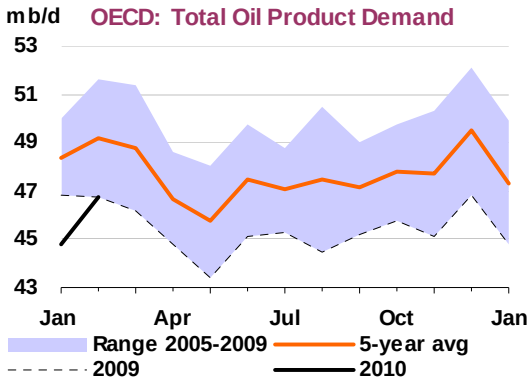
OECD Demand based on Adjusted Preliminary Submissions - February 2010

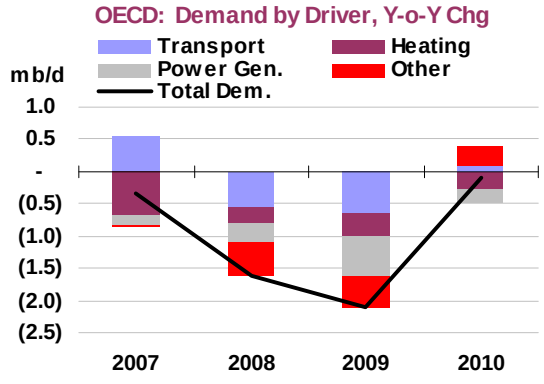
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.32**	**-0.1**	**1.58**	**-3.8**	**3.56**	**-5.5**	**1.24**	**5.0**	**1.16**	**26.1**	**5.87**	**6.36**	**23.72**	**1.6**
US50	8.80	-0.4	1.34	-4.2	3.02	-6.7	0.74	8.7	0.72	37.2	4.37	5.0	18.99	0.8
Canada	0.71	2.6	0.15	0.1	0.22	4.0	0.36	-0.2	0.11	-2.5	0.76	8.4	2.30	3.7
Mexico	0.75	1.3	0.06	-6.5	0.28	-0.3	0.12	-0.3	0.26	22.6	0.69	13.3	2.16	6.6
OECD Europe	**2.09**	**-5.4**	**1.19**	**-0.3**	**4.16**	**1.2**	**2.24**	**-9.4**	**1.38**	**-15.8**	**3.47**	**1.4**	**14.54**	**-3.4**
Germany	0.41	-9.5	0.17	1.0	0.60	-2.4	0.55	-17.2	0.15	-21.9	0.56	6.2	2.43	-6.8
United Kingdom	0.36	-5.1	0.34	-1.1	0.43	0.6	0.13	-2.0	0.09	-6.9	0.32	-1.7	1.67	-2.1
France	0.18	-1.7	0.14	-6.2	0.69	5.3	0.42	0.3	0.08	-31.8	0.52	-0.8	2.03	-0.9
Italy	0.21	-7.9	0.07	-5.1	0.54	-1.2	0.11	-9.7	0.12	-51.2	0.38	1.3	1.42	-10.2
Spain	0.13	-7.0	0.10	-3.5	0.49	-0.4	0.27	-0.8	0.18	-15.2	0.32	-8.2	1.48	-5.0
OECD Pacific	**1.55**	**2.4**	**1.25**	**7.5**	**1.13**	**2.6**	**0.56**	**-2.1**	**0.74**	**-20.5**	**3.28**	**8.3**	**8.51**	**2.4**
Japan	0.97	2.4	0.90	10.4	0.50	6.5	0.44	0.3	0.38	-17.2	1.79	13.6	4.99	5.8
Korea	0.18	8.2	0.21	-5.5	0.26	-5.1	0.11	-11.0	0.33	-24.1	1.32	2.7	2.40	-3.8
Australia	0.34	-0.8	0.12	11.5	0.32	1.9	0.00	-2.6	0.03	-19.4	0.16	-0.6	0.97	0.8
OECD Total	**13.96**	**-0.6**	**4.02**	**0.5**	**8.85**	**-1.4**	**4.04**	**-4.4**	**3.28**	**-6.1**	**12.62**	**5.4**	**46.78**	**0.1**

* Including US territories

Revisions to January preliminary data were significant (-240 kb/d), mostly because of a large downward European revision, notably at the top and the bottom of the barrel. By contrast, Pacific and North American readings were largely unchanged. January OECD demand thus fell by 4.4% year-on-year, much more than last month's assessment (-3.8%). Estimated 2009 OECD oil demand is slightly lower at 45.5 mb/d (-4.4% or -2.1 mb/d versus 2008, 20 kb/d below last month's appraisal), and the 2010 forecast remains unchanged. Nonetheless, total OECD oil demand should fall for the fifth consecutive year, by -0.2% or -110 kb/d in 2010.



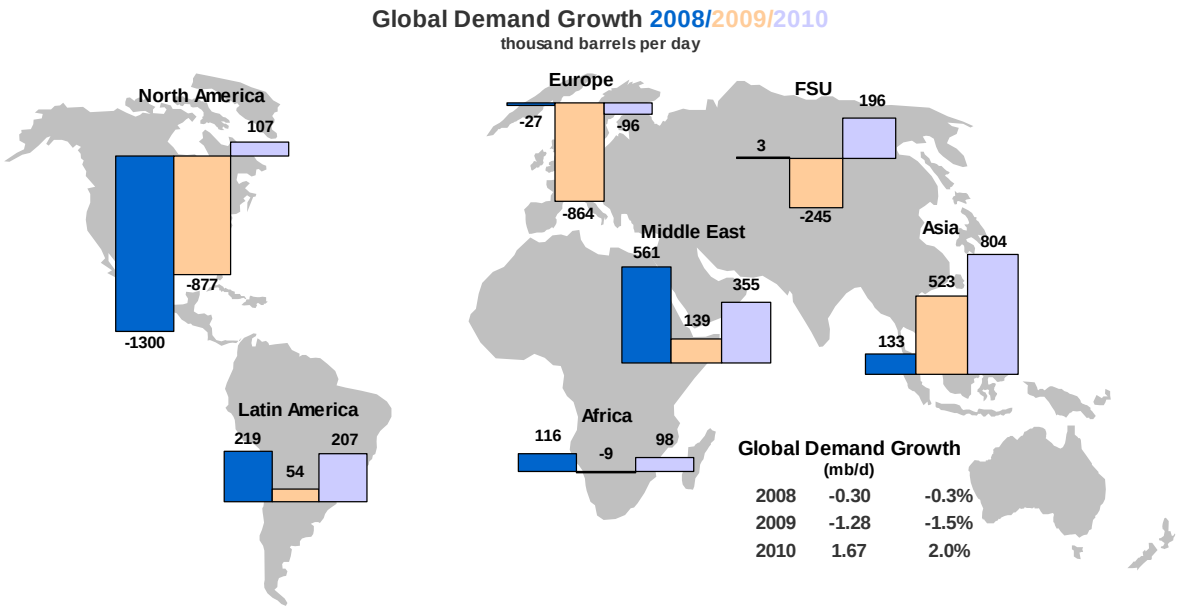


Total OECD Demand by Product

(million barrels per day)

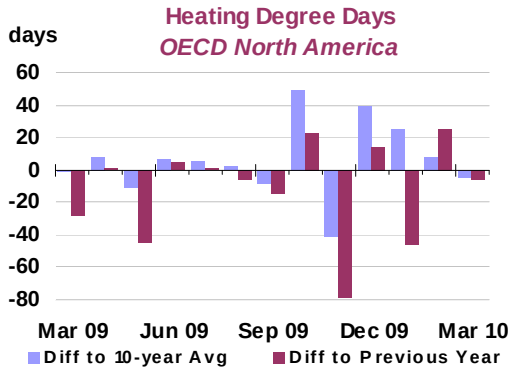
	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10*	Latest month vs. Dec 09	Latest month vs. Jan 09
LPG & Ethane	4.66	4.64	4.83	4.36	4.37	5.01	5.03	5.35	5.27	-0.08	0.31
Naphtha	3.06	2.97	2.96	2.86	2.96	3.09	3.17	3.10	3.30	0.21	0.49
Motor Gasoline	14.41	14.40	14.00	14.55	14.75	14.28	14.13	14.34	13.38	-0.96	-0.40
Jet & Kerosene	3.97	3.73	3.99	3.53	3.63	3.79	3.66	4.02	4.01	-0.01	-0.13
Gas/Diesel Oil	13.02	12.29	13.09	11.78	11.73	12.57	12.09	12.89	11.83	-1.06	-1.32
Residual Fuel Oil	3.66	3.16	3.61	3.07	2.90	3.08	2.99	3.18	3.27	0.09	-0.62
Other Products	4.78	4.28	4.08	4.30	4.65	4.08	4.01	3.93	3.69	-0.25	-0.36
Total Products	**47.57**	**45.47**	**46.56**	**44.45**	**44.98**	**45.90**	**45.08**	**46.83**	**44.76**	**-2.07**	**-2.04**

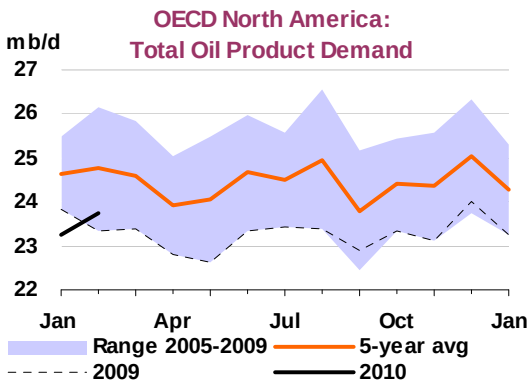
* Latest official OECD submissions (MOS)

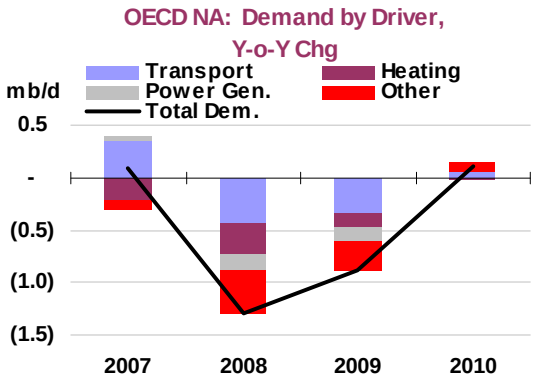


North America

Preliminary data show oil product demand in North America (including US territories) rose by 1.6% in February, with all three North American countries posting yearly gains. Regional 2010 demand growth has so far stemmed from petrochemical feedstocks – LPG and naphtha – which grew on a yearly basis by 19.3% and 27.9%, respectively, in February. Transportation fuels such as gasoline and jet/kerosene, which are tied to consumer activity, showed few signs of resurgence, particularly in the US, despite improving economic indicators. Moreover, heavy snows disrupted travel patterns in the US and Canada. Nonetheless, intra-regional trade activity has picked up, suggesting potential diesel recovery ahead. In real terms, US surface trade with Canada and Mexico jumped by 16.5% year-on-year in January, with strong readings in both the truck and railway categories. Continued positive economic activity suggests transport demand should improve across the region, although with structural efficiency improvements and rising oil prices, the upside should remain limited.







Structural Change in Action: Tightening Vehicle Efficiency Standards

In early April, following through on the National Fuel Efficiency Policy launched by the Obama administration a year ago, the US National Highway Traffic Safety Administration (NHTSA) issued new efficiency rules – updated Corporate Average Fuel Economy (CAFE) standards – while the Environmental Protection Agency (EPA) established emission requirements for light-duty vehicles. North of the border, Environment Canada announced similar rules, which aim to harmonise Canadian and US fuel efficiency and emission standards.

Under the NHSTA requirements, due to start with the 2012 model year, the average fuel efficiency of the combined passenger car and light truck fleet should gradually increase from 27.6 miles per gallon (mpg) in 2011 to 34.1 mpg by 2016. Under EPA rules, new vehicles must also achieve an industry-wide average emissions standard of 250 grams of CO_2 per mile by 2016. If EPA's emissions mandates are met wholly through fuel efficiency improvements, then fuel economy may reach higher levels than those prescribed by NHSTA (35.5 mpg by 2016, according to government calculations). An important difference between both standards is related to the treatment of passenger car air conditioning systems. EPA allows automakers to generate CO_2-equivalent credits through air conditioner improvements (e.g. by reducing hydrofluorocarbon emissions), while NHSTA is statutorily prohibited from granting such credits to meet CAFE standards.

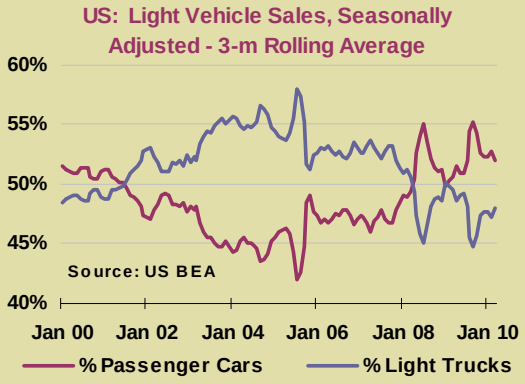
US Average New Vehicle Fuel Efficiency Standards

(miles per gallon)

	2011	2012	2013	2014	2015	2016
Average under NHSTA CAFE Standards						
Passenger Cars	30.4	33.3	34.2	34.9	36.2	37.8
Light Trucks	24.4	25.4	26.0	26.6	27.5	28.8
Combined	27.6	29.7	30.5	31.3	32.6	34.1
Projected under EPA Emissions Standards*						
Passenger Cars	30.4	33.8	34.7	36.0	37.7	39.5
Light Trucks	24.4	25.7	26.4	27.3	28.5	29.8
Combined	27.6	30.1	31.1	32.2	33.8	35.5

*Source: US NHSTA, EPA. * 2011 baseline reflects CAFE standard.*

The new fleet efficiency standards depend upon an 'estimate of the mix of vehicles that will be sold in that model year'. Vehicle sales projections, which underpin the estimates, foresee that the share of less efficient light trucks relative to total sales should decrease from near 50% in 2008 to 43% in 2016. However, during most of the past decade, sales of light trucks exceeded those of passenger cars. Although this trend reversed given the economic crisis and record-high fuel prices, the shift away from light trucks must continue in order to meet NHSTA/EPA's standards. Yet the new efficiency requirements still seem to privilege the production of light trucks over passenger cars. Light trucks require only a 3.4% annual improvement under NHSTA standards, while passenger car fuel efficiency must increase by 4.5% per year. Light trucks will remain under 30 mpg by 2016, 9 mpg less than passenger cars. The disparity is similar under the EPA requirements.



Nonetheless, the joint NHSTA/EPA rules portend significantly improved fuel efficiency in new cars sold in the US, for an estimated average incremental cost of less than $1,000 per vehicle. Combined with increased penetration of ethanol, more stringent fuel efficiency standards should hasten a structural decline in US gasoline demand over the medium term. Still, there is risk that such an improvement may not be as strong as envisaged, particularly if the vehicle fleet turnover proceeds at a slower pace or if oil prices turn out to be lower than currently foreseen by the regulatory agencies.

This risk could be lessened through measures that target demand, such as a recent proposal from the House Transportation and Infrastructure Committee to raise the federal gasoline tax or implementing carbon pricing. Politically, though, such demand-side methods remain more difficult to pursue, particularly as the US economy is still in its early recovery stages.

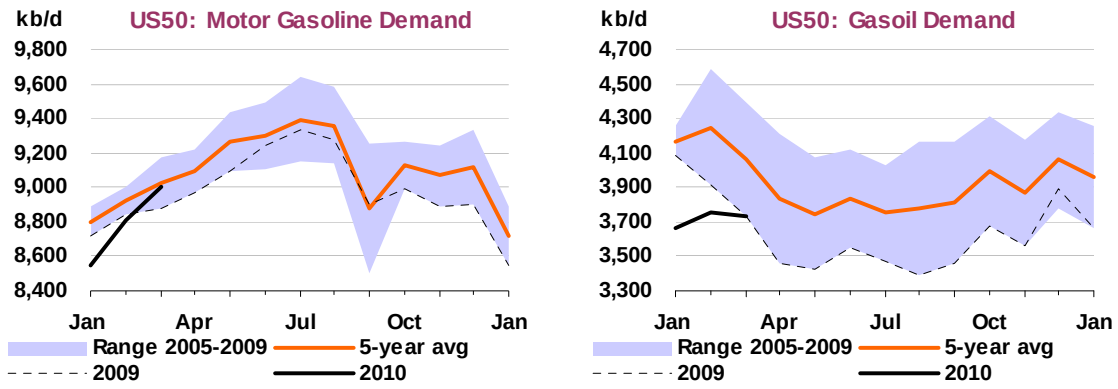
Revisions to January preliminary data were negligible, as slightly higher US readings almost offset Canadian downward adjustments. As such, North American demand declined by 2.4% in January, more steeply than reported last month (-2.3%). North American oil demand for 2009 is now estimated at 23.3 mb/d (-3.6% or -880 kb/d versus 2008 and -15 kb/d compared with last month's report). In 2010, demand is seen rising to 23.4 mb/d (+0.5% or +110 kb/d year-on-year and +20 kb/d versus our last report), with increases in petrochemical feedstocks and a modest transport fuel rise outweighing structural declines in heating oil and residual fuel oil.

OECD North America Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10*	Latest month vs. Dec 09	Latest month vs. Jan 09
LPG & Ethane	2.72	2.79	2.88	2.51	2.62	3.16	3.26	3.32	3.39	0.08	0.45
Naphtha	0.36	0.31	0.29	0.33	0.31	0.30	0.31	0.33	0.35	0.02	0.06
Motor Gasoline	10.51	10.54	10.30	10.63	10.74	10.49	10.40	10.51	10.02	-0.49	-0.18
Jet & Kerosene	1.77	1.63	1.66	1.62	1.68	1.57	1.54	1.59	1.64	0.04	-0.02
Gas/Diesel Oil	5.01	4.62	4.94	4.41	4.40	4.74	4.58	4.93	4.68	-0.25	-0.45
Residual Fuel Oil	1.10	0.97	1.08	0.98	0.87	0.96	0.87	1.02	1.06	0.04	-0.15
Other Products	2.69	2.43	2.38	2.43	2.63	2.30	2.18	2.29	2.11	-0.18	-0.27
Total Products	**24.17**	**23.29**	**23.52**	**22.91**	**23.25**	**23.50**	**23.14**	**24.00**	**23.25**	**-0.75**	**-0.56**

* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by 0.4% year-on-year in March, following a 0.8% rise in February and a 3.1% fall in January. March data showed a continuation of a petrochemical-led economic recovery, but also offered more positive gasoline readings. LPG/ethane and naphtha grew by 13.6% and 4.6% year-on-year, respectively, while gasoline posted a 1.3% rise. Jet/kerosene remained weak, decreasing by 4.9% versus March 2008. Distillate demand overall remained flat, in contrast to the average 6.5% drop that had characterised the previous six months. However, working out the diesel/heating oil split in the preliminary weekly data remain problematic. Our methodology, which applies historical month-on-month changes to the percentage share of these two products, indicates diesel demand fell by 4.3% in March, offset by heating oil's upward boost. More robust industrial activity and drawing diesel inventories, however, suggest this diesel estimate may be revised up.



US economic indicators have continued to improve, with positive signs on the consumption side. Payroll data showed US employment jumping by over 160,000 in March, while consumer spending increased for the fifth consecutive month in February. Yet, with spending growth outpacing income growth –which means that consumers are dipping into savings – and the unemployment rate at a high 9.7%, the sustainability of consumption-led GDP growth remains questionable. Still, Americans are buying more cars: seasonally adjusted light vehicle sales in March rose by 21.2% year-on-year, following strong February readings (+13.7%). Excluding a sales spike in August 2009 due to the cash-for-clunkers incentive programme, March sales were at their highest level since September 2008. Heavy truck sales, by

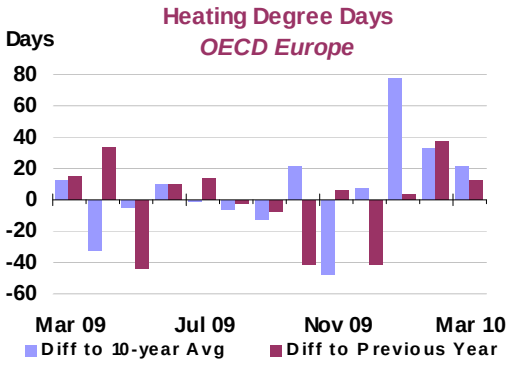
contrast, fell by 7.4% and over the past six months have lagged improvements in light vehicles. This trend may partially explain persistent diesel weakness, as supply chains continue to be streamlined in the face of weak demand and rising fuel prices.

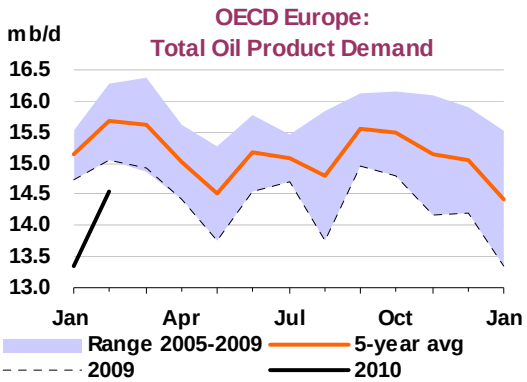
However, it is unclear to what extent this revival in vehicle sales may support gasoline demand in the months ahead, as new cars tend to replace older, more inefficient models. Our forecast sees gasoline demand rising seasonally through the end of summer – even though overall growth remains marginal, at +0.1% year-on-year for 2010. While rising pump prices the past 12 months have not discernibly dampened vehicle activity, the prospect of $3/gallon gasoline may stall increases in vehicle-miles travelled. Reduced commuter activity, due to high unemployment, and the recent implementation of improved fuel-economy rules should also cap consumption growth, though the latter will likely affect demand only over the medium term (see *Structural Change in Action: Tightening Vehicle Efficiency Standards*).

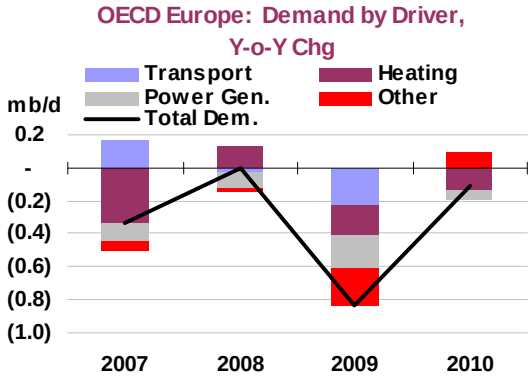
Preliminary **Mexican** oil demand has benefitted most from the region's improved economic outlook, rising by 6.6% in February. Growth stemmed mostly from stronger gasoline demand as well as higher, counter-seasonal residual fuel oil readings, possibly due to the drought conditions that reportedly impinged upon hydropower supplies in some areas. Meanwhile, estimated February growth for **Canada** was less pronounced, at +3.7% year-on-year, but with a stronger diesel component.

Europe

According to preliminary inland data, oil product demand in Europe shrank by 3.4% year-on-year in February. Positive readings in LPG, naphtha and diesel failed to offset losses in all other product categories. Cold temperatures – HDDs were sharply higher than both the ten-year average and February 2009 – disrupted travel across many countries, which may have compounded gasoline's structural decline, with demand contracting by -5.4%. However, the effects of restocking earlier in the previous year and an ongoing shift to natural gas continued to weigh on deliveries of heating oil (-9.4%) and residual fuel oil (-15.8%).







The revisions to January preliminary demand data were substantial (-230 kb/d). Albeit these were concentrated in both light and heavy products (with middle distillates mostly unchanged), it is worth noting that LPG and naphtha revisions accounted for almost half of the total adjustment, thus casting some doubts on the sustainability of Europe's petrochemical-led, manufacturing-based, export-oriented

economic recovery. Indeed, although industrial production has risen in France, Germany and the United Kingdom, it remains well below pre-recession levels (while in Italy and Spain it has barely increased from its recessionary lows). In addition, the thorny and unsettled issue regarding Greece's potential rescue from default and eventual contagion to other southern European countries has introduced a further element of economic uncertainty in the continent.

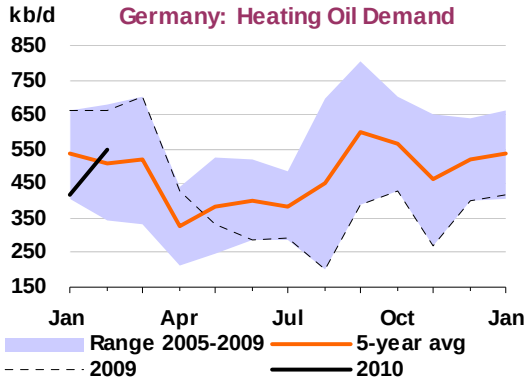
Overall, January oil demand sank by much more than previously anticipated (-9.5% year-on-year versus -8.0%). Coupled with dismal February preliminary readings, 1Q10 demand is set to be inordinately weak (-5.1% year-on-year), especially in light of last year's depressed baseline. Although oil product demand for 2009 is unchanged at 14.5 mb/d in 2009 (-5.4% or -830 kb/d versus 2008), it is expected to decline to 14.4 mb/d in 2010 (-0.7% or -100 kb/d compared with the previous year and 60 kb/d less than previously forecast).

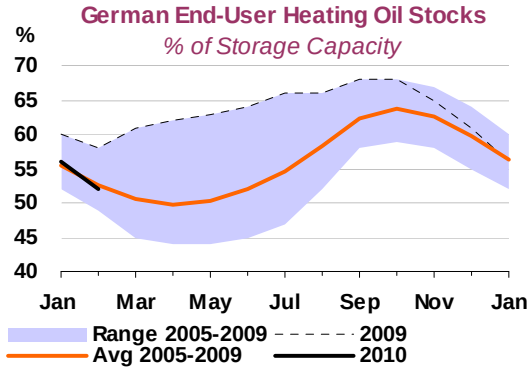
OECD Europe Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10*	Latest month vs. Dec 09	Latest month vs. Jan 09
LPG & Ethane	1.03	0.97	1.05	0.99	0.89	0.96	0.95	1.03	0.97	-0.06	-0.11
Naphtha	1.06	0.99	1.03	0.89	0.99	1.04	1.10	0.97	1.07	0.10	0.16
Motor Gasoline	2.36	2.30	2.19	2.39	2.41	2.22	2.23	2.17	1.93	-0.24	-0.17
Jet & Kerosene	1.31	1.25	1.19	1.26	1.34	1.23	1.21	1.19	1.17	-0.02	-0.03
Gas/Diesel Oil	6.33	6.07	6.51	5.81	5.84	6.15	5.87	6.22	5.63	-0.60	-0.83
Residual Fuel Oil	1.65	1.44	1.61	1.36	1.38	1.41	1.37	1.38	1.41	0.02	-0.32
Other Products	1.58	1.47	1.33	1.53	1.63	1.38	1.45	1.21	1.17	-0.04	-0.11
Total Products	**15.33**	**14.50**	**14.90**	**14.24**	**14.46**	**14.39**	**14.17**	**14.19**	**13.34**	**-0.85**	**-1.41**

* Latest official OECD submissions (MOS)

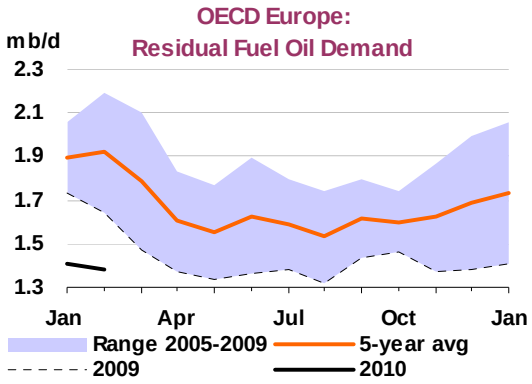
Preliminary data indicate that **German** oil product demand fell by 6.8% year-on-year in February, with weak deliveries in most categories bar LPG and naphtha. Although naphtha deliveries rose by 4.1%, the strength of the naphtha-led surge appears to be less spectacular than reported in last month's preliminary data. Indeed, January figures were sharply revised down (-70 kb/d, equivalent to almost a fifth of naphtha demand), implying year-on-year growth of +29.8%, rather than +51.1%. This large revision, coupled with relatively weak February growth (versus a very depressed 2009 baseline) raises questions on the sustainability of the country's economic recovery, which has so far been driven by export-oriented industrial production, as domestic consumption remains anaemic.

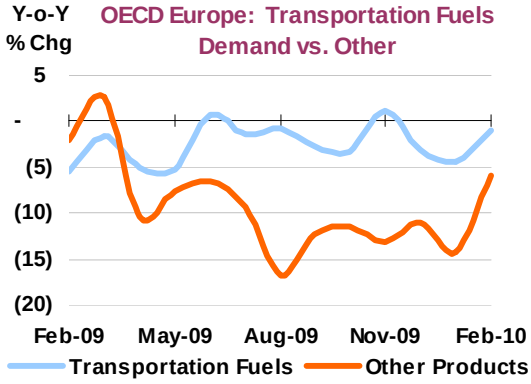




Moreover, this suggests that oil demand will remain subdued in Europe's largest economy, as other sources of oil demand growth aside from naphtha are unlikely to materialise. Indeed, rising oil prices suggest that the all-important heating oil category (-17.2% year-on-year in February) will probably follow a more seasonal restocking, with the bulk occurring in 3Q10. German consumer heating oil stocks, which stood at 52% of capacity by end-February, have so far this year almost matched exactly their five-year average. Meanwhile, transportation fuels remain in the doldrums, with gasoline down by 9.5% and diesel

by 2.4% (only jet fuel/kerosene posted modest growth, at +1.0%). Finally, residual fuel oil demand continues to be displaced by natural gas and other sources, not only in Germany but also elsewhere in Europe.



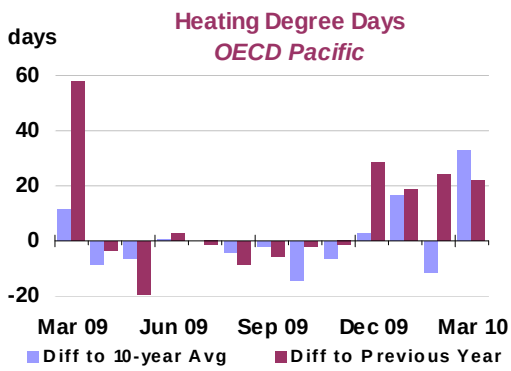


Roughly similar patterns prevailed, albeit with different magnitudes, in **France**, **Italy**, **Spain** and the **UK**, where demand fell in February (by 0.9%, 10.2%, 5.0%, and 2.1%, respectively, according to preliminary data). In all four countries, residual fuel oil demand declined; in all but France, heating oil fell and transportation fuel demand remained weak or continued to fall. Moreover, in France and the UK, naphtha also contracted. Overall, these preliminary readings continue to paint a picture of very weak European demand, in contrast to modest recovery in other OECD areas.

The much-touted French carbon tax, proposed in mid-2009 but rebuffed by the country's Constitutional Court in December, has now effectively been shelved. Despite recent vows that a new version would be implemented from next July, the government now argues such a tax should be adopted at a European level in order to preserve France's industrial competitiveness – hence entailing protracted negotiations with the country's EU partners. More importantly, perhaps, the proposed tax had raised doubts since its inception on whether it would achieve its ostensible goal of curbing demand for transportation fuels. It would have entailed a marginal price increase (about 5 cents/litre of gasoline and diesel), arguably insufficient to reduce oil demand to any significant extent.

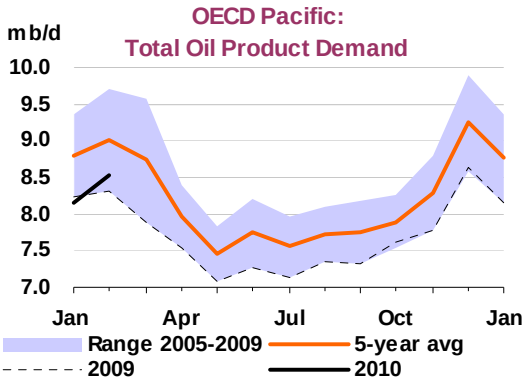
Pacific

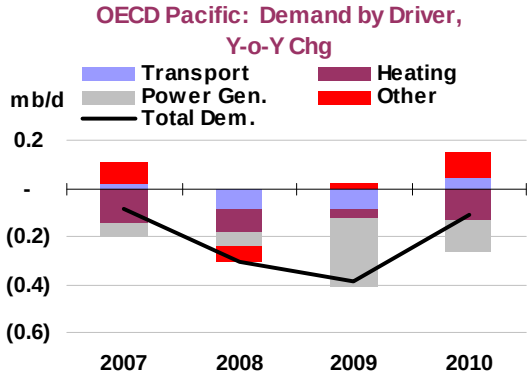
Oil product demand in the Pacific rose in February by 2.4% year-on-year, according to preliminary data, with all product categories bar residual fuel oil registering gains. Petrochemical feedstocks, in particular, were in high demand, with LPG and naphtha rising by +2.9% and +10.0%, respectively, most notably in Japan, thus providing further evidence of an export-led industrial recovery. Much colder temperatures (relative to both the ten-year average and the previous year) supported jet fuel/kerosene deliveries (kerosene is used for heating in both Japan and Korea). Meanwhile, transportation fuels also posted strong readings when compared to last year's weak baseline, with gasoline and diesel growing by 2.4% and +2.6%, respectively. By contrast, residual fuel oil continued to decline (-20.5%), indicating that electricity needs are increasingly being met by natural gas and nuclear power plants.



January revisions, meanwhile, were negligible, confirming that OECD Pacific oil demand contracted by 0.9% in that month. Revisions for 2009 were also inconsequential; oil product demand shrank by -4.8% or -0.4 mb/d versus

2008 to 7.7 mb/d. Given slightly stronger-than-expected readings in February, the decline of oil demand in 2010 should be less pronounced (-1.5% or -110 kb/d year-on-year, some 30 kb/d less than previously anticipated).





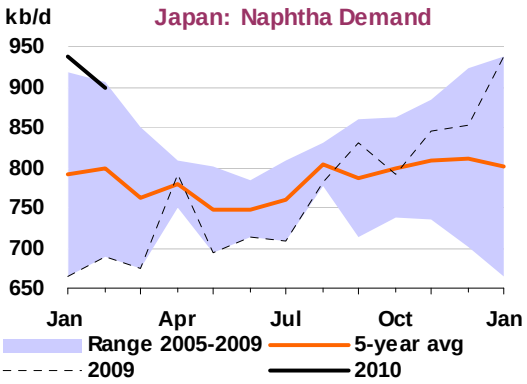
OECD Pacific Demand by Product

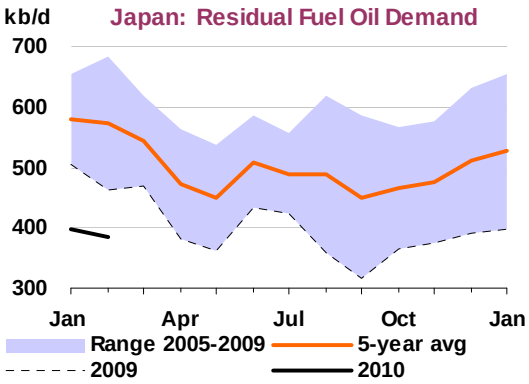
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10*	Latest month vs. Dec 09	Latest month vs. Jan 09
LPG & Ethane	0.90	0.87	0.90	0.85	0.86	0.89	0.82	1.00	0.90	-0.10	-0.04
Naphtha	1.64	1.68	1.64	1.64	1.66	1.76	1.77	1.80	1.88	0.09	0.26
Motor Gasoline	1.54	1.55	1.51	1.52	1.60	1.57	1.51	1.66	1.43	-0.23	-0.05
Jet & Kerosene	0.89	0.85	1.15	0.66	0.60	0.99	0.91	1.24	1.21	-0.03	-0.09
Gas/Diesel Oil	1.68	1.59	1.64	1.56	1.49	1.68	1.64	1.74	1.52	-0.21	-0.04
Residual Fuel Oil	0.91	0.75	0.92	0.73	0.65	0.72	0.74	0.77	0.80	0.03	-0.15
Other Products	0.50	0.38	0.38	0.33	0.39	0.40	0.38	0.43	0.41	-0.02	0.02
Total Products	**8.07**	**7.68**	**8.14**	**7.30**	**7.27**	**8.01**	**7.77**	**8.63**	**8.16**	**-0.47**	**-0.07**

* Latest official OECD submissions (MOS)

Preliminary data indicate that oil demand in **Japan** rose strongly in February (+5.8% year-on-year), breaking a cycle of 20 consecutive months of decline. Leaving aside that these data may still be revised, such growth must be appraised versus last year's very weak baseline. February readings were supported by export-driven, Asian-led ethylene production (with naphtha surging by 30.2%), cold weather (jet fuel/kerosene rose by +10.4%) and transportation (gasoline and diesel jumped by +2.4% and +6.5%, respectively). Meanwhile, residual fuel oil continued to decline (-17.2%), displaced by cheaper natural gas and rising nuclear power generation (the country's nuclear utilisation rate averaged 70% in both January and February, almost three percentage points higher than in the previous year).





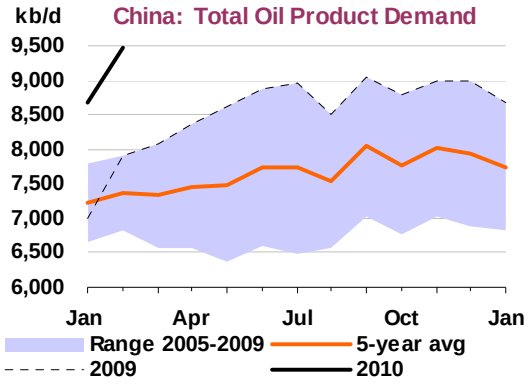
A key question is whether Japanese demand will continue to rise strongly in the months ahead. Excluding seasonal factors (winter kerosene use), most oil product categories, particularly transportation and burning fuels, face structural decline given unfavourable demographics and changing behavioural

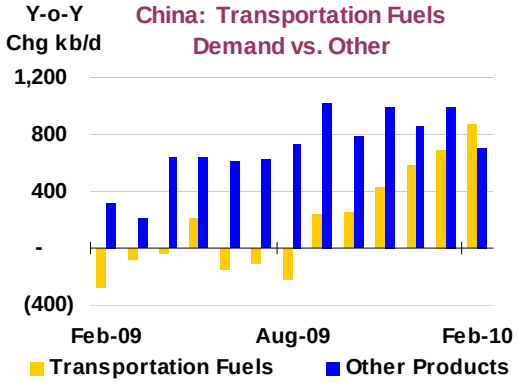
patterns. These include an ageing, shrinking population prone to travel less, ever rising efficiency, notably in cars, and interfuel substitution in favour of natural gas, nuclear and other sources. This leaves naphtha, which largely depends upon the country's export-oriented industrial production. Here the picture is mixed: even though industrial production rose by over 18% year-on-year in February, it is still some 12% below pre-recession levels (by contrast, Korean industrial production is now about 3% higher). In addition, the country's industrial sector, which accounts for about one quarter of GDP, is highly dependent upon exports to Asia, notably China, which has become Japan's largest trading partner. Should China tighten macroeconomic policy in the years ahead, Japan's industrial exports – and hence naphtha demand – could well falter again. In the meantime, Japanese total oil demand is seen declining by 2.8% year-on-year in 2010 – much less than in 2009 (-8.8%) but largely in line with recent years.

Non-OECD

China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) surged by +19.9% year-on-year in February, with all product categories bar LPG and residual fuel oil posting strong gains. This followed a 24.0% rise in January, only slightly lower than had been anticipated in our last report (+28.0%), since refinery indicators for that month were delayed due to the Chinese New Year holidays. As in recent months, growth was largely supported by demand for naphtha (+51.4% year-on-year in February) and 'other products' (+37.6%), but demand for transportation fuels is catching up fast (collectively rising by +20.3%).





The customary caveat – the likely distortion of apparent figures by product stocking – still applies. Data from news agency Xinhua, which started publishing last month its own assessment of the country's commercial crude and oil product stocks, indicate that combined *nationwide* stocks of gasoline, diesel and kerosene rose by 10% month-on-month in February. This appears to tally with trends highlighted by the China Petroleum and Chemical Industry Association (CPCIA), reported by Reuters, whereby combined stocks of gasoline, diesel and kerosene *held by state-owned PetroChina and Sinopec* increased by about 12% month-on-month. CPCIA has reported disaggregated growth rates since April 2009, but not absolute levels (making the comparison with Xinhua's data difficult, thus precluding an estimate of the weight of state-owned company inventories relative to the country's total stocks); however, its data suggest that this was the fourth consecutive stock build after three months of decline.

Interestingly, though, gasoline stocks reportedly fell in February (-4% month-on-month according to Xinhua, -3% according to CPCIA). This would be equivalent to some 75 kb/d; if so, gasoline demand was probably higher than the +12.4% year-on-year increase implied by our apparent demand calculation, but this is impossible to ascertain given the lack of an historical stock series. More significantly, gasoil stocks rose sharply (+21% month-on-month according to Xinhua, +23% according to CPCIA), equivalent to about 530 kb/d or one-sixth of gasoil demand. This would suggest that gasoil demand was much weaker than

the +25.3% year-on-year apparent demand rise, perhaps on the order of +4%. This would be a more reasonable gasoil growth rate, considering that many factories and transportation firms were closed during the Chinese New Year holidays (with the arrival of springtime, agricultural and industrial activities should resume and gasoil demand should grow more briskly).

Stocking is not only attributable to weak holiday demand, but also arguably to speculative motives, as rumours of an impending increase to 'guideline' prices have circulated since early 2010. Most observers expected a hike in mid-March, following the conclusion of the National People's Congress. However, the price rise never materialised, perhaps because the government is still debating on whether to reform China's oil product price mechanism, as we noted last month, or because it is concerned about mounting inflationary expectations (the CPI reached +2.7% in February, uncomfortably close to the 3% target for 2010 set by the central bank). However, with international oil prices now close to $85/bbl, the pressure to adjust domestic prices – and hence the incentive to hoard products – will arguably increase.

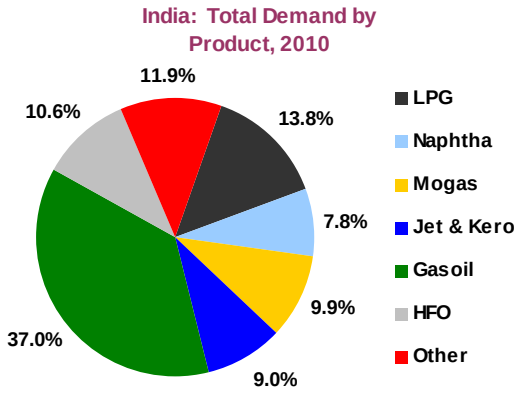
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	749	86	10	13.1	1.4
Naphtha	768	946	1,185	178	239	23.1	25.3
Motor Gasoline	1,493	1,539	1,639	46	100	3.1	6.5
Jet & Kerosene	292	343	381	51	38	17.3	11.1
Gas/Diesel Oil	2,837	2,760	2,986	-77	227	-2.7	8.2
Residual Fuel Oil	603	582	455	-22	-127	-3.6	-21.8
Other Products	1,246	1,604	1,729	358	125	28.7	7.8
Total Products	**7,892**	**8,511**	**9,123**	**618**	**613**	**7.8**	**7.2**

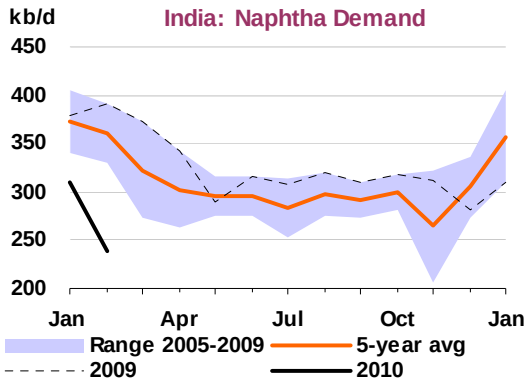
In the end, these considerations highlight once again the considerable degree of uncertainty regarding Chinese oil demand trends. Nonetheless, we have revised up by 90 kb/d our 2010 outlook to 9.1 mb/d (+7.2% or +610 kb/d year-year, equivalent to over a third of global oil demand growth).

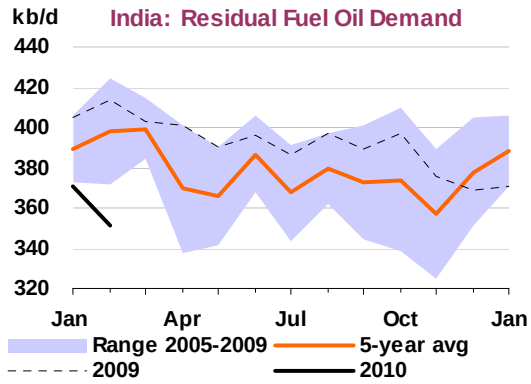
Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – fell by 0.2% year-on-year in February, the first contraction in 15 months (January's preliminary figures, which had indicated a 2.0% contraction, were revised up to +0.2%). This minor contraction highlights a trend that has become apparent for the past few months, namely the continuous fall of naphtha and residual fuel oil demand, arguably related to the growing penetration of natural gas (year-on-year demand for both fuels fell by 39.1% and 15.0%, respectively, in February). Meanwhile, demand for cooking and transportation fuels continues to rise strongly, with LPG, gasoline and gasoil rising by 10.6% on average.



The rise in transportation fuels continues to be supported by car sales, which rose on a yearly basis by almost a third in February. This suggests that the Indian economy, which was little affected by the global recession, remains buoyant. For example, industrial output rose by 16.7% year-on-year in January. Nonetheless, total oil demand may record subdued growth over the next few months given the structural decline of naphtha and residual fuel oil (which are expected to account for a still significant 22% of total demand). However, total oil consumption will arguably bounce back strongly in the years ahead as the share of other fuels in the demand pool become larger.





Since 1 April, 13 Indian cities (Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Lucknow, Camper, Agra, Surat, Ahmedabad, Pune, and Sholapur) have switched to Euro IV-equivalent transportation fuels (the so-called Bharat Stage-IV standard). The rest of the country will adopt Euro III-equivalent standards (Bharat Stage-III) between June and October, excepting the western state of Goa, where they have been in place since this month. This move to increase fuel quality and curtail emissions (notably of sulphur dioxide) entailed a minor price increase – about Rs 0.50 or 1.1% for gasoline on average (equivalent to $0.01) and Rs 0.26 or 0.6% for gasoil, although the rise was much higher in Delhi (Rs. 2.36), as the city also raised the value-added tax on gasoil. Such price adjustment should in principle help state-owned refiners to recover their upgrading investment, estimated at some Rs 330 billion (about $7.3 billion). It is unclear whether the country will eventually move a step further, to Euro V standards. Two refining complexes – Reliance's Jamnagar and Essar's Vadinar in Gujarat state – are currently able to produce Euro V fuels, exclusively for export.

India: Demand by Product

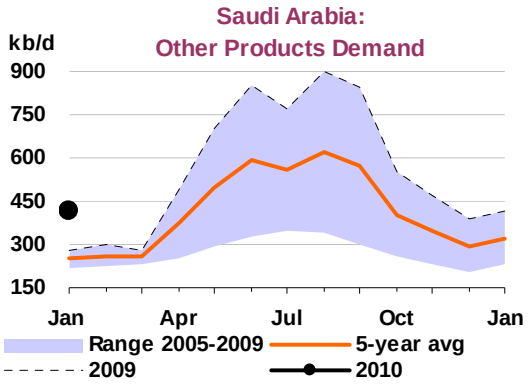
(thousand barrels per day)

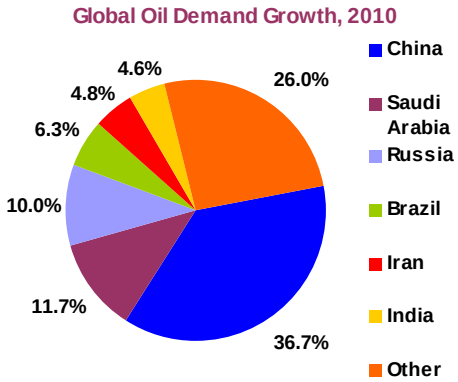
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	408	428	465	19	38	4.7	8.8
Naphtha	310	328	265	18	-63	5.7	-19.4
Motor Gasoline	265	303	336	38	33	14.3	10.9
Jet & Kerosene	299	299	305	1	5	0.2	1.8
Gas/Diesel Oil	1,078	1,162	1,253	84	90	7.8	7.8
Residual Fuel Oil	394	394	358	-1	-36	-0.2	-9.1
Other Products	381	394	404	13	9	3.5	2.4
Total Products	**3,135**	**3,308**	**3,384**	**172**	**76**	**5.5**	**2.3**

Saudi Arabia has become the second-largest source of expected global oil demand growth in 2010. This is a testimony to its resilient economy, which managed to escape the global recession with little damage, particularly on the fiscal side. Saudi Arabia has ambitious plans to expand its industrial base in order to create high-value jobs, and is particularly keen on becoming a petrochemical powerhouse, recently boosting LPG and naphtha use. Yet the country's pace of oil demand growth also underlines the skewed incentives provided by very low end-user prices, with gasoline demand expanding by 6.5% year-on-year in 2009 – and by +22.4% in January, according to preliminary data, which suggest that growth this year may well reach double-digit figures.

Aside from LPG/naphtha and gasoline, a major source of recent Saudi oil demand growth has been direct crude burning, used for power generation. Direct crude is included in the 'other products' category, which surged by an astonishing 58.7% year-on-year in 2009, thus partly displacing residual fuel oil, which contracted by 23.1%. 'Other products' are expected to rise by 8.1% in 2010, but this forecast could prove too modest. Recent statements by Saudi officials made clear that the share of direct crude in power generation is set to increase sharply over the next decade, since power demand is poised to rise by some

45% over that period. For the first time, the kingdom has publicly acknowledged that direct crude burning serves several purposes, sketched in previous editions of this report: hiking lighter crude production while holding firm to its OPEC commitment to curb exports; meeting stricter environmental rules as lighter crude is much cleaner than residual fuel oil; and curbing or even eliminating altogether fuel oil imports during the peak summer period.





However, the policy of increasing direct crude burning reflects limited success in expanding the country's natural gas reserves and boosting production (most current gas output is geared to petrochemical activities and field reinjection rather than electricity production). It also reverses a previous drive undertaken in the late 1990s/early 2000s to phase out crude from power generation, and effectively reduces the country's nominal spare capacity. More importantly, perhaps, it leaves unaddressed the issue of runaway power demand, which has been largely due to highly subsidised end-user prices.

Saudi Arabia: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	587	635	708	48	73	8.3	11.5
Naphtha	100	96	103	-4	7	-3.9	7.7
Motor Gasoline	373	397	439	24	42	6.5	10.5
Jet & Kerosene	60	59	63	-1	4	-1.8	7.2
Gas/Diesel Oil	579	597	625	18	28	3.1	4.6
Residual Fuel Oil	359	276	270	-83	-5	-23.1	-2.0
Other Products	359	570	616	211	46	58.7	8.1
Total Products	**2,417**	**2,630**	**2,825**	**214**	**195**	**8.8**	**7.4**

SUPPLY

Summary

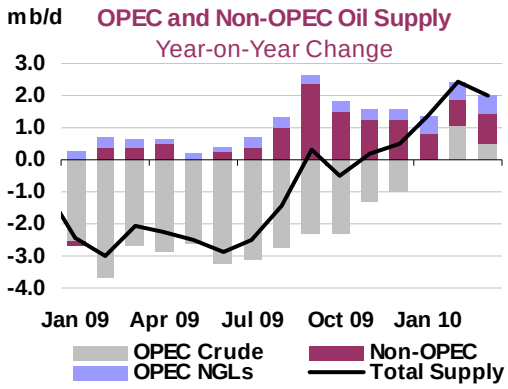
- **Global oil supply in March fell by 220 kb/d from February, to 86.6 mb/d, with OPEC accounting for nearly the entire decline.** Compared to levels of a year ago, global oil supply is higher by almost 2 mb/d, with non-OPEC crude providing just under half of the increase. OPEC crude production accounted for 500 kb/d of the year-on-year gain while OPEC NGLs supplied the remaining 550 kb/d.

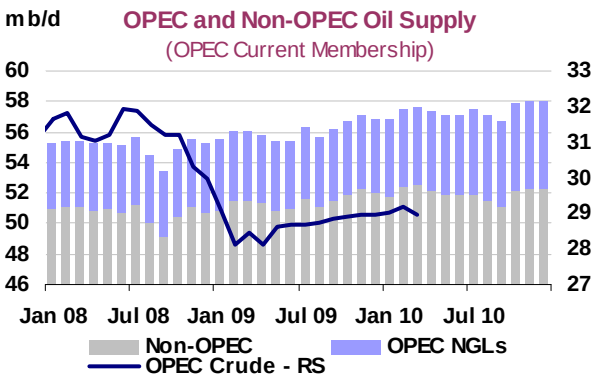
- **March OPEC production posted its first significant decline in 14 months, off by 190 kb/d, to just shy of 29.0 mb/d**. However, lower output levels reflect a near 10% decline in Iraqi output rather than any effort by OPEC-11 members to rein in above-target output. Indeed, OPEC-11 production rose by 30 kb/d in March, to 26.7 mb/d.

- **OPEC ministers rolled over their current output targets at their 17 March meeting in Vienna**, largely on expectations that global oil demand will pick up later in the year to absorb above-target production and against a backdrop of oil prices at 18-month highs of $80-85/bbl. OPEC is scheduled to review the market at its next meeting on 14 October in Vienna.

- **March non-OPEC supply was unchanged versus February at 52.5 mb/d,** with year-on-year output up by 900 kb/d. While 2009 estimates were left unchanged at 51.5 mb/d, 2010 output is revised up 220 kb/d to 52.0 mb/d, reaffirming the more optimistic outlook amid higher prices evident since 2Q09.

- **The 'call on OPEC crude and stock change' has been revised down for 1Q10 by 400 kb/d, to 28.8 mb/d,** due to higher non-OPEC production estimates. The average 2010 'call' is forecast at 29.1 mb/d, some 400 kb/d above average 2009 OPEC output levels of 28.7 mb/d.





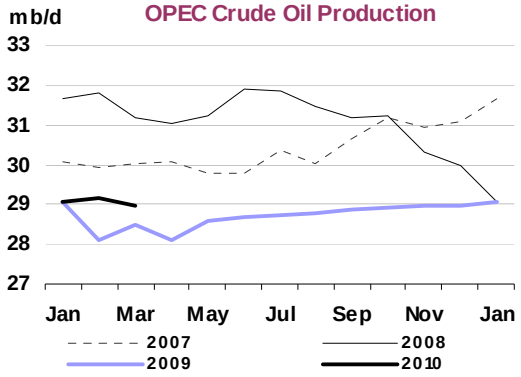
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

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

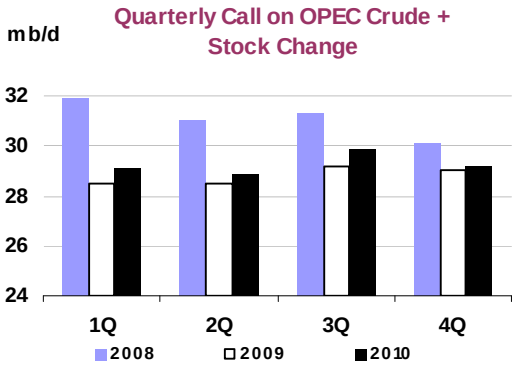
OPEC Crude Oil Supply

After steadily rising over the past year, OPEC crude production posted its first significant decline in March, off by 190 kb/d, to 28.98 mb/d. However, lower monthly production reflects a near 10% decline in Iraqi output rather than any effort by OPEC-11 members bound by quotas to rein in above-target output. OPEC-11 production in March, which excludes Iraq, was up by 30 kb/d to 26.73 mb/d, 1.89 mb/d above the group's 24.845 mb/d collective target level.

OPEC ministers rolled over current output targets at their 17 March meeting In Vienna against a backdrop of oil prices at 18-month highs of $85/bbl. OPEC is next scheduled to meet on 14 October in Vienna to review the market, pushing back the bi-annual ministerial meeting slightly from a more usual September date.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

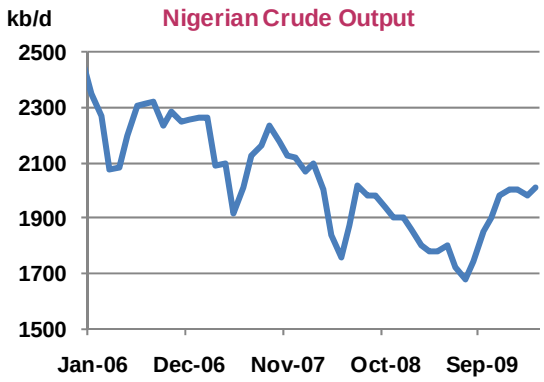
OPEC appeared to have sidestepped difficult discussions of stricter compliance with output quotas at its March meeting, though several OPEC ministers reportedly expressed concern informally that some members continue to flout their output targets. OPEC compliance with output targets stood at about 55% in March—down marginally from 56% in February and the heady levels of 83% in March 2009. The UAE, Saudi Arabia and Kuwait are adhering closest to their targets while Angola, Nigeria and Iran have all but ignored their implied output levels.

Nigeria is the latest member country to formally request OPEC officials to revisit the basis on which individual country targets were allocated in September 2008, arguing that the country is entitled to a bigger share of the overall OPEC production ceiling. Nigerian officials contend that, when quota percentages were last set, the country's output was lower than expected at the time because of debilitating militant attacks on oil infrastructure in the volatile Niger Delta. Nigeria's representatives at OPEC explained that the two historical parameters of reserves and production capacity do not justify the September 2008 allocation, adding Nigeria had a traditional percentage of around 8% of the OPEC total compared with an estimated 6.7% currently.

Nigeria would like OPEC to revisit allocations in line with growing global oil demand. Global oil demand is forecast to rise on average in 2010 by 1.7 mb/d above levels of a year ago, with the call on OPEC crude and stock change up 300 kb/d for the year at 29.1 mb/d. Allowing for ex-quota Iraq, that is almost 2 mb/d above current official output target levels. While supply and demand balances clearly leave ample room for OPEC to formally increase targets more in line with the higher call on its crude production in 2010, the prospect of difficult negotiations over reassigning individual country allocations may be unwelcome.

Nigerian crude output reached its highest level in 20 months in March as repairs to damaged infrastructure moved forward. Production rebounded by 30 kb/d to 2.01 mb/d, compared with

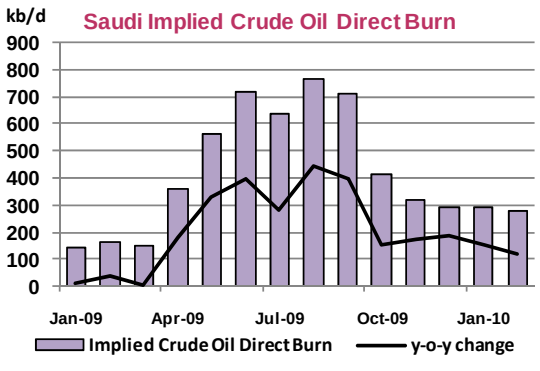
1.98 mb/d in February. Since the Delta ceasefire proposal was put forward last July, when production was at the lowest level in decades, Nigeria has steadily increased production. Output is up 330 kb/d from July 2009 production levels of 1.68 mb/d. The ceasefire has enabled companies to repair damaged infrastructure and assess their shut-in production and pipeline operations. Government officials and operating companies reported that militant activity has forced the shut-in of an estimated 1 mb/d out of total nameplate capacity of 3 mb/d. Approximately half of the shut-in output was widely considered capable of being brought online relatively quickly once rebel activity was halted. As a result, over the past several years Nigeria's installed capacity has been consistently assessed at around 2.6 mb/d. It now appears, however, that much of this shuttered capacity will either take much longer to restore, or may not be restored at all. As a result, we have lowered our estimate of Nigeria's spare capacity from 2.6 mb/d to 2.2 mb/d to conform with our definition of crude oil production capacity levels that can be reached within 30 days and sustained for at least 90 days.



Companies are still assessing damage to infrastructure but, once again, an escalation in militant activity in recent months is undermining the country's production outlook. While militant attacks disrupted production in February, mid-March bomb attacks outside government buildings targeted industry officials, although there were no casualties. That said, the bold move by militants to target negotiators working on the ceasefire agreement has underscored the fragile state of the agreement between rebels and the new administration of President Goodluck Jonathan. The appointment of a new cabinet, including the oil minister, and the replacement of the head of state oil company NNPC, have been viewed as positive steps, but many obstacles remain. Under the cabinet reshuffle, veteran oil minister Rilwanu Lukman was replaced by Diezani Allison-Madueke, both Nigeria's and OPEC's first female oil minister.

Topping the political agenda in the coming months will be the passage of controversial oil reforms currently before parliament. Nigeria plans to push forward new petroleum industry legislation, including contract changes that foreign operators object to, despite the prospect that a number of long-time producers may scale back their involvement or exit the country altogether. Under the Petroleum Industry Bill (PIB) the government will be allowed to renegotiate old contracts, including those for offshore acreage. Foreign oil operators argue that the proposed PIB will force them to scupper billions of dollars of planned investments.

Crude oil production in **Saudi Arabia** in March rose by 90 kb/d, to 8.25 mb/d, or about 200 kb/d above its implied output target. However, it appears much of the above target output is being used for direct burn at power and desalination plants within the Kingdom to meet stronger demand leading up to the peak summer season. Saudi Arabia has sharply increased its use of crude oil for direct burn since early 2009, partly to meet stricter environmental regulations on fuel quality used in electricity generation and partly to meet refinery constraints that call for cleaner burning, lighter crude oil versus heavier oil *(see Demand, Non-OECD, Saudi Arabia*).



In previous years, implied direct burn crude at power plants typically increased by around 150 kb/d during the peak summer demand months. However, in 2009

volumes during June-September surged by more than 85%, from an average 380 kb/d in 2008 to just over 700 kb/d in 2009. Given forecast strong electricity demand growth, direct burn crude is expected to post sharp increases again this year. As a result, Saudi crude oil production may steadily rise further as the summer season gets underway.

Iraqi output fell by 220 kb/d in March due to operational problems and weather-related export disruptions at southern export terminals. Production declined to 2.25 mb/d from a downward revised 2.47 mb/d in February. After reaching the highest level in more than two decades in February at 2.07 mb/d, total exports in March are pegged at just 1.79 mb/d. Crude oil exports from the southern Basrah terminals were down by 235 kb/d to 1.38 mb/d in March due to stormy weather, particularly later in the month. That compares with 1.62 mb/d in February. Northern exports of Kirkuk crude were off by 45 kb/d to 410 kb/d in March.

OPEC Crude Production

(million barrels per day)

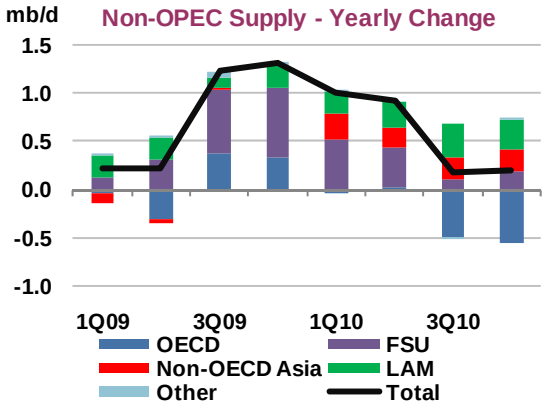
	Jan 2010 Supply	Feb 2010 Supply	Mar 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Mar 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.25	1.25	1.24	1.40	0.16	0.200	65%
Angola	1.89	1.95	1.92	2.10	0.17	0.244	0%
Ecuador	0.46	0.47	0.47	0.50	0.03	0.067	42%
Iran	3.70	3.74	3.68	4.00	0.32	0.562	23%
Kuwait[2]	2.29	2.29	2.28	2.65	0.37	0.374	88%
Libya	1.52	1.53	1.53	1.70	0.17	0.252	67%
Nigeria[3]	2.00	1.98	2.01	2.20	0.19	0.319	0%
Qatar	0.80	0.82	0.82	0.90	0.08	0.122	33%
Saudi Arabia[2]	8.20	8.16	8.25	12.00	3.75	1.318	91%
UAE	2.29	2.28	2.28	2.70	0.42	0.379	98%
Venezuela[4]	2.22	2.23	2.25	2.40	0.15	0.364	33%
OPEC-11	**26.62**	**26.70**	**26.73**	**32.55**	**5.81**	**4.201**	**55%**
Iraq	2.43	2.47	2.25	2.60	0.35		
Total OPEC	**29.04**	**29.17**	**28.98**	**35.15**	**6.16**		
(excluding Iraq, Nigeria, Venezuela					*5.47)*		

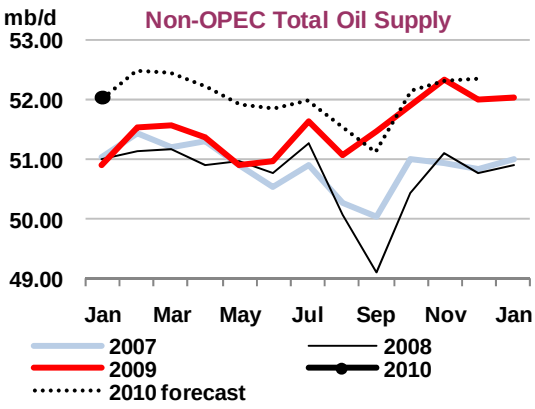
1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 480 kb/d in March.

Iran was the only other country to show a significant decline in production last month. The country's March oil production fell by 60 kb/d, to 3.68 mb/d versus 3.74 mb/d in February. Weaker demand for heavier crudes and refinery throughput cuts have reduced buying interest for Iran's poorer quality crudes, with a number of cargoes reportedly sitting unsold off Kharg Island. The threat of further sanctions against the country also appears to be affecting credit terms for sales.

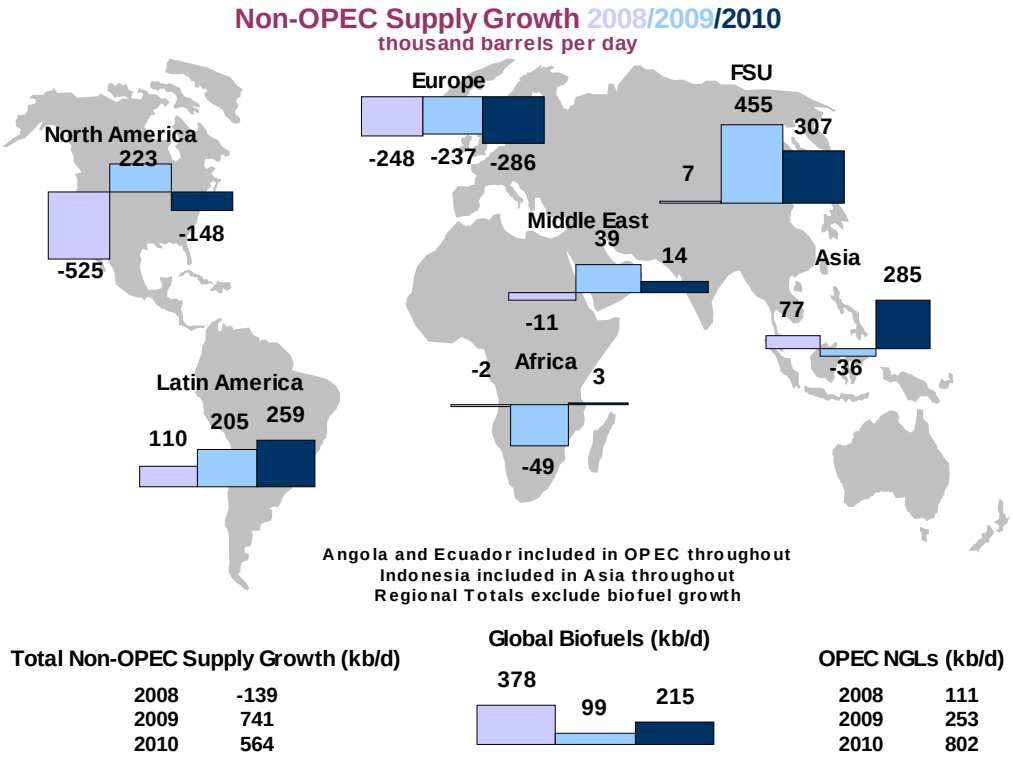
Non-OPEC Overview

March non-OPEC supply was unchanged versus February at just under 52.5 mb/d, while year-on-year, output was up by 900 kb/d. A baseline revision marginally trimmed the 2009 non-OPEC total to 51.5 mb/d. In 2010, in contrast, broader upward adjustments – this time largely for OECD countries – raised the forecast by 220 kb/d to 52.0 mb/d, reaffirming the more optimistic outlook amid higher prices evident since 2Q09.





The higher 2010 forecast stems from upward adjustments of around +65 kb/d each to Canada, the UK and Russia, and smaller revisions of around 20 kb/d to the Republic of Congo, Malaysia and Colombia. These are partly offset by downward adjustments of 20-35 kb/d each for Thailand, Brazil, Azerbaijan, China and Tunisia. Russia in particular continues to show steady growth due to ramp-up at new fields (extensively discussed in recent reports), as well as increased drilling at existing fields, amid more favourable prices and key tax breaks. The UK too has seen ramp-up at new fields and relatively robust performance in general.



Total Non-OPEC Supply Growth (kb/d)

2008	-139
2009	741
2010	564

OPEC NGLs (kb/d)

2008	111
2009	253
2010	802

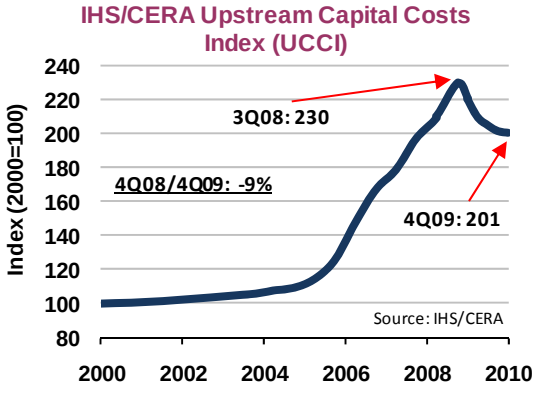
At current forecast growth of 565 kb/d in 2010, non-OPEC prospects are therefore looking brighter. Despite a nominal slowing of investment in 2009 and a year-on-year production decline in 2008 (exacerbated by the impact of hurricane shut-ins in the US), upstream investment decisions made before both 2008's price surge and slump are starting to bear fruit. New upstream projects are coming online and ramping-up production, while increased drilling and workover are stimulating production from mature assets. For example, UK average annual decline has slowed from 200 kb/d in 2003-2006 to an estimated 100 kb/d for 2008-2010. Mexico is also illustrative. It remains to be seen whether state oil company Pemex has stabilised production at its core Cantarell field, but year-on-year decline has certainly slowed markedly since mid-2009.

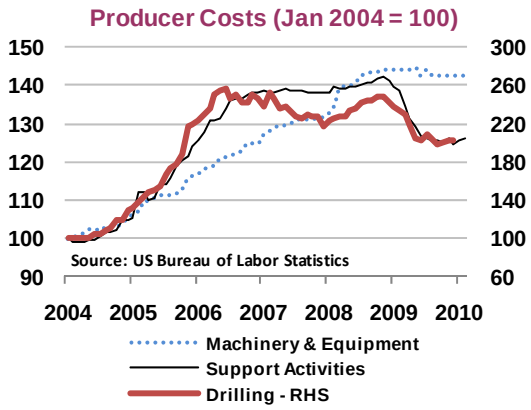
Non-OPEC Supply

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.5	14.3	13.9	14.2	14.2
Europe	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.1	4.2	4.2
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.1**	**19.2**	**19.7**	**19.4**	**19.7**	**19.2**	**18.7**	**19.1**	**19.2**
Former USSR	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.7	13.6
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Other Asia	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.7	4.6
Middle East	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.6
Total Non-OECD	**28.8**	**28.8**	**28.7**	**28.8**	**28.8**	**29.0**	**29.3**	**29.5**	**29.7**	**29.4**	**30.0**	**30.2**	**30.2**	**30.4**	**30.2**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.1**	**50.9**	**50.2**	**50.8**	**50.7**	**51.3**	**51.1**	**51.4**	**52.1**	**51.5**	**52.3**	**52.0**	**51.6**	**52.3**	**52.0**
Annual Chg (mb/d)	-0.1	0.0	-0.3	-0.1	-0.1	0.2	0.2	1.2	1.3	0.7	1.0	0.9	0.2	0.2	0.6
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.2	0.2	0.2	0.2

Looking ahead, Azerbaijan remains a significant source of non-OPEC growth in 2010 (+50 kb/d) despite recent downward revisions, and more so in the medium term, as underpinned by the recent sanctioning of the next stage of development of the offshore Azeri-Chirag-Guneshli (ACG) complex operated by BP. The Chirag Oil Project is scheduled to come onstream in 2013 and is expected to raise total ACG output over 1 mb/d and sustain production levels well into the second half of the decade. Another bright spot on the horizon was President Obama's recent proposal to open up large previously inaccessible swathes of the US Outer Continental Shelf to exploration (see *Proposals to Open Outer Continental Shelf Could Double US Crude Reserves*). The effects of the latter will only be felt several years from now, but given the recent, overwhelming success at boosting US gas production, access to reserves coupled with the right price and advances in technology could help sustain US oil production in years to come.





New data showed further declines in upstream costs, also potentially boosting longer-term supply prospects. An updated IHS/CERA index revealed that in 4Q09, upstream capital costs had fallen by 9% year-on-year and by 13% from their 3Q08 peak. By comparison, US Bureau of Labor Statistics (BLS) data had shown an average peak (November 2008) to trough (September 2009) fall of 12%. These data again confirm that a feared investment impact from lower upstream spending in 2009 (recently measured at -15%) was almost entirely offset by declining costs. Still, potential 2010 cost savings look more limited. BLS indicators from September 2009-February 2010 rose by 1% on average while the IHS/CERA index appears closer to bottoming out as investment increases again. Moreover, recent changes in contract terms by international iron ore producers potentially signal renewed upward cost pressures for equipment and new-build hardware.

OECD

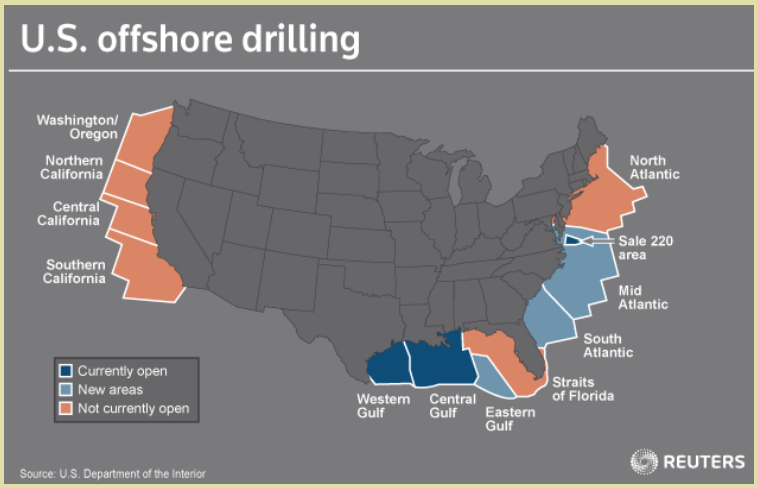
North America

US – March Alaska actual, others estimated: Total US oil production hovered around 8.3 mb/d in February and March, broadly unchanged from January. All three months saw sizeable upward data revisions, with stronger NGL and ethanol supply. In contrast, Gulf of Mexico (GoM) crude prospects have been trimmed by 40 kb/d for 2010, despite the start-up of the Perdido complex in late March, which will eventually add 100 kb/d of crude production capacity. Perdido, operated by Shell, is the first field to come onstream from the Lower Tertiary formation and has set new records in terms of drilling depth and distance from the shore. 2Q10 will see the start-up of the Telemark field, which will be a tie-back to Mirage and should add another 25 kb/d of crude. Downward-revised GoM crude production is partly offset by higher estimated crude output in Alaska and the Other Lower-48, but total crude is nonetheless revised down by 20 kb/d for 2010. Total US supply in 2010 is now forecast to dip by 15 kb/d to 8.1 mb/d, as growth in the GoM and fuel ethanol (each around +90 kb/d) is more than offset by declines in crude from other regions and NGL production.

Proposals to Open Outer Continental Shelf Could Double US Crude Reserves

In late March, President Obama set out proposals for a wide-ranging opening of US coastal waters to oil exploration, including promising acreage in Alaska, the Eastern Gulf of Mexico and large swathes of the Atlantic Coast, which had long remained off limits to oil companies. It will take years until any oil found in these waters is developed, but with a Minerals Management Service (MMS) estimate of 39-65 billion barrels of economically recoverable crude oil likely to be offered in leases in the next few years, this would be a welcome new opportunity for oil companies, as it could double the US's oil reserves of 30.5 billion barrels.

Large tracts of the US Outer Continental Shelf (OCS) have remained off limits for oil companies for years, including all of the Pacific and Atlantic Coasts, much of Alaska and the eastern half of the Gulf of Mexico (see map), largely for environmental reasons. But those areas that have been open for development – in Alaska and the western half of the Gulf of Mexico – have long overtaken older onshore areas as the sources of growth in US domestic oil production.



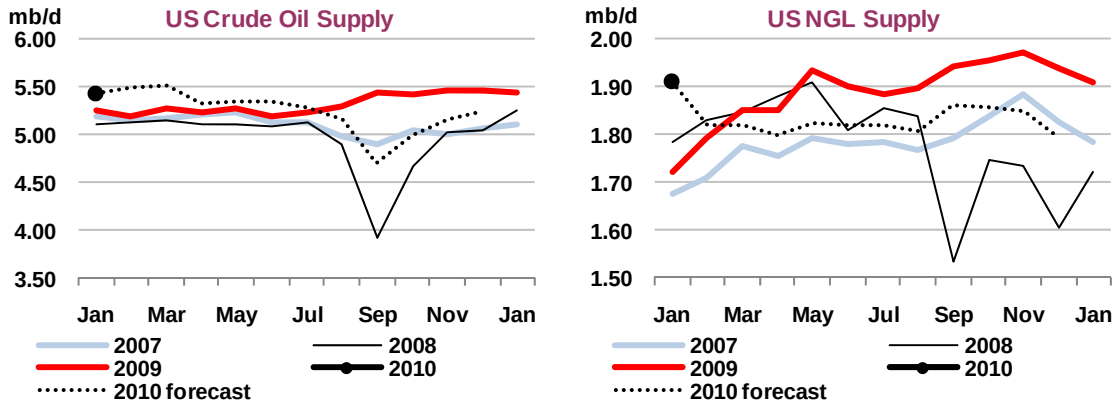
Obama's proposals are part of much broader draft energy legislation that includes fuel economy standards, carbon emission limits and more support for nuclear power and renewables in the US's energy mix. Political pundits see Obama's oil exploration proposals as a trade-off for support for environmental standards. But the move to widen access to largely untapped sources of US domestic reserves must also be seen in the context of the perennial debate about oil import dependency. The lingering memory of recent high oil prices as well as the current budget crisis also play a role, as both the federal government and littoral states stand to gain from any offshore development.

Proposals to Open Outer Continental Shelf Could Double US Crude Reserves *(continued)*

How soon can oil companies expect to gain access to this new acreage? For a start, Obama's proposals have yet to be passed into law. The MMS however has already started collecting data on the offshore areas, which will ultimately determine which blocks to offer in its 2012-2017 plan. Companies may then initially only be allowed to conduct seismic exploration. There will likely also be environmental reviews and, based upon the experience of other offshore lease areas – notably Alaska – litigation by environmental groups.

Another unresolved issue is how to share revenues between neighbouring states and the federal government. In addition, the Eastern Gulf of Mexico is still under a moratorium only set to expire in 2022 – Congress would have to agree to lift this. Lastly, any development of offshore oil is expensive. While the Western and Central Gulf of Mexico benefit from existing infrastructure – both onshore and offshore – this is not true of the Atlantic Coast and only partly true in Alaska. There however, the need to maintain a certain flow volume through the *Trans-Alaska Pipeline System* (TAPS) is another incentive to boost regional output (see *Going to California: Shrinking PADD 5 Output Redirects Crude Flows* in report dated 12 November 2009). Indeed, Alaska may be the first region to see new activity and new leases, after Shell received the go-head for exploratory drilling in the Chukchi Sea in early April.

Last year's annual growth in US oil production of around 550 kb/d was largely due to the absence of GoM hurricanes. For 2010, we assume GoM hurricane adjustments of -210 kb/d and -240 kb/d respectively for the third and fourth quarters, based upon the rolling five-year average. A meteorological team at Colorado State University recently forecast above-average storm activity in 2010, with a possible four hurricanes and higher-than-usual likelihood of one of the four making landfall on the US coast.

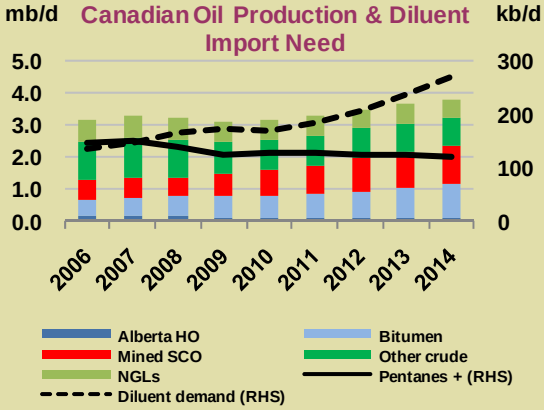


Canada – Newfoundland February actual, others January actual: Following across-the-board revisions outlined last month (see *Canadian Production Data Revisions Boost Outlook* in report dated 12 March 2010), early-year production data prompted an upward adjustment of 70 kb/d to the 2010 forecast, largely on the basis of higher NGL output. Recently plagued by outages and repairs at upgrading units, mined synthetic crude should rise from a January low of 570 kb/d to average 720 kb/d in 1Q10 and 870 kb/d in 2Q10 following the completion of work at one of Suncor's plants. Rising NGL production expected this year (+25 kb/d year-on-year) and growth in mined synthetic crude (+55 kb/d) are forecast to offset a decline in conventional crude production, with total Canadian oil supply now set to rise 20 kb/d to 3.2 mb/d in 2010.

Oil Sands Growth Has Canada Searching for NGLs

Rising bitumen production from Canadian oil sands coupled with falling domestic NGL supplies have created a need to import diluent into the oil sands producing areas of Alberta. Total Canadian oil sands production (including both mined/upgraded and *in situ* bitumen) is expected to grow by 0.9 mb/d to 2.2 mb/d from 2009 to 2014, making it an important contributor to non-OPEC oil production growth, while pentanes plus output, the natural gas liquid (NGL) fraction traditionally used for bitumen dilution, is expected to fall. Current diluent imports into Alberta are estimated at 40 kb/d and these may need to increase to 150 kb/d by 2014, depending on a number of factors, including the growth of oil sands production as a whole and the structure of the crude bitumen value chains.

Diluent imports reflect the way in which bitumen is marketed and where it is refined. Unlike raw bitumen, synthetic crude oil (SCO) does not need to be diluted to allow pipeline transportation. All mined bitumen is upgraded to SCO, while so-called *in situ* bitumen, produced from deeper deposits, is mostly marketed as non-upgraded diluted bitumen, largely outside Alberta. A trend of more *in situ* bitumen being upgraded to SCO, or more non-upgraded bitumen being refined in Alberta would reduce the need for diluent imports as intra-Alberta bitumen shipments use recycled diluent. Oil sand producers' choice of whether to upgrade *in situ* bitumen depends on upgrading economics, partially subject to CO_2 regulation, due to upgraders' heavy carbon footprint.

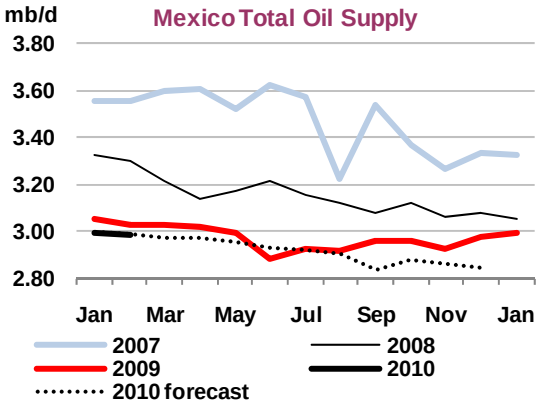


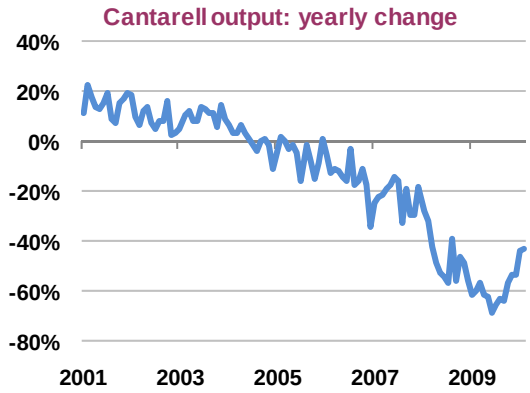
The required diluent for bitumen varies from a 17% to 32% volume share, depending on bitumen quality. When SCO is used to dilute bitumen the blend volume is 50%. Cold weather increases the need for diluent, but insulated and heated pipelines can provide an offset. Around 10% of diluent is typically added to other heavy oil as a viscosity cutter. Current imports of diluent into Alberta consist of naphtha volumes sourced from the US Midwest and condensate volumes sourced from the Pacific terminal of Kitimat in British Columbia – both transported to Alberta by rail. Kitimat volumes are sourced from, among others, the Pisco fractionation plant in Peru. Canadian NGL prices have become disconnected from US Gulf prices due to the local shortage of NGLs, and price differentials have reached levels that encourage investments in pipeline capacity for diluent imports from the US.

In spite of recent capacity building to allow more bitumen refining within the province, most of Alberta's diluted bitumen will still be transported out of the province to important refining centres in Eastern Canada and the US Midwest. New oil sands projects expected to come on stream in the near future will likely necessitate a doubling of this network. Calgary-based Enbridge has proposed the 0.5 mb/d Northern Gateway West pipeline from Edmonton to Kitimat, which represents a possible future Pacific outlet for Canadian bitumen.

Enbridge is also behind the US$2 billion Southern Lights pipeline that will enter into operation by late 2010 and add 180 kb/d of capacity to transport diluent from refineries in the Chicago area to Edmonton. The pipeline may be partly filled by reused condensate from US Midwest refineries. Enbridge has also proposed the 0.2 mb/d Northern Gateway East pipeline from Kitimat to Edmonton that could enter service by 2015.

Based on our own estimate diluent import needs, the ongoing pipeline investments appear justified in the short to medium term, and longer-term developments might require large investment in diluent import infrastructure. Other oil-producing regions in the world will also be in need of diluent or light blend stock as their production of heavy oil increases. Oman is already applying its condensate production for this purpose, and Colombia's need for diluent is expected to double as it builds up production from the heavy Rubiales field and others in the Llanos area. The interplay of heavy oil and diluent already influences trade streams, naphtha availability, pipeline investments and the economics of synthetic upgrading of bitumen. With heavy oil production growing in the Americas, while NGL production in the region is projected to remain at best stagnant, international diluent trade will increase. Rapidly expanding NGL supply, especially from large natural gas developments in the Middle East, will likely be a key source of extra condensate supplies.

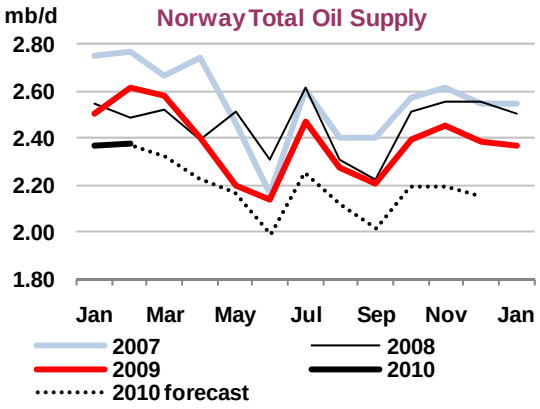


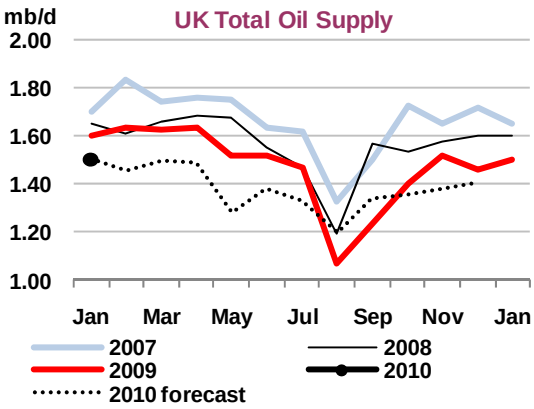


Mexico – February actual: February total oil production in Mexico was steady at just under 3 mb/d. Pemex claims to have stabilised output at its Cantarell field, which produced 520 kb/d in February. Steep decline at what used to be Mexico's largest field has more than offset gains elsewhere, leading to a steady decline in national output. The past year has seen growth at the Sihil and Kutz satellites, even while output at the core Akal field has fallen. A year-on-year comparison clearly shows a pronounced slowdown in overall output decline since mid-2009. This report forecasts a dip of 60 kb/d to 2.5 mb/d for crude production in 2010 on the assumption that incremental output at Ku-Maloob-Zaap of around 50 kb/d and a small uptick at the complex Chicontepec field will partly offset a drop in Cantarell output of around 150 kb/d. Meanwhile, total Mexican liquids supply could dip by 50 kb/d to 2.9 mb/d in 2010.

North Sea

Norway – January actual, February preliminary: Norwegian oil production was steady at 2.4 mb/d in January and February, unchanged from December. Production estimates for 2009 and 2010 are largely unchanged at 2.4 mb/d and 2.2 mb/d respectively. ConocoPhillips and partners announced plans to spend up to $14 billion extending the life of the aging Eldfisk and Ekofisk fields (the combined Ekofisk area produced around 250 kb/d in 2009). Final investment decisions will be made in 2011. The Norwegian authorities are pushing for greater oil recovery at existing fields, with the Norwegian Petroleum Directorate (NPD) targeting an additional 5 billion barrels to be recovered by 2015. Statoil also announced plans to boost output at the Troll oil field with more drilling and gas injection. It also listed four fast-track projects due to come onstream in 2012-13: Katla, Vigdis Northeast, Gygrid and the Pan/Pandora satellite fields.





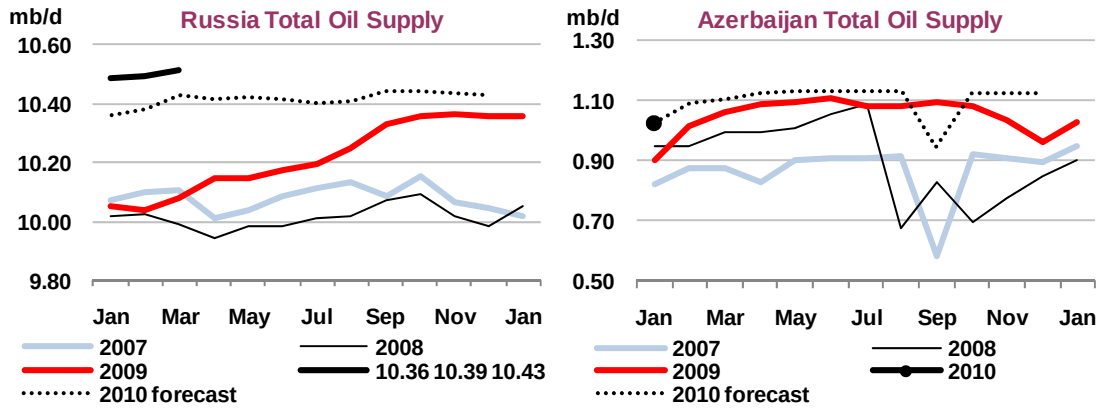
UK – January actual: UK total oil production rose 40 kb/d in January, to 1.5 mb/d. Stronger-than-expected recent performance at several fields and higher loading schedules for February and March prompted an upward revision of 70 kb/d to the 2010 forecast, with production now expected to fall to

1.4 mb/d from 1.5 mb/d in 2009. The second quarter will see a dip of around 105 kb/d as fields enter seasonal maintenance. Around half of this volume will stem from planned work at the Buzzard field, the UK's largest, which will see output curbed for an estimated ten days in May.

Former Soviet Union (FSU)

Russia – February actual, March preliminary: Russian total oil production, including field condensate and other NGLs, rose 45 kb/d in March to a new post-Soviet high of 10.4 mb/d, largely on higher crude output. Oil supply is up by 350 kb/d compared to March 2009, as output from a handful of large new oil fields has increased and decline at mature assets slowed. Rosneft's Vankor field alone, which started up just about a year ago, contributed 250 kb/d to this growth and should reach around 300 kb/d by the end of the year. Peak production capacity of 500 kb/d is expected to be reached mid-decade. In April, Lukoil will bring its Yuri Korchagin field onstream, one of the first to be developed in Russia's section of the Caspian Sea. It is forecast to reach peak capacity of 50 kb/d in early 2011.

On the basis of consistently higher-than-expected monthly output, 2010 forecast production has been revised up by 60 kb/d. Total oil production is now forecast to rise from 10.2 mb/d in 2009 to 10.4 mb/d in 2010, thus repeating 2009's largely unanticipated growth. As discussed in previous reports, future prospects depend on the fiscal regime, including the much-debated crude export duty and exemptions from it, which currently apply to a select group of fields in Eastern Siberia, including Vankor (see *Further Uncertainty Over Eastern Siberian Tax Breaks* in report dated 11 February 2010). A recent proposal is for exemptions to remain in place until the end of 2010, but then to be discontinued, except for Rosneft's Vankor, Surgutneftegaz's Talakan and TNK-BP's Verkhnechnonsk fields, for which the companies would each pay 40% of the full duty. Another interesting development is the Ministry for Natural Resources' proposal that foreign oil companies should be able to gain access to offshore licences in some form of joint venture with Russian companies. Currently considered 'strategic', offshore acreage is limited to development by state-owned Rosneft or Gazprom and remains virtually untapped.



Kazakhstan – March actual: Kazakhstan's oil production was slightly lower than expected in March, at 1.6 mb/d, despite output at its large Tengiz complex reaching new output heights of 540 kb/d. Tengiz production is up by around 40 kb/d since capacity was expanded last July and around 160 kb/d higher than one year ago, boosting total Kazakh supply, which is now forecast to rise 55 kb/d to over 1.6 mb/d in 2010.

Azerbaijan – December actual, January preliminary: For Azerbaijan, the 2010 forecast was again adjusted down on lower-than-forecast recent output at the Azeri-Chirag-Guneshli (ACG) complex and on the consortium's target production profile for the coming year. 2010 total Azeri production is now expected to rise by 50 kb/d to 1.1 mb/d. Looking into the future, March saw the sanctioning of the next stage in the ACG development, at Chirag, which will involve the construction of a new West Chirag

platform and should boost production capacity by 185 kb/d, starting in 2013. This increment should boost total ACG output over 1 mb/d (from an average 840 kb/d in 2009) and sustain it there well into the second half of the decade.

February FSU net oil exports fell by 360 kb/d from January to 8.8 mb/d and were down by 730 kb/d year-on-year, in both cases evenly split between crude and product shipments. Compared to January, both seaborne and Druzhba pipeline crude exports fell, the former due to maintenance at Primorsk and stormy weather in the Black Sea. Higher domestic demand, partly due to cold weather, also trimmed shipments of crude and fuel oil. Structurally, the shift from western ports to the Arctic/Far East and Other Routes continues, as crude exports from the Pacific port of Kozmino pick up (in February, they were just under 300 kb/d). Kozmino or Eastern Siberia-Pacific Ocean (ESPO) crude continues to make headway into eastern markets and has reportedly been bought by refineries in China, Southeast Asia, Hawaii and the US West Coast. News reports also indicate the first-term deals. Meanwhile, export volumes through the CPC were down in March, also suffering from the bad weather seen in the Black Sea. Other Kazakh crude shipments were being diverted to the Polish port of Gdansk as a row with the Ukraine over pipeline tariffs still simmers.

Crude oil loading schedules indicate that March and April FSU export volumes will increase again following the end of maintenance at Primorsk and as weather delays recede. Kozmino shipments are also set to increase. Russian crude exports to Belarus in March were reportedly down by nearly 50% year-on-year following the January dispute and change in the export duty regime (see *Russia – Belarus Dispute on Oil Tax and Transit* in report dated 15 January 2010). Russia now intends to only send around 125 kb/d of duty-free crude to Belarus for domestic refining and consumption, which has led to lower purchases (compared to around 420 kb/d previously, which was subject to substantially reduced export duties). Belarus is evidently seeking new sources of crude and has reportedly signed an agreement with Venezuela to import 80 kb/d, rising to 200 kb/d in 2011. A first 80 kt tanker is apparently en route from Venezuela.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	1Q2009	2Q2009	3Q2009	4Q2009	Dec 09	Jan 10	Feb 10	Latest month vs. Jan 10	Latest month vs. Feb 09
Crude											
Black Sea	2.05	2.19	2.30	2.23	2.10	2.12	2.11	2.05	1.94	-0.12	-0.40
Baltic	1.46	1.62	1.57	1.66	1.61	1.65	1.67	1.58	1.48	-0.10	-0.09
Arctic/FarEast	0.30	0.48	0.46	0.45	0.48	0.51	0.53	0.69	0.71	0.02	0.25
BTC	0.67	0.81	0.74	0.80	0.82	0.87	0.88	0.73	0.68	-0.05	-0.14
Crude Seaborne	**4.48**	**5.09**	**5.07**	**5.14**	**5.02**	**5.15**	**5.19**	**5.06**	**4.81**	**-0.25**	**-0.39**
Druzhba Pipeline	1.08	1.12	1.14	1.12	1.09	1.14	1.13	1.18	1.11	-0.06	-0.03
Other Routes	0.42	0.36	0.40	0.40	0.35	0.30	0.28	0.30	0.41	0.11	-0.01
Total Crude Exports	**5.98**	**6.58**	**6.61**	**6.66**	**6.45**	**6.59**	**6.60**	**6.53**	**6.33**	**-0.20**	**-0.42**
Of Which: Transneft	3.99	4.19	4.22	4.27	4.12	4.16	4.19	3.98	3.79	-0.19	-0.45
Products											
Fuel oil	1.09	1.08	0.96	1.16	1.16	1.05	1.09	0.98	0.88	-0.11	-0.03
Gasoil	0.94	0.98	1.10	0.95	0.97	0.91	0.95	0.98	0.94	-0.04	-0.22
Other Products	0.59	0.69	0.73	0.79	0.63	0.60	0.63	0.70	0.70	0.00	-0.06
Total Product	**2.63**	**2.75**	**2.78**	**2.89**	**2.76**	**2.56**	**2.67**	**2.66**	**2.52**	**-0.15**	**-0.31**
Total Exports	**8.61**	**9.32**	**9.39**	**9.55**	**9.21**	**9.15**	**9.26**	**9.20**	**8.85**	**-0.35**	**-0.73**
Imports	0.04	0.04	0.04	0.05	0.04	0.04	0.05	0.03	0.04	0.01	0.00
Net Exports	**8.57**	**9.28**	**9.35**	**9.50**	**9.17**	**9.10**	**9.21**	**9.17**	**8.80**	**-0.36**	**-0.73**

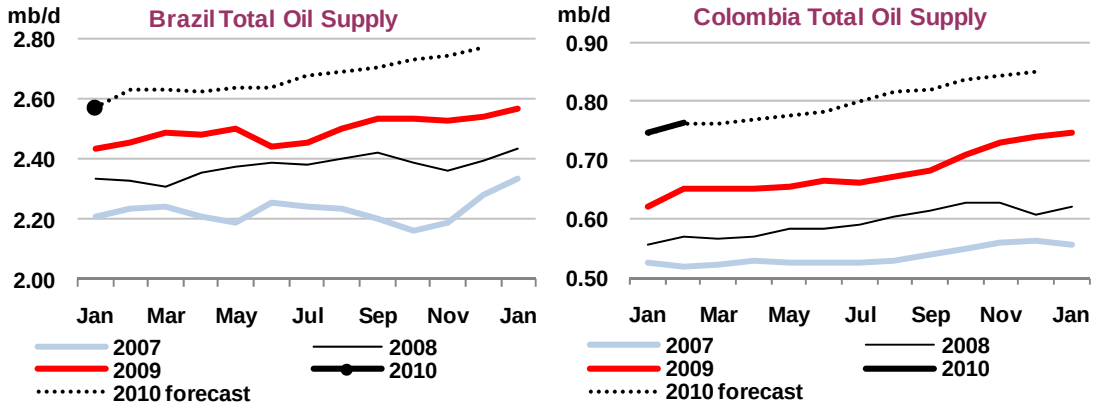
Sources: Petro-Logistics, IEA estimates

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

Other Non-OPEC

Various Asia-Pacific: In **China**, frozen seas in Bohai Bay earlier this year had less impact on production than previously assumed, leading to upward revisions for January and February. However, a reappraisal of the outlook for the rest of the year has led to a downward adjustment of the 2010 forecast by 25 kb/d, on lower expected output at fields in the Xinjiang, Changqing, Dagang and offshore areas. Total oil production is nonetheless forecast to rise by 125 kb/d to 3.9 mb/d in 2010. **Thailand**'s total oil production baseline was adjusted down by 25 kb/d in 2008 and 2009 due to a reassessment of NGL production. This is carried forward into 2010, which, added to a slightly lower crude profile, brings down the total 2010 supply forecast by 35 kb/d. Overall Thai oil production is now assessed to stay relatively steady at 330 kb/d in 2010.

In **India**, independent producer Cairn announced that peak output capacity at its cluster of fields in Rajasthan (comprising Mangala, Aishwariya and Bhagyama) will eventually reach 240 kb/d, rather than a previous total of 175 kb/d. Mangala came onstream in the summer of last year and could ramp up to around 125 kb/d by early 2011. The forecast for total Indian oil output was not affected, however, and is expected to see growth of 70 kb/d to 870 kb/d in 2010, almost wholly due to output from Mangala. Lastly, January production in **Malaysia** picked up by 20 kb/d, coming in higher than expected, resulting in an upward-revised profile for 2010, which foresees a slight decline to 730 kb/d.



Various Latin America: Latin America's 2010 profile is broadly unchanged, and with overall growth of nearly 300 kb/d is still expected to make up nearly two-thirds of total non-OPEC growth in 2010. Around 180 kb/d of this is due to come from **Brazil**, which despite a downward-adjusted 2010 forecast is still anticipated to see strong growth in crude (+145 kb/d) and fuel ethanol (+35 kb/d) on the year. The other main contributor to growth will be **Colombia**, where recent production has consistently exceeded this report's expectations, despite recent upward revisions to forecast. Incremental output from the Rubiales heavy crude field in the Llanos Basin continues, pumping 110 kb/d in February. The country's total oil production is now forecast to grow by 125 kb/d in 2010 to 800 kb/d. New production data for **Bolivia** led to a baseline revision of around +10 kb/d for 2008 and 2009, which is carried through the forecast, while previous years were adjusted down slightly. Total oil production is forecast to remain steady at around 55 kb/d in 2010.

Various Africa: Newly received data for **Equatorial Guinea**, **Gabon** and **Tunisia** prompted baseline revisions to historical estimates. For the **Republic of Congo** (Brazzaville), we had not been fully capturing output from the Azurite field, which came onstream in the summer of last year. This pushes up the 2010 forecast by 25 kb/d, with the country's total oil output now estimated to rise by 20 kb/d to 300 kb/d in 2010.

OECD STOCKS

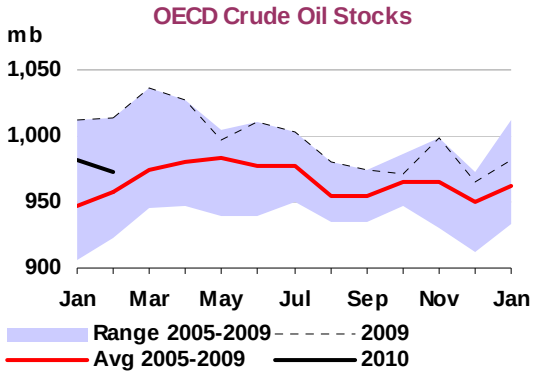
Summary

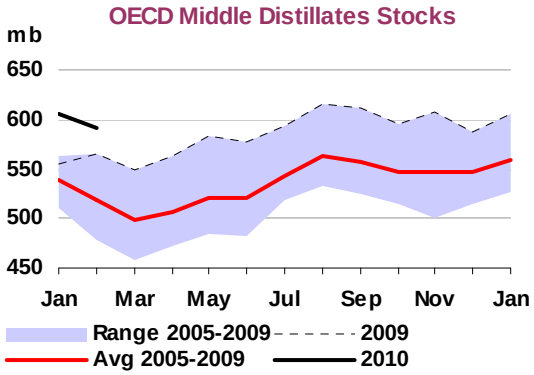
- **OECD industry stocks decreased by 38.4 mb to 2 685 mb in February**, exceeding the five-year average monthly draw of 25.5 mb. A fall in European and Pacific crude oil stocks, European and North American middle distillate inventories, as well as North American 'other products', drove the change.

- **OECD stocks in terms of days of forward demand cover rose to 60.0 as of end-February**, up from 59.5 at end-January, as seasonally falling three-month forward demand outpaced the drop in absolute OECD stocks. Days cover grew the most in residual fuel oil and regionally in the Pacific and North America.

- **Preliminary data indicate total OECD industry oil inventories built counter-seasonally by 8.0 mb in March**, in contrast to the five-year average stock draw of 12.5 mb. US and Japanese stocks increased by 4.2 mb and 6.1 mb, respectively, while, according to Euroilstock, EU-16 inventories drew by 2.3 mb.

- **Short-term crude floating storage rose to 65 mb as of end-March**, from 55 mb at end-February. Refined products in short-term floating storage decreased from 74 mb at end-February to 52 mb. Most of the products draw occurred in the Mediterranean and Northwest Europe.





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

OECD commercial oil inventories stood at 2 685 mb at end-February, down 38.4 mb from January levels. Crude, middle distillates and 'other products' underpinned the fall, which was exacerbated by labour-related disruptions in France. Over the past five years, stocks drew by 25.5 mb in February on average, but this included an unusually large 61 mb decrease in both 2007 and 2008, of mostly distillates and, to a lesser extent, gasoline. By contrast, during this February distillates and gasoline only declined by 14.3 mb and 0.4 mb, respectively.

Preliminary Industry Stock Change in February 2010 and Fourth Quarter 2009

	February (preliminary) (million barrels)				February (preliminary) (million barrels per day)				Fourth Quarter 2009 (million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**15.1**	**-16.3**	**-9.2**	**-10.4**	**0.54**	**-0.58**	**-0.33**	**-0.37**	**-0.10**	**0.07**	**-0.06**	**-0.10**
Gasoline	1.4	-3.0	1.2	-0.4	0.05	-0.11	0.04	-0.01	0.13	0.08	-0.02	0.18
Middle Distillates	-5.2	-9.3	0.2	-14.3	-0.19	-0.33	0.01	-0.51	-0.12	-0.04	-0.11	-0.26
Residual Fuel Oil	0.6	0.4	0.5	1.5	0.02	0.01	0.02	0.05	0.01	0.03	-0.03	0.01
Other Products	-11.7	-0.2	-1.3	-13.3	-0.42	-0.01	-0.05	-0.47	-0.53	-0.03	-0.10	-0.66
Total Products	**-14.9**	**-12.2**	**0.7**	**-26.5**	**-0.53**	**-0.44**	**0.02**	**-0.95**	**-0.51**	**0.04**	**-0.26**	**-0.74**
Other Oils[1]	0.8	-1.3	-1.0	-1.5	0.03	-0.05	-0.03	-0.05	-0.25	-0.03	-0.07	-0.36
Total Oil	**0.9**	**-29.8**	**-9.5**	**-38.4**	**0.03**	**-1.07**	**-0.34**	**-1.37**	**-0.87**	**0.07**	**-0.39**	**-1.19**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Total products stocks declined by 26.5 mb, while they usually move down by 32.6 mb. Crude oil inventories in February fell by 10.4 mb against a five-year average build of 10.8 mb. This fall in crude helped to decrease the total oil stock surplus versus the five-year average to 67 mb, from 79 mb in January.

Revisions versus 12 March 2010 Oil Market Report

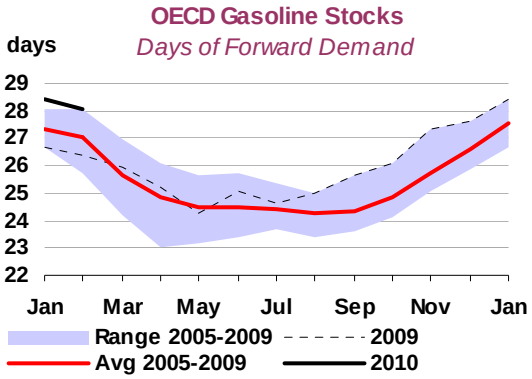
(million barrels)

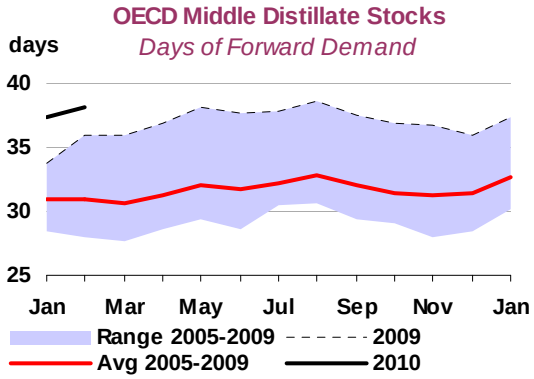
	North America		*Europe*		*Pacific*		*OECD*	
	Dec 09	Jan 10	Dec 09	Jan 10	Dec 09	Jan 10	Dec 09	Jan 10
Crude Oil	**-1.1**	**5.2**	**-1.7**	**-1.9**	**0.0**	**2.0**	**-2.7**	**5.3**
Gasoline	0.0	2.7	0.1	-4.2	0.0	1.2	0.1	-0.3
Middle Distillates	-0.3	0.4	-0.8	3.7	0.3	1.0	-0.9	5.1
Residual Fuel Oil	-0.2	0.5	0.1	2.9	0.0	0.0	0.0	3.3
Other Products	-0.9	5.1	-0.1	7.1	0.0	0.0	-1.1	12.1
Total Products	**-1.4**	**8.6**	**-0.8**	**9.5**	**0.3**	**2.1**	**-1.9**	**20.2**
Other Oils[1]	-0.4	-6.6	0.2	1.1	0.0	0.3	-0.1	-5.2
Total Oil	**-2.9**	**7.2**	**-2.2**	**8.8**	**0.3**	**4.4**	**-4.8**	**20.3**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

OECD crude oil stocks, mainly in Canada and the Netherlands, were revised down by 2.7 mb in December, while a downward revision to 'other products' in Canada resulted in a fall of 1.9 mb. However, January data came out 20.3 mb higher, mostly due to positive revisions in US crude and European middle distillate, residual fuel and 'other products' stocks. German and Italian distillate stock readings came in higher than previously reported. A reclassification of some motor gasoline stocks to naphtha in the Netherlands drove the 'other products' revision, starting in January 2010.

In terms of forward demand cover, OECD stocks increased by 0.5 days to 60.0 days by the end of February, as the weakening of OECD seasonal demand during the next three months outran falling stock levels. Much of the gain in forward cover came from North America and the Pacific. Residual fuel stocks saw the largest rise in forward cover among products. Meanwhile, distillate days cover were at relatively high levels at the end of winter, while gasoline days cover hovered above five-year levels before the onset of seasonal draws.



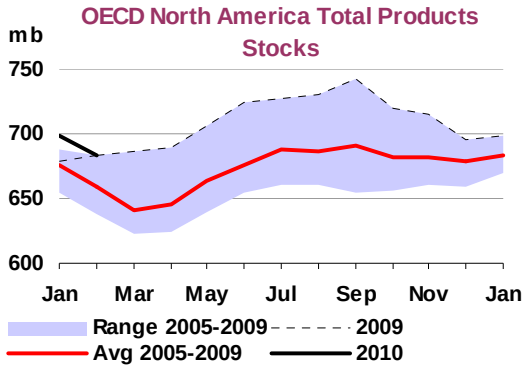


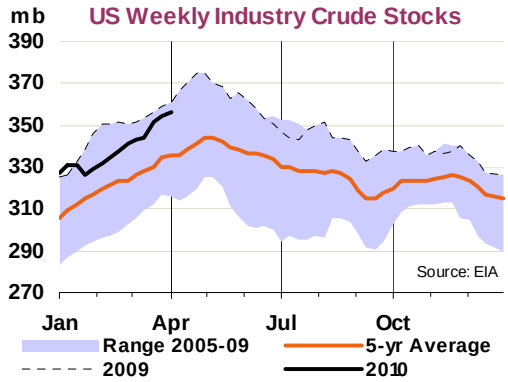
According to preliminary data, total OECD industry oil inventories built by 8.0 mb in March. By contrast, the five-year average stock change was a draw of 12.5 mb. Crude oil stocks rose by 24.1 mb, higher than a 16.8 mb seasonal build, while product inventories decreased by 16.0 mb, in contrast to a seasonal 33.4 mb draw. Short-term crude floating storage rose to 65 mb as of end-March, from 55 mb at end-February, as a further five VLCCs entered use. However, products floating storage continued to decrease, moving from 74 mb at end-February to 52 mb, mainly due to discharges in the Mediterranean and Northwest Europe.

Analysis of Recent OECD Industry Stock Changes

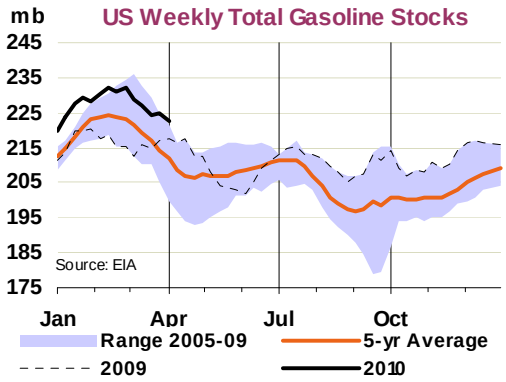
OECD North America

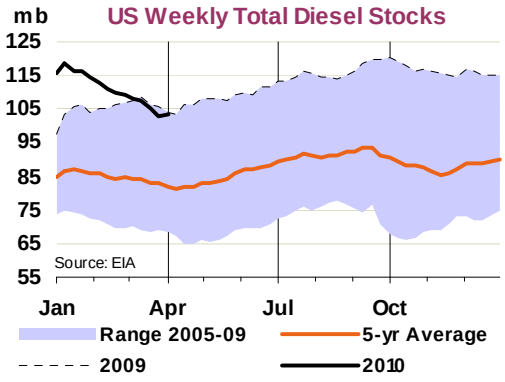
Industry stocks in North America rose slightly in February, as a 15.1 mb build in crude oil outweighed a 14.9 draw in product stocks. Both crude and product movements were led by the US. 'Other products' inventories, mostly propane, according to EIA preliminary data, drew by 11.8 mb, while middle distillates fell by 5.2 mb. The fall in US product stocks was partly offset by a stronger-than-normal 12.2 mb build in crude stocks. In Mexico, stocks rose overall by 3.5 mb, led by crude and fuel oil.





March preliminary US data showed a 9.5 mb draw in products offset by a 13.7 mb build in crude stocks, resulting in a net build of 4.2 mb. In comparison, the five-year average stock change was a product draw of 19.4 mb and a crude build of 10.9 mb. The majority of increases in crude stocks occurred in the Midwest and Gulf Coast. Stocks in Cushing, Oklahoma, rose by 0.9 mb and stood at 31.2 mb as of 2 April.

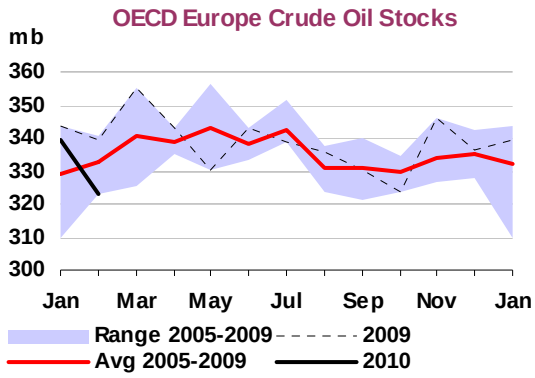


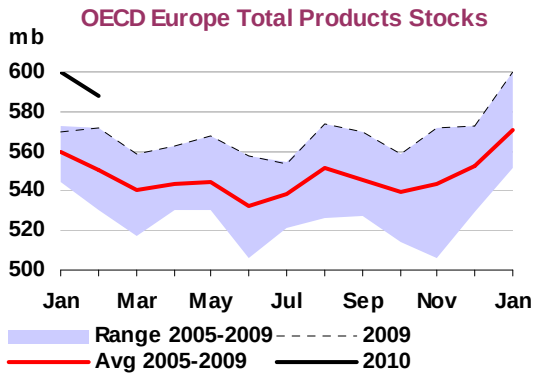


Draws in gasoline and distillate stocks along the East Coast and Midwest drove the fall in the US product stocks in March. Distillate stocks fell by 5.3 mb, most of which came from diesel. Gasoline inventories fell by 7.9 mb on the month, but still trended in the upper part of the five-year range. Imports were well below seasonal levels, yet rose throughout March. Comfortable overall stock levels and stronger imports appear to provide an ample supply buffer before the start of US driving season.

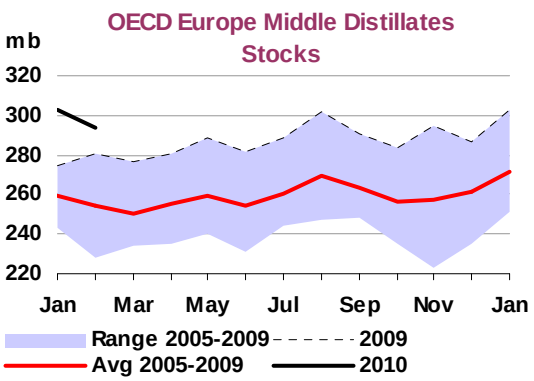
OECD Europe

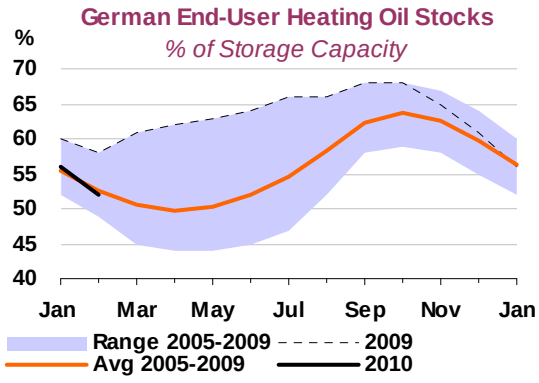
European oil stocks plummeted by 29.8 mb in February as both crude and product inventory levels fell. A majority of the sharp 16.3 mb counter-seasonal decline in crude oil stocks came from Norway, France and Germany. Preliminary data for Norway showed a drop of 10.0 mb in crude oil stocks due to outbound tanker sailings. Labour-related disruptions at French oil ports and low imports via the Druzhba pipeline cut an additional 2.5 mb and 6.7 mb in France and Germany, respectively.





Seasonal refinery maintenance in Belgium, the Netherlands and Spain helped to draw down product stocks, mainly distillates and gasoline, by 12.2 mb. French gasoline and middle distillate inventories fell by a combined 4.6 mb following a disruption to refinery operations after a labour walkout at Total's six French refineries. Prolonged cold weather further drew down German residential heating oil stocks to 52% of capacity at end-February from 56% at end-January.



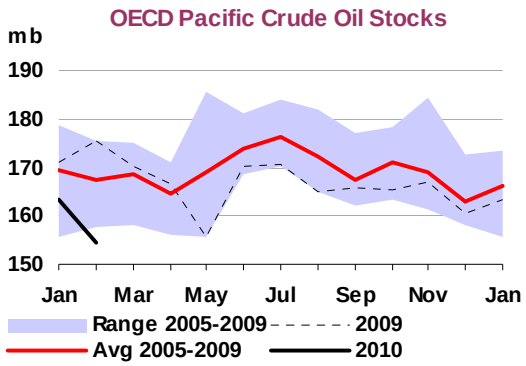


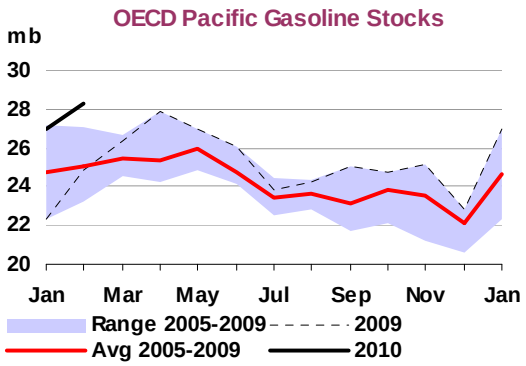
Preliminary data indicate product stocks held in Northwest Europe independent storage rose slightly in March, as falling gasoil stocks were more than offset by increases in gasoline and fuel oil. The narrowing contango in gasoil futures reduced floating storage incentives and the volumes of, predominantly gasoil, held offshore Northwest Europe and in the Mediterranean declined by 20 mb during the month.

EU-16 oil stocks fell seasonally by 2.3 mb in March, according to preliminary data from Euroilstock. By comparison, the average European stock change in March is a draw of 2.5 mb. Reduced refinery activity driven by spring maintenance across Europe and economic run cuts helped crude stocks build 5.1 mb. At the same time, products stocks fell across the board, with middle distillates decreasing 6.0 mb, while gasoline, naphtha and fuel oil stocks drew by a combined 2.5 mb.

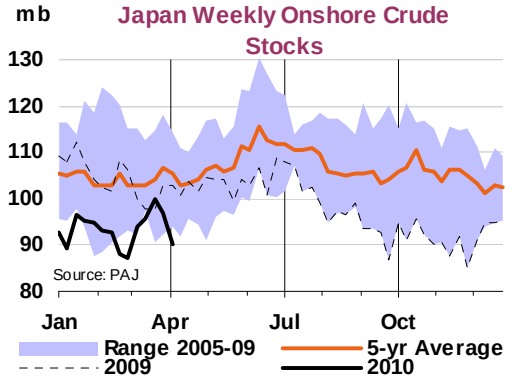
OECD Pacific

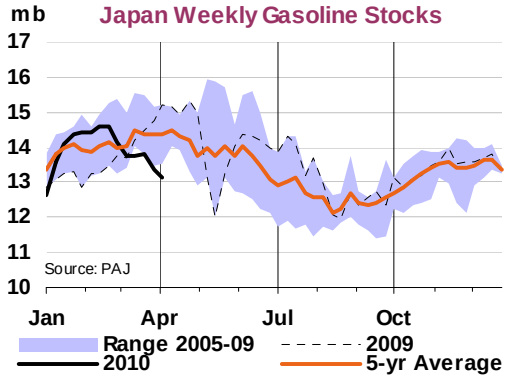
Pacific industry stocks drew by 9.5 mb in February, led by a 11.4 mb drop in crude oil inventories in Japan and Korea. Japanese crude stocks increased their deficit to five-year average levels. Korean crude oil stocks fell following low crude imports, which were the lowest levels since May 2009. Gasoline in the Pacific rose sharply in January (+4.1 mb), and increased further in February (+1.2 mb) to end the month well above the five-year range.





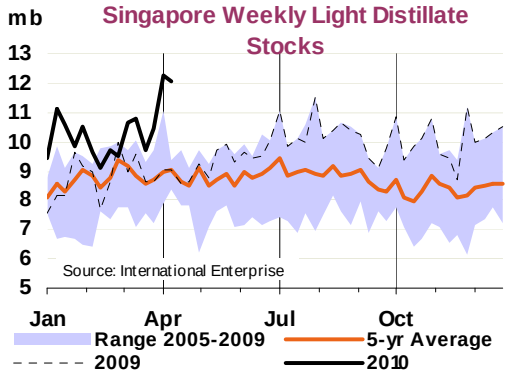
According to weekly data from the Petroleum Association of Japan, commercial oil stocks there rose by 6.1 mb in March, with crude gaining 5.1 mb. Inventories built by 13 mb during the first half of the month but retracted thereafter. Additions to naphtha inventories outweighed a seasonal decline in kerosene stocks, while further draws in gasoline took inventory below the five-year range.

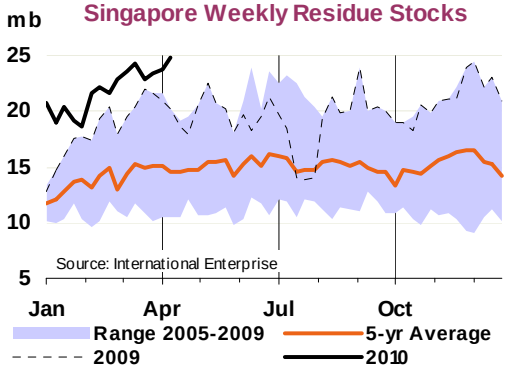




Recent Developments in Singapore and China Stocks

Singapore product stocks rose by 1.6 mb in March. Light distillates reached all-time highs of 12.3 mb at end-March as supply of gasoline and naphtha exceeded regional demand. Higher imports from Europe into Asia pushed fuel oil stocks up by 0.6 mb, while middle distillates declined by 1.1 mb.



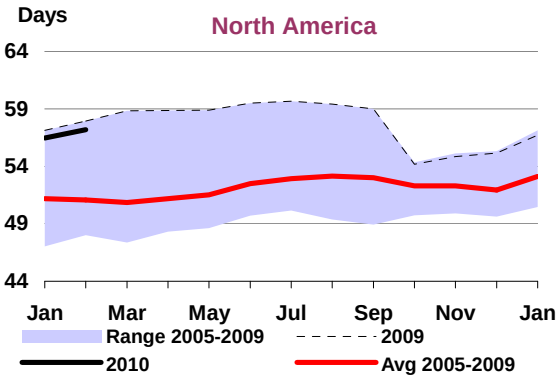


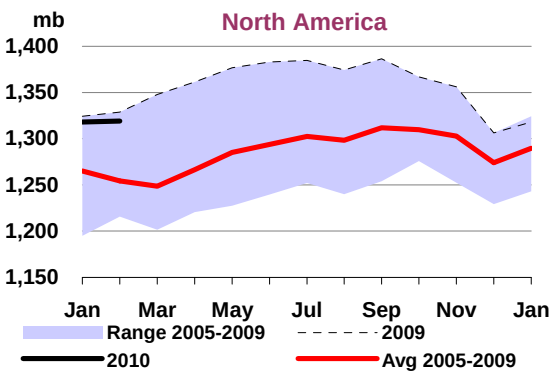
Chinese crude oil inventories rose by 10 mb to 206.4 mb at end-February according to *China Oil, Gas and Petrochemicals (OGP).* OGP resumed publishing the country's commercial oil inventory levels two months ago. From September to December, only estimates of stock changes were made available. The stock-build followed a surge in crude oil imports, particularly from the Middle East and FSU. Imported volumes rose 19.8% month-on-month and reached their second highest recorded level after a similar sharp increase in December 2009. Product stocks grew by 14 mb to 153.9 mb in February on a 15 mb build in gasoil inventories to 86 mb. Kerosene rose by 1 mb to 13.9 mb, while gasoline stocks fell by 2 mb to 53.9 mb.

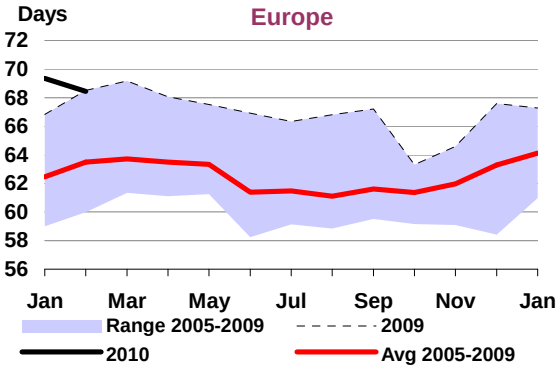
Regional OECD End-of-Month Industry Stocks

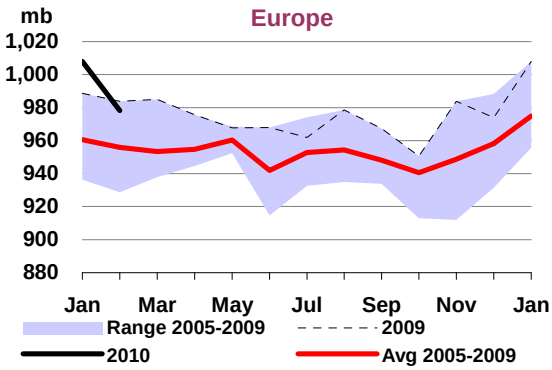
(in days of forward demand and millions barrels of total oil)

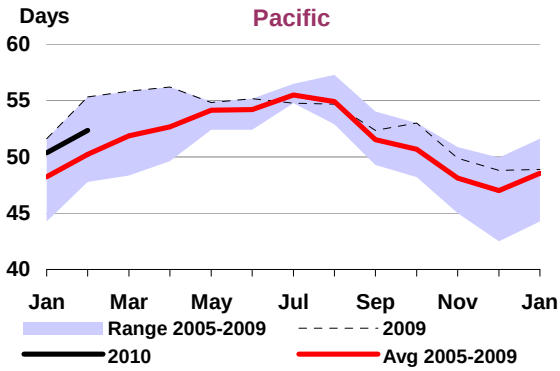
Days[1] Million Barrels

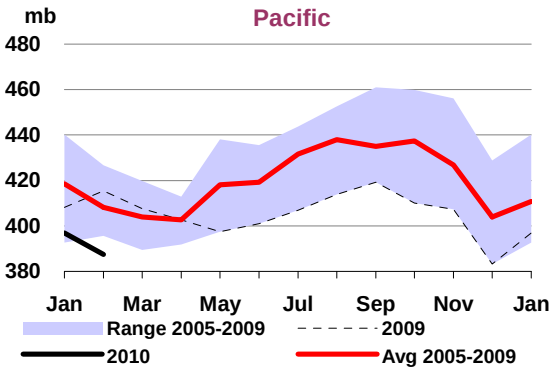


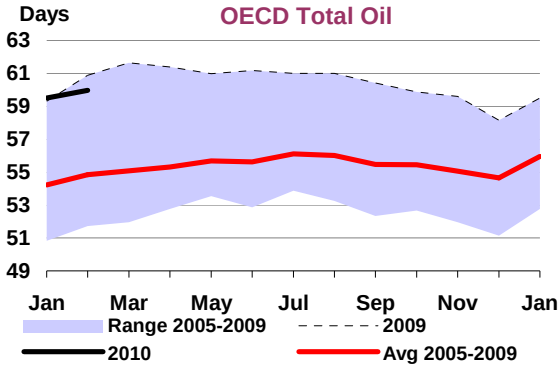


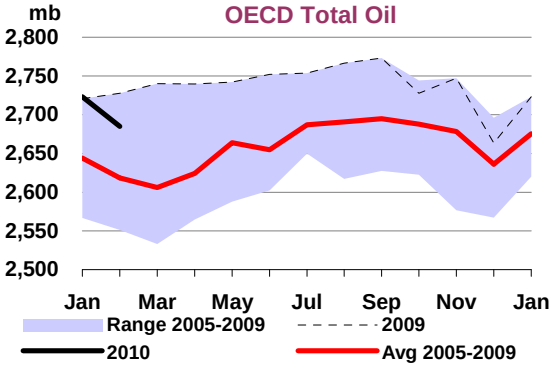












1 Days of forward demand are based on average demand over the next three months

PRICES

Summary

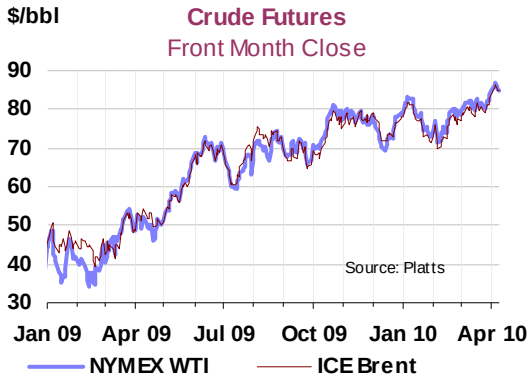
- **Oil markets rebounded to 18-month highs in March and early April**, as financial and commodity markets rallied on expectations for an accelerating economic recovery this year, which trumped more mundane oil supply and demand fundamental factors. After closing at a 2010 low of $71.19/bbl on 5 February, futures prices for WTI have increased by some 20%, trading around $86/bbl on average for the first 10 days of April. Brent crude futures shadowed WTI's meteoric rise, up by $15/bbl from February lows of $69.59/bbl to $85/bbl.

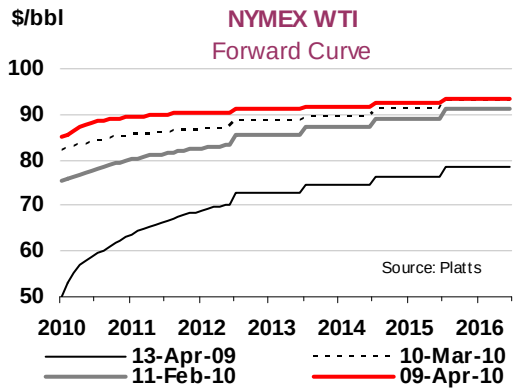
- **Underlying concerns, in some quarters, that oil markets are overheated remain**. Although a recovery in oil demand is moving apace, with 1Q10 demand up by 1.8 mb/d year-on-year, so too, however, is global supply, up by almost 2.0 mb/d. While some see recovering demand having been sufficient to support the $70-80/bbl prices evident in the last eight months, they nonetheless raise questions over the sustainability of prices markedly higher than those levels.

- **However, crude oil prices, especially for lighter grades, received support in March from an unexpected strengthening in crack spreads,** especially for gas oil and diesel fuel. The upcoming peak summer gasoline season is also proving supportive of higher prices, as seen in improving crack spreads. By contrast, naphtha, which had been a pillar of support since 4Q09 tumbled on weaker demand.

- **After posting steady gains in the first two months of the year, refining margins were mixed in March.** Complex margins strengthened relative to those of simple configurations. However, refinery turnarounds in the March-June period, combined with economic closures and run cuts, if sustained, are expected to keep a prop under margins in the near term.

- **Freight rates were generally weaker in March, on seasonally lower demand and continued ample tonnage**. Product tanker rates fell steadily, while crude tanker rates were more volatile. Short-term floating storage of crude oil rose from 55 mb to 65 mb in March. By contrast, products held offshore declined by 22 mb, but are still at a relatively high at 52 mb.



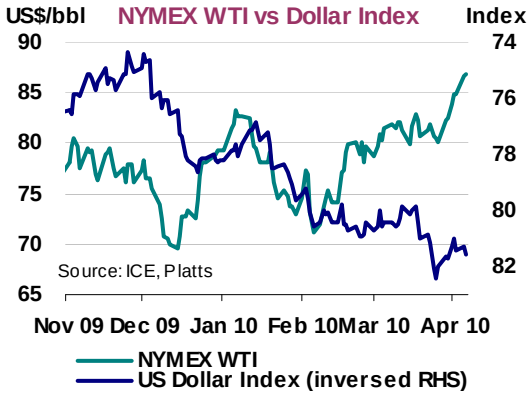


Market Overview

Oil markets continued to scale new heights in March and early April, with benchmark crudes trading at 18-month highs. After closing at a low of $71.19/bbl on 5 February, futures prices for WTI have since steadily increased, trading around $86/bbl on average for the first 10 days of April. Brent futures shadowed WTI's meteoric rise, up by $15/bbl from February lows of $69.95/bbl to $85/bbl. Oil futures continue to move higher in tandem with stronger global financial markets. Sanguine investors have led the rally in financial and commodity markets on expectations for an accelerating economic recovery this

year, trumping more mundane oil supply and demand fundamental factors. Even a stronger dollar at times failed to temper the recent price rise, with the correlation between WTI versus Dollar Index, a measure of the value of the US dollar relative to a basket of foreign currencies, showing another disconnect.

Currently visible supply/demand fundamentals might not own their own account for the $86/bbl posted in early April. On the other hand, as noted last month, the benefit of both hindsight and time-lagged data might equally see these higher price levels sustained, raising anew concerns about the impact on the global economy. Crude oil prices, especially for lighter grades, also received support in March from an unexpected jump in crack spreads, especially for gas oil and diesel fuel. Gasoline cracks also improved month-on-month supported by the upcoming summer gasoline driving season. By contrast, naphtha cracks, which had largely been outpacing other products since 4Q09, tumbled on weaker demand.

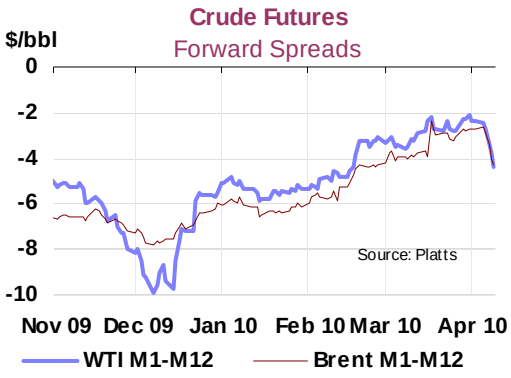


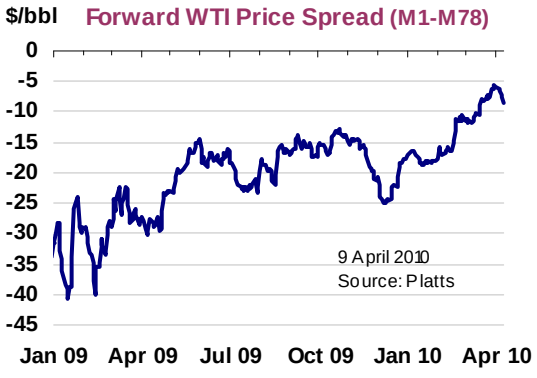
Underlying concerns, in some quarters, that oil markets are overheated remain, setting the stage for a sudden reversal of fortune. For sure, a recovery in oil demand is moving apace, with 1Q10 up 1.8 mb/d year-on-year. So too, however, is global supply, up by almost 2.0 mb/d. Crude oil inventories in the key US market are at the top of the 5-year average range, with an armada of tankers storing crude off the US Gulf Coast. After drawing down during the peak winter demand period, preliminary data show OECD industry stocks rose again in March and are at 60 days forward cover.

OPEC crude oil production reversed a 14-month upward trend, with supplies edging lower in March. Total OPEC production fell 190 kb/d, to just under 29 mb/d, with compliance with output targets slipping to 55% in March compared with 83% a year ago. OPEC ministers agreed to rollover current target levels at their 17 March meeting in Vienna, though production is now running 1.89 mb/d above the group's 24.845 mb/d output target.

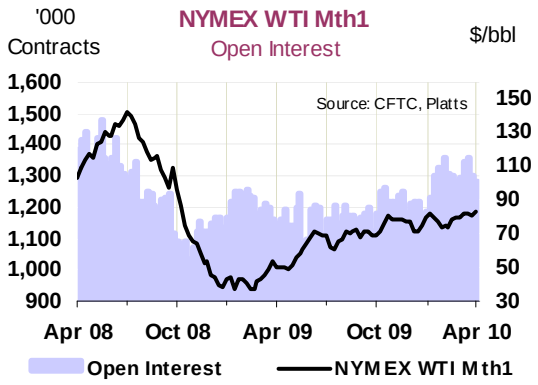
Futures Markets

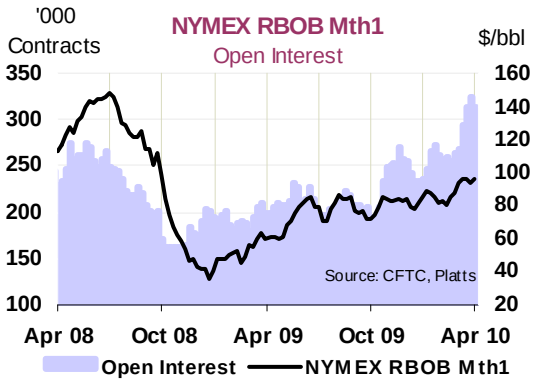
Renewed market confidence in global economic growth and an accompanying recovery in oil demand are supporting stronger front-end futures prices. The narrowing of the contango between front-month crude prices and forward markets continued in March but by early April had started to widen again.





A growing perception that oil supplies in the medium term should be able to satisfy demand growth has also tempered forward prices. For the third month running, the WTI M1-M12 spread narrowed in March, to $2.86/bbl from $4.33/bbl in February and $5.37/bbl in January. However, by early April the spread was starting to widen again, to an average $3.18/bbl. Rising stocks at the key US Cushing, Oklahoma delivery point for the NYMEX light, sweet oil contract weighed on prompt prices in early April. The return to normal operation of Suncor's oil sands upgrading unit, following a two-month partial shut down which affected oil flows into the US midcontinent, also pressured prompt month WTI prices. Open interest in NYMEX WTI futures fell by 1.1% in March, with most of the fall occurring in the third week of March ahead of the contract roll-over. Money managers increased their net long positions by 25 400 lots, while swap dealers decreased their net longs by 19 300 and producers' net shorts fell by 11 200 contracts last month.





But mixed expectations of an early return of the gasoline season and rising prices are driving open interest in NYMEX RBOB gasoline futures sharply higher. Open interest reached record levels in the third week of March. The rise was driven by producers increasing their net short positions to 126 700 contracts at the end of March, up 4.0% on the month and 20.1% above a year ago. Hedge funds and other investors also followed suit. Money managers increased their net long holdings to 61 200 lots, while swap dealers stand net long 43 700 contracts.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Jan	Feb	Mar	Mar-Feb Avg Chg	% Chg	Week Commencing: 08 Mar	15 Mar	22 Mar	29 Mar	05 Apr
NYMEX										
Light Sweet Crude Oil	78.40	76.45	81.29	4.84	6.0	81.76	81.46	80.86	83.29	85.93
RBOB	85.90	83.97	94.67	10.70	11.3	95.44	95.46	93.79	96.28	97.45
No.2 Heating Oil	86.56	83.46	87.96	4.50	5.1	88.37	88.26	87.32	90.56	94.36
No.2 Heating Oil ($/mmbtu)	14.86	14.33	15.10	0.77	5.1	15.17	15.15	14.99	15.55	16.20
Henry Hub Natural Gas ($/mmbtu)	5.60	5.21	4.30	-0.91	-21.3	4.49	4.26	4.03	3.94	4.07
ICE										
Brent	77.01	74.79	79.93	5.14	6.4	80.11	80.05	79.95	82.29	85.45
Gasoil	85.33	82.07	89.04	6.96	7.8	89.08	89.62	89.16	92.02	96.27
Prompt Month Differentials										
NYMEX WTI - ICE Brent	1.39	1.66	1.36	-0.30		1.65	1.42	0.91	1.00	0.48
NYMEX No.2 Heating Oil - WTI	8.15	7.01	6.67	-0.34		6.61	6.80	6.46	7.27	8.43
NYMEX RBOB - WTI	7.49	7.52	13.38	5.86		13.68	14.00	12.93	12.99	11.52
NYMEX 3-2-1 Crack (RBOB)	7.71	7.35	11.14	3.79		11.32	11.60	10.77	11.08	10.49
NYMEX No.2 - Natural Gas ($/mmbtu)	9.26	9.11	10.80	1.69		10.68	10.89	10.96	11.60	12.13
ICE Gasoil - ICE Brent	8.32	7.28	9.10	1.82		8.97	9.58	9.21	9.73	10.82

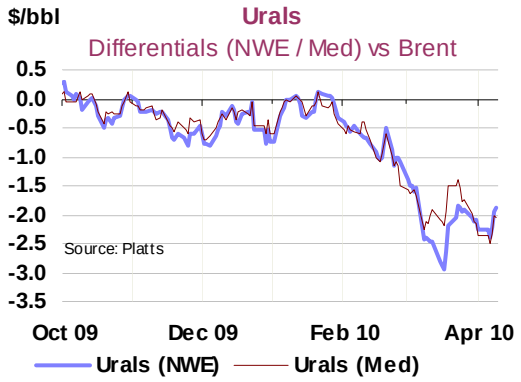
Source: Platts

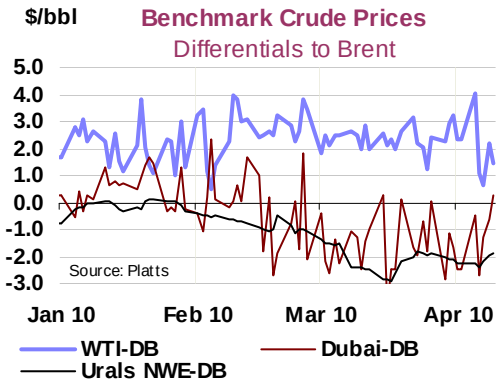
Spot Crude Oil Prices

Spot crude oil markets strengthened across all major regions in March, with prices for benchmark grades up on average by between $4-5/bbl month-on-month. Spot prices were supported by brisk buying by refiners as plants come out of turnaround. Indeed, China, India and Russia saw refinery runs hit record levels in February. Global runs are expected to increase by 400 kb/d between 1Q10 and 2Q10, to 72.9 mb/d.

Spot prices for heavier sour grades lagged the gains in lighter distillate rich crudes, in part due to ample supply on offer against a backdrop of sharply lower refinery runs and much weaker fuel oil crack spreads. Underscoring the surplus volumes of Mideast heavier crude in Asia, the Dubai-Brent spread narrowed from a premium of $0.50/bbl in January to -$0.15/bbl in February and to a sharp -1.58/bbl in March. By early April, the spread had widened further, to -$1.33/bbl.

In Europe, the Urals-Brent differential continued to widen on weaker refiner demand and swelling supplies of sour crude. The Urals-Brent spread in the Mediterranean was -$1.85/bbl in March compared with -$0.80/bbl in February and -$0.10/bbl in January.





In the US, spot prices for WTI posted smaller gains relative to North Sea Brent. An armada of unsold spot crude supplies sitting in the US Gulf of Mexico, coupled with reduced refinery runs during seasonal maintenance, capped any stronger moves to the upside. After declining for several months, stocks held at Cushing also rose again in March, further limiting gains.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

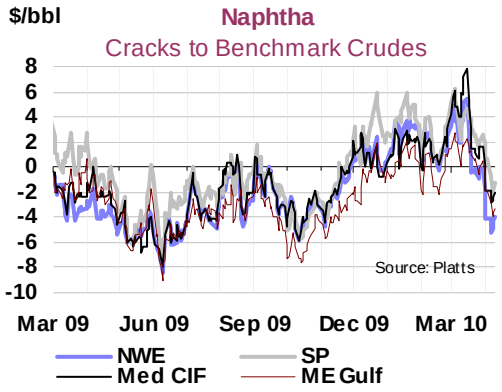
	Jan	Feb	Mar	Mar-Feb Avg Chg	%	Week Commencing: 08 Mar	15 Mar	22 Mar	29 Mar	05 Apr
Crudes										
Dated Brent	76.19	73.63	78.89	5.26	7.1	79.32	79.07	78.49	80.70	84.43
Brent (Asia) Mth1 adjusted	76.80	74.30	79.35	5.05	6.8	80.12	79.58	79.09	80.58	85.52
WTI (Cushing) Mth1 adjusted	78.31	76.45	81.25	4.80	6.3	81.70	81.39	80.69	83.37	85.96
Urals (Mediterranean)	76.09	72.84	77.04	4.21	5.8	77.24	77.10	76.90	78.54	82.21
Dubai Mth1 adjusted	76.69	73.48	77.31	3.83	5.2	77.86	77.39	77.27	78.67	83.10
Tapis (Dated)	79.93	77.08	81.58	4.50	5.8	82.01	81.83	81.50	83.19	87.31
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	2.12	2.82	2.36	-0.46		2.38	2.33	2.21	2.67	1.53
Urals (Mediterranean)	-0.10	-0.80	-1.85	-1.05		-2.08	-1.97	-1.59	-2.16	-2.22
Dubai Mth1 adjusted - Dated Brent	0.50	-0.15	-1.58	-1.43		-1.46	-1.67	-1.22	-2.03	-1.33
Tapis (Dated)	3.74	3.45	2.69	-0.76		2.69	2.77	3.02	2.49	2.89
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.58	-0.52	-0.56	-0.05		-0.32	-0.72	-0.86	-0.84	-0.67
Forward WTI Cushing Mth1-Mth2 adj.	-0.43	-0.36	-0.34	0.02		-0.33	-0.28	-0.33	-0.42	-0.59

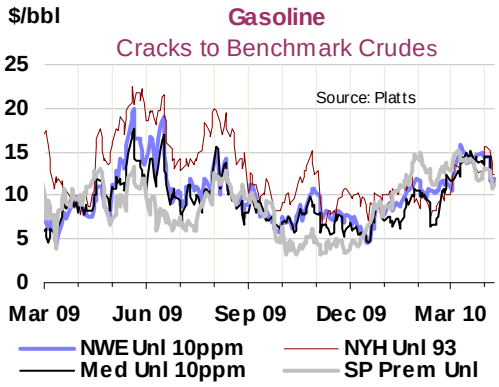
Source: Platts

Spot Product Prices

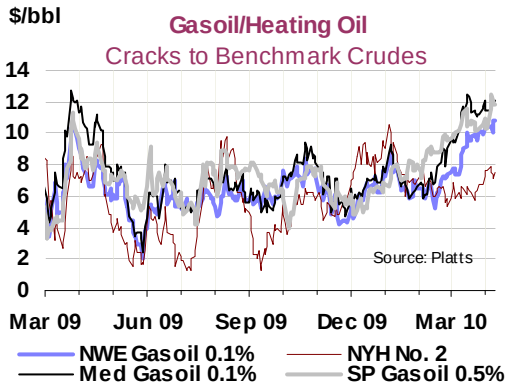
Spot prices for refined products posted a sharp recovery in March, outpacing crude oil price increases. Gasoline and middle distillates surged on tighter supplies following reduced refinery output, especially in Europe. Gasoline crack spreads increased across all regions, with US spreads particularly robust ahead of the peak driving season. European gasoline crack spreads were also supported by strong buying interest from Africa and the Middle East.

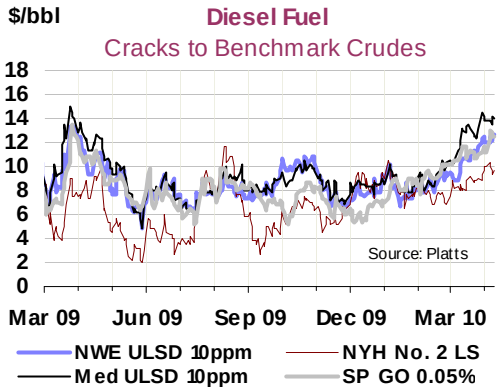
Naphtha crack spreads, however, tumbled from the lofty levels seen over the past few months on weaker demand stemming from the peak olefin cracker turnaround season, especially in Asia. While demand for naphtha is likely to remain constrained during the March-June turnaround period, increased demand for blending into the gasoline pool may temper the decline.





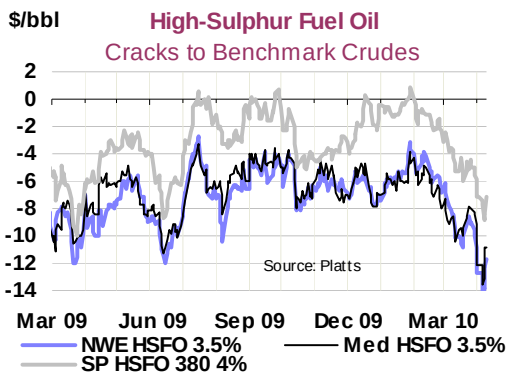
Middle distillate cracks were also up sharply, with both gasoil and diesel cracks largely firming on reduced supply. In Northwest Europe, gas oil crack spreads surged on tighter supplies stemming from refinery run cuts and despite continued high levels of distillates in floating storage. Indeed, more robust demand and tighter supply helped trigger a shift from contango into backwardation for the ICE gas oil contract. The counter-seasonal shift is the first time the contract has been in backwardation in 14 months.





In Singapore, reduced middle distillate supplies on the back of lower refinery throughput rates also boosted gasoil crack spreads. Singapore crack spreads for Dubai crude rose to $10.47/bbl in March compared with $8.82/bbl in February and $7.55/bbl in January. Expectations that the global economic recovery will gather steam in the months ahead are lending further support to diesel cracks.

Fuel oil remained the weak link in the chain in March due to seasonally weaker demand in the Middle East, reduced Chinese imports and surplus supplies in Europe. Spot prices for high-sulphur fuel oil (HSFO) in Singapore were up by a meagre $0.75/bbl compared with gains of more than $5/bbl for other products. Cracked LSWR was the only product to see prices decline on the month. HSFO differentials to benchmark crudes tumbled in all major markets on anaemic demand. In Asia, HSFO cracks weakened to -$4.48/bbl from -$1.40/bbl in February. HSFO cracks showed similar trends in Europe and the US.



Spot Product Prices

(monthly and weekly averages, $/bbl)

	Jan	Feb	Mar	Mar-Feb		Week Commencing:					Jan	Feb	Mar
				Chg	%	08 Mar	15 Mar	22 Mar	29 Mar	05 Apr			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	86.03	84.42	92.88	8.45	10.0	94.31	93.30	92.96	95.31	96.09	9.84	10.79	13.98
Naphtha	78.99	75.02	80.77	5.75	7.7	82.66	81.23	78.05	79.16	79.81	2.80	1.38	1.88
Jet/Kerosene	86.02	82.95	89.05	6.09	7.3	89.30	88.84	88.68	91.79	96.01	9.83	9.32	10.15
ULSD 10ppm	84.30	82.27	89.41	7.14	8.7	89.30	89.79	89.69	92.90	96.84	8.11	8.64	10.52
Gasoil 0.1%	83.24	80.16	87.92	7.76	9.7	87.70	88.69	88.32	90.90	94.96	7.05	6.53	9.03
LSFO 1%	72.91	70.29	73.62	3.32	4.7	74.07	73.04	74.17	75.25	76.15	-3.28	-3.34	-5.28
HSFO 3.5%	70.72	68.45	69.91	1.46	2.1	70.34	68.77	69.54	69.92	71.36	-5.46	-5.18	-8.98
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	84.35	82.04	90.60	8.57	10.4	90.75	91.92	90.89	92.48	93.64	8.27	9.20	13.56
Naphtha	78.03	74.26	80.41	6.16	8.3	82.25	80.85	77.72	78.97	79.81	1.94	1.42	3.37
Jet Aviation fuel	83.93	81.33	87.17	5.85	7.2	87.21	86.88	87.14	89.93	94.30	7.85	8.49	10.13
ULSD 10ppm	84.76	82.01	89.44	7.42	9.1	89.43	90.29	89.52	92.80	96.04	8.68	9.18	12.40
Gasoil 0.1%	83.30	80.33	87.80	7.47	9.3	87.89	88.35	87.79	90.26	94.29	7.21	7.50	10.76
LSFO 1%	72.47	69.93	72.76	2.83	4.0	72.35	72.58	73.34	74.71	77.06	-3.62	-2.90	-4.28
HSFO 3.5%	70.26	66.85	68.25	1.39	2.1	68.00	67.50	68.69	69.03	70.10	-5.83	-5.98	-8.80
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	88.89	85.69	94.34	8.65	10.1	95.16	95.40	93.78	96.93	99.62	10.58	9.23	13.09
Unleaded	85.91	83.77	90.08	6.31	7.5	90.79	90.59	89.12	92.03	93.75	7.60	7.32	8.83
Jet/Kerosene	88.23	84.96	90.51	5.55	6.5	90.50	90.44	90.37	93.62	96.83	9.92	8.50	9.25
No. 2 (Heating Oil)	86.10	83.04	87.63	4.58	5.5	88.00	87.71	87.02	90.48	93.43	7.79	6.59	6.37
LSFO 1%†	71.66	69.13	71.98	2.85	4.1	71.58	71.93	72.29	73.90	74.95	-6.65	-7.33	-9.27
No. 6 3%†	71.33	69.39	71.49	2.10	3.0	71.65	71.62	71.03	72.40	72.90	-6.99	-7.07	-9.77
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	88.01	86.49	90.86	4.37	5.0	92.23	91.47	89.88	91.29	94.78	11.32	13.01	13.55
Naphtha	80.66	75.76	80.84	5.08	6.7	81.19	81.38	79.37	80.62	81.75	3.97	2.28	3.53
Jet/Kerosene	85.87	82.23	87.49	5.26	6.4	87.79	88.09	87.41	89.37	94.89	9.18	8.75	10.18
Gasoil 0.5%	84.24	82.30	87.78	5.48	6.7	88.64	88.17	87.55	89.28	95.05	7.55	8.82	10.47
LSWR Cracked	73.53	68.58	68.31	-0.26	-0.4	67.94	68.19	68.42	68.66	70.86	-3.16	-4.91	-9.00
HSFO 180 CST	74.84	71.22	72.39	1.18	1.7	73.07	71.89	72.07	72.35	74.44	-1.85	-2.26	-4.92
HSFO 380 CST 4%	76.10	72.08	72.83	0.75	1.0	73.53	72.30	72.37	72.82	75.19	-0.59	-1.40	-4.48

Source: Platts * CIF † Cargoes

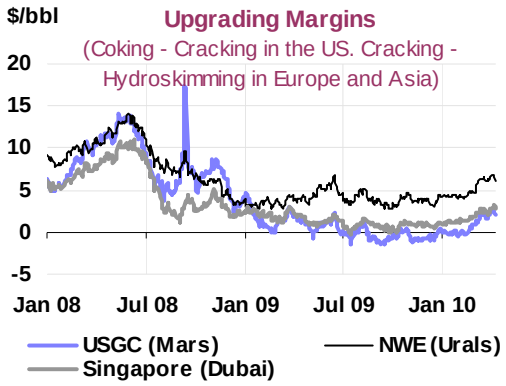
Refining Margins

In March, both crude oil and product prices increased, resulting in divergent trends for refinery margins. Complex margins strengthened relative to those of simple configurations.

In Europe, all benchmarks rose bar Urals hydroskimming in the Mediterranean. Despite wider gasoline price differentials to crude and a weaker residual fuel oil crack, the Urals cracking margin in NW Europe continued to outperform that of Brent, as the Urals discount to Brent widened by more than $1/bbl on average from February.

In the USGC, Maya coking margins rose in line with stronger distillate and gasoline markets, with gasoline differentials to Maya increasing by around $5.30/bbl. The increase in Mars coking margins was less than half that of Maya's, as Mars prices rose more steeply. Cracking margins fell, apart from that of LLS, as the gains in product prices were not enough to offset those of crude oil.

In Singapore, hydroskimming margins fell, while hydrocracking margins increased. The latter configuration's higher yield of high valued products, gasoline and distillates, more than offset the rise in Tapis and Dubai prices. However, all Singapore margins surveyed remained negative on a full-cost basis.



Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jan 10	Feb 10	Mar 10		Mar 10-Feb 10	12 Mar	19 Mar	26 Mar	02 Apr	09 Apr
NW Europe	Brent (Cracking)	2.04	2.48	3.45	↑	0.96	3.93	3.53	3.34	3.55	2.31
	Urals (Cracking)	2.20	3.06	5.00	↑	1.94	5.55	5.58	5.00	4.70	3.38
	Brent (Hydroskimming)	-0.01	0.19	0.23	↑	0.04	0.51	0.15	0.08	0.10	-1.00
	Urals (Hydroskimming)	-2.06	-1.37	-1.00	↑	0.37	-0.65	-0.81	-1.16	-1.85	-3.07
Mediterranean	Es Sider (Cracking)	-0.06	0.81	2.29	↑	1.48	2.55	2.48	1.86	3.10	2.02
	Urals (Cracking)	0.68	1.17	2.62	↑	1.46	2.66	3.03	2.67	2.71	1.40
	Es Sider (Hydroskimming)	-4.08	-3.11	-2.92	↑	0.18	-2.80	-3.02	-3.30	-2.16	-3.04
	Urals (Hydroskimming)	-4.37	-3.94	-4.28	↓	-0.33	-4.38	-4.32	-4.16	-4.60	-5.99
US Gulf Coast	Bonny (Cracking)	-1.94	-0.47	-0.79	↓	-0.32	-1.04	-0.69	-0.87	-0.07	-1.13
	Brent (Cracking)	-1.56	-0.16	-0.61	↓	-0.45	-0.72	-0.62	-0.65	-0.21	-1.48
	LLS (Cracking)	-0.41	0.34	0.91	↑	0.56	0.79	0.98	1.03	0.90	-0.23
	Mars (Cracking)	0.69	1.76	1.60	↓	-0.16	1.54	1.33	1.66	1.35	0.15
	Mars (Coking)	0.58	1.86	3.35	↑	1.49	3.16	3.44	3.50	3.74	2.42
	Maya (Coking)	0.09	1.81	4.98	↑	3.18	4.82	5.49	4.99	6.11	5.75
US West Coast	ANS (Cracking)	-4.17	-2.52	-0.66	↑	1.86	-1.95	-1.00	0.22	0.61	-0.91
	Kern (Cracking)	0.60	1.52	0.98	↓	-0.54	-0.80	-0.85	2.58	4.19	0.94
	Oman (Cracking)	-4.24	-1.42	-0.44	↑	0.98	-1.40	-0.77	-0.35	0.41	-2.98
	Kern (Coking)	4.58	7.45	9.88	↑	2.43	7.53	10.09	10.75	11.62	9.30
Singapore	Dubai (Hydroskimming)	-2.22	-1.89	-2.55	↓	-0.67	-2.44	-2.68	-2.94	-3.31	-4.24
	Tapis (Hydroskimming)	-3.21	-3.33	-4.10	↓	-0.77	-3.97	-4.04	-4.56	-4.92	-5.28
	Dubai (Hydrocracking)	-1.09	-0.45	-0.20	↑	0.25	-0.04	-0.08	-0.64	-0.69	-1.24
	Tapis (Hydrocracking)	-1.93	-1.81	-1.70	↑	0.10	-1.38	-1.51	-2.28	-2.35	-2.38
China	Cabinda (Hydroskimming)	-4.95	-5.30	-8.30	↓	-3.00	-8.75	-8.06	-7.94	-9.41	-9.15
	Daqing (Hydroskimming)	-2.38	-3.06	-6.01	↓	-2.95	-5.78	-5.01	-6.99	-8.63	-10.03
	Dubai (Hydroskimming)	-2.03	-1.70	-2.37	↓	-0.67	-2.25	-2.50	-2.73	-3.11	-4.02
	Daqing (Hydrocracking)	1.36	0.90	-0.94	↓	-1.84	-0.31	0.17	-2.30	-3.40	-4.51
	Dubai (Hydrocracking)	-0.79	-0.17	0.04	↑	0.21	0.25	0.12	-0.41	-0.42	-0.94

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

2004-2010 Refining Margins Revision

Last year in *OMR* dated 13 March 2009, we completed our annual refining margins update in collaboration with Purvin & Gertz. At that time, we carried out a range of updates that included operating costs, World Scale freight rate indices and crude oil yields. These, together with regular checks on data integrity, led to an updating of historical series, in some cases retroactively starting in 2005.

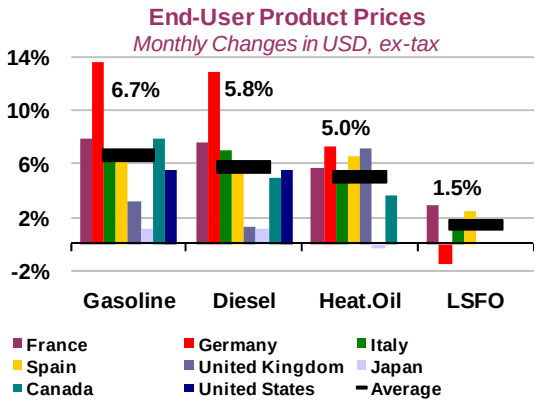
This year's thorough audit of our models now results in a renewed recalculation of some margin estimates going back to 2004.

In the US Gulf Coast models, some previously-missing price quotations for 2005 and part of 2006 have been reincorporated. In the US West Coast model, product price quotation linkages have been updated, affecting the gross product value calculation in the Oman and Kern cracking margin models. Regarding the Mediterranean model, offsetting adjustments have been made to €/$ ratios in the fixed-cost component and to links in the credits calculation.

Historical series are now available for download at **www.oilmarketreport.org**. For further details on margin calculation methodologies, please contact Purvin & Gertz, Inc. at kdmiller@purvingertz.com.

End-User Product Prices in March

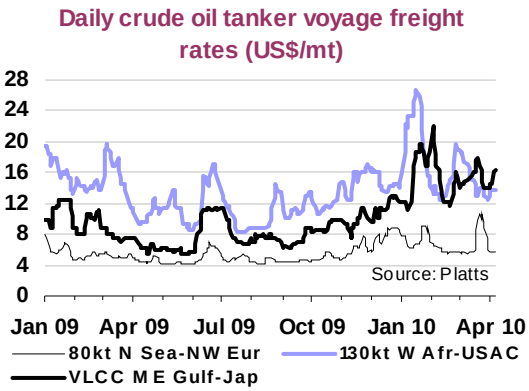
In March, end-user product prices increased on average by 4.7% from February levels, in US dollars, ex-tax. All surveyed countries experienced rises, with notable increases reported in Germany (8.1%) and France (6.1%). In the former, rises were led by gasoline, diesel and heating oil, which increased strongly by 13.6%, 12.9% and 7.3%, respectively. This trend was mirrored throughout other surveyed European countries where these fuels increased on average by over 5%. In North America, gasoline and diesel prices rose by a similar percentage. Japan was the only exception, with transport fuels increasing modestly by just over 1% and heating oil falling slightly (-0.3%).

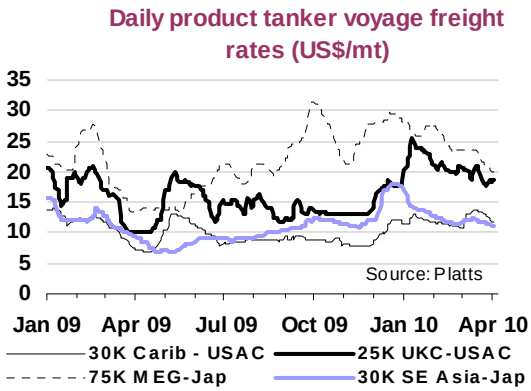


Due to the rising crude oil price and a strengthening US dollar, all fuels experienced significant year-on-year increases of between 20 and 70 percent. In March, average gasoline pump prices were $2.77/gallon ($0.73/litre) in the US, ¥130/litre ($1.44/litre) in Japan and £1.15/litre ($1.73/litre) in the UK. In continental Europe, forecourt prices ranged from €1.15/litre ($1.56/litre) in Spain to €1.40/litre ($1.90/litre) in Germany. Low-sulphur fuel oil did not experience as strong monthly growth compared with the other surveyed fuels, increasing on average by 1.5% as the moderate increases in France, Spain and Italy more than offset the 2% decrease in Germany.

Freight

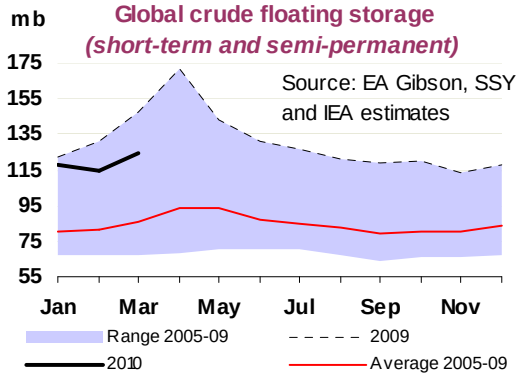
Freight rates were generally weaker in March on seasonally lower demand and continued ample tonnage. Product tanker rates fell steadily, while crude tanker rates were more volatile. On the crude side, VLCC Mideast Gulf – Japan rates rose towards $18/mt during the first half of the month, while lower eastward sailings later in the month pressed rates towards $14/mt, before rates rebounded somewhat again in early April. The trend of lower westward sailings from the Mideast Gulf has for some time placed a premium on eastward crude sailings from the Atlantic basin, as tankers have had to ballast into the region.





In March, markets rebalanced somewhat, with stronger eastbound sailings from Mideast Gulf and new tonnage delivered to the Atlantic basin. Crude in short-term floating storage in the region rose by 8 mb over the month, and the equivalent of 14 VLCCs of crude floated off the US Gulf coast at end-March, hoping for a seasonal upswing in US crude runs. A further VLCC was removed from the market as South Korean-operated vessel carrying 2 mb of Iraqi crude heading for the US was hijacked off the coast of Somali on 4 April. Suezmax West Africa – US Atlantic Coast rates fell from end-February highs of $20/mt to $13-14/mt lows, as eastbound sailings out of West Africa fell in March and April and tonnage remained ample. Aframax North Sea-North West Europe rates rose abruptly to $11/mt in mid-March, before falling back to its habitual depressed $6/mt level. Higher loadings and weather related delays coincided to create the sudden upturn.

On the product side, Aframax (75 kt) Mideast Gulf – Japan rates fell steadily over March and early April from $24/m to below $20/mt on poor demand and growing vessel availability. This was partly as 12 large product carriers previously employed for short-term floating storage offloaded their product cargoes. Rates for 25kt UK coast – US Atlantic remained low around $20/mt and Handymax (30 kt) South East Asia – Japan rates were flat around $12/mt, as healthy demand was offset by ample tonnage. All three benchmark rates are approaching the low levels of last year, barely covering operating costs, however the upcoming Asian refinery maintenance season might support rates in the coming months. Rates for Handymax Caribbean- US Atlantic coast were the best performing clean benchmark rates in March, posting their highest monthly average since late 2008 at $13/mt, as product trade into Chile increased following the earthquake that shut in its refineries in late February.



Short-term floating storage of crude oil rose from 55 mb to 65 mb in March, while products fell from 74 mb to 52 mb, a net decrease of 22 mb. Increases in crude storage took place in the US Gulf and off North West Europe, while West Africa and the Mideast Gulf shed volumes. Products in short-term floating storage decreased in North West Europe, the Mediterranean and Asia Pacific. A net 14 vessels were freed up, 12 of which were large product carriers, while two additional VLCCs were booked for floating storage.

REFINING

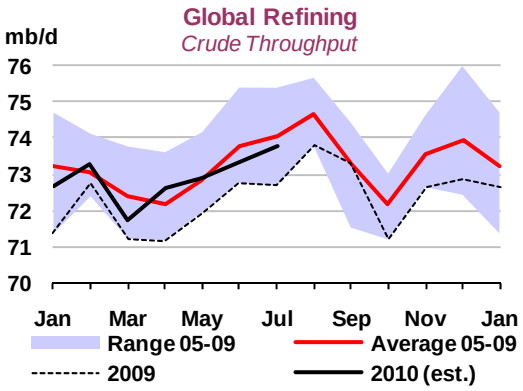
Summary

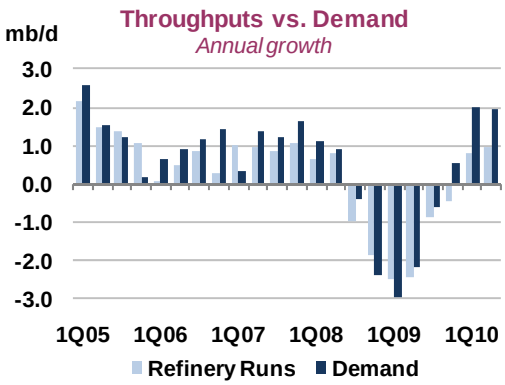
- **1Q10 global throughputs are estimated at 72.5 mb/d**, largely unchanged from last month's report but 800 kb/d higher than a year earlier, marking the first annual increase since 2Q08. China, India and Russia all posted record high runs in February, while Japan and the US reported stronger than expected runs in February and March respectively. European runs, on the other hand, fell to their lowest level in 17 years in February amid peak seasonal maintenance and economic run cuts.

- **2Q10 global throughputs are expected to rise to 72.9 mb/d,** almost 1 mb/d higher than a year earlier as global oil product demand growth gathers pace. Annual growth comes from China, Other Asia and the FSU, while the OECD continues to see structural decline. Latin American runs are also expected to average below levels of a year ago due to outages and refinery closures. All regions see increases from 1Q10 to 2Q10 bar Africa and the OECD Pacific, the latter which enter peak maintenance season, severely curbing runs.

- **February OECD throughputs were 215 kb/d higher than previously estimated, averaging 35.8 mb/d**. Japanese runs, in particular, came in much higher than indicated by weekly statistics, raising Pacific runs by 300 kb/d. European runs were curtailed by closures and maintenance and fell to their lowest levels since March 1993. US refinery runs surprised to the upside in March, with total throughputs returning to their five-year average in the last week of March.

- **January OECD refinery yields increased for naphtha, jet fuel/kerosene and fuel oil** at the expense of gasoline and other products, while gasoil/diesel yields remained unchanged. Total product gross output fell 4.3% year-on-year to 41.4 mb/d, with naphtha output increasing by 16.4% and the rest of products contracting.

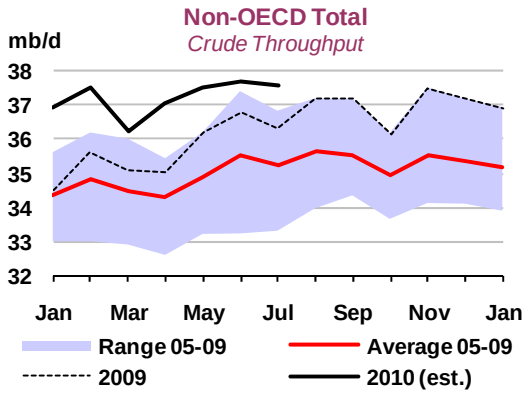


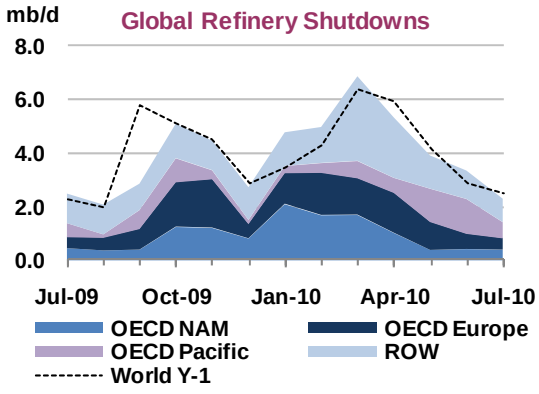


Global Refinery Throughput

Global refinery throughputs are estimated at 72.5 mb/d in 1Q10, 800 kb/d higher than a year earlier and the first annual increase since 2Q08. The year-on-year growth is centred in the non-OECD, with Asia accounting for the bulk of the increase. The relatively unchanged 1Q10 global figure masks larger, offsetting changes since last month's report. The OECD has been revised higher by 175 kb/d on stronger than expected US and Japanese data. Other Asian runs have also been upped by about 100 kb/d since last month's report, on account of another record Indian throughput level in February, and due to the reassessment of some historical time series. The FSU, Latin America, the Middle East and Africa, on the other hand, are all seen lower, as more details on maintenance and outages reduced estimated runs.

Global refinery shutdowns are believed to have peaked in March, with an estimated 6.8 mb/d of capacity shut down due to maintenance, economic closures or technical problems. This is 0.5 mb/d higher than in the same month last year, but a clear improvement from January and February, which saw shutdowns 1.3 mb/d and 0.7 mb/d above levels of a year ago respectively. Global shutdowns are seen declining over 2Q10, with only the OECD Pacific region severely curtailing runs.





As refiners exit maintenance, **global runs are expected to increase further in 2Q10**, adding close to 1 mb/d from depressed 2Q09 levels to an average 72.9 mb/d. Growth comes from China (+900 kb/d), Other Asia (+460 kb/d) and the FSU (+300 kb/d), while the OECD continues to post structural decline (-440 kb/d). Latin American runs are also weak compared to a year ago (on earthquake damage in Chile and technical problems at PDVSA's Curaçao refinery), while Valero's Aruba refinery is assumed shut for the remainder of the forecast period. The return of economic growth and hence oil demand growth is fuelling the increase. Swelling product inventories will likely go some way towards meeting increased demand in coming months, so year-on-year growth in refinery runs is not expected to match demand growth. Surplus OECD refining capacity will most likely keep margins weak, although run rates and margins depend on refiners' resolve to restrain activity in order to sustain profitability.

Global Refinery Crude Throughput[1]

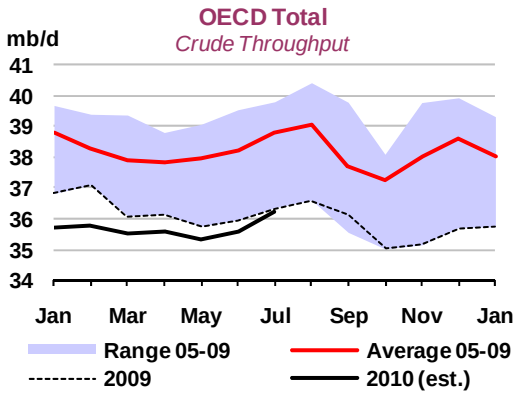
(million barrels per day)

	4Q2009	Jan 10	Feb 10	Mar 10	1Q2010	Apr 10	May 10	Jun 10	2Q2010	Jul 10
OECD										
North America	**17.0**	16.8	16.9	17.0	**16.9**	17.0	17.3	17.4	**17.3**	17.5
Europe	**12.0**	12.1	11.8	12.1	**12.0**	11.9	12.1	12.3	**12.1**	12.5
Pacific	**6.4**	6.9	7.1	6.4	**6.8**	6.6	6.0	5.9	**6.1**	6.3
Total OECD	**35.3**	35.7	35.8	35.5	**35.7**	35.6	35.3	35.6	**35.5**	36.2
NON-OECD										
FSU	**6.1**	6.2	6.2	6.1	**6.2**	6.0	6.2	6.3	**6.2**	6.3
Non-OECD Europe	**0.7**	0.7	0.6	0.6	**0.6**	0.7	0.8	0.8	**0.7**	0.8
China	**8.0**	8.0	8.3	8.2	**8.2**	8.3	8.3	8.4	**8.3**	8.4
Other Asia	**8.6**	8.7	8.7	8.5	**8.6**	8.7	8.7	8.6	**8.7**	8.7
Latin America	**5.3**	5.2	5.3	4.9	**5.1**	5.1	5.4	5.4	**5.3**	5.1
Middle East	**5.9**	5.9	5.9	5.8	**5.9**	5.9	6.0	6.0	**6.0**	6.1
Africa	**2.3**	2.3	2.4	2.2	**2.3**	2.2	2.2	2.2	**2.2**	2.2
Total Non-OECD	**36.9**	36.9	37.5	36.2	**36.9**	37.0	37.5	37.7	**37.4**	37.6
Total	**72.2**	72.7	73.3	71.7	**72.5**	72.6	72.9	73.3	**72.9**	73.8

Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

1Q10 OECD crude throughputs have been revised up by 175 kb/d since last month's report, to average 35.7 mb/d. While monthly data for January were largely in line with expectations, February and March saw more significant changes since last month's report. In particular, preliminary monthly Japanese runs were about 240 kb/d higher than suggested by weekly data, lifting Pacific runs for February to 7.1 mb/d, the highest monthly average in a year. March estimates were also lifted on the back of stronger than expected runs in the US and a slightly less pessimistic view on European activity. In all, 1Q10 OECD runs were 1.0 mb/d lower year-on-year, after having contracted by an average 1.8 mb/d in 2009 and 0.9 mb/d in 2008.



OECD refinery throughputs averaged 35.8 mb/d in February, largely unchanged from January, but 215 kb/d higher than our preliminary estimate. Monthly increasing runs in Japan and the US were mostly offset by lower runs elsewhere. European runs fell 250 kb/d from January, lowered by high seasonal maintenance and poor refining economics. At 11.8 mb/d, European throughputs were at their lowest level since March 1993.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

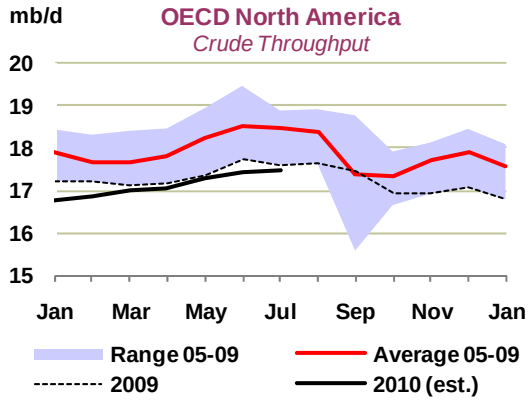
							Change from		Utilisation rate[1]	
	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	*Jan 10*	*Feb 09*	Feb 10	Feb 09
OECD North America										
US[2]	14.68	14.05	13.86	13.98	13.67	13.92	0.25	-0.19	78.8%	80.1%
Canada	1.51	1.58	1.72	1.75	1.79	1.70	-0.09	-0.13	84.3%	90.6%
Mexico	1.25	1.29	1.32	1.33	1.32	1.24	-0.08	-0.01	80.8%	81.7%
Total	17.44	16.92	16.91	17.05	16.78	16.87	0.09	-0.34	79.4%	81.2%
OECD Europe										
France	1.40	1.36	1.34	1.34	1.24	1.32	0.09	-0.31	67.5%	83.6%
Germany	2.05	1.99	1.95	1.88	1.92	1.83	-0.08	-0.30	75.8%	88.3%
Italy	1.65	1.62	1.58	1.56	1.60	1.63	0.03	0.11	69.7%	65.2%
Netherlands	1.08	0.96	0.90	1.04	1.05	1.07	0.03	0.04	88.5%	84.9%
Spain	1.02	1.01	0.91	1.01	1.06	0.85	-0.21	-0.36	67.1%	95.1%
UK	1.52	1.38	1.45	1.49	1.39	1.38	-0.02	-0.17	72.9%	81.7%
Other OECD Europe	3.62	3.77	3.75	3.62	3.80	3.72	-0.08	0.06	79.2%	78.0%
Total	12.34	12.08	11.86	11.94	12.05	11.80	-0.25	-0.93	74.8%	80.7%
OECD Pacific										
Japan	3.45	3.13	3.44	3.68	3.78	3.99	0.21	-0.04	85.3%	86.1%
Korea	2.25	2.33	2.26	2.28	2.38	2.40	0.02	-0.03	87.7%	88.9%
Other OECD Pacific	0.64	0.56	0.68	0.74	0.75	0.74	-0.01	0.05	91.9%	86.2%
Total	6.34	6.02	6.38	6.71	6.91	7.13	0.23	-0.02	86.8%	87.0%
OECD Total	36.13	35.02	35.15	35.71	35.74	35.80	0.06	-1.29	79.2%	82.1%

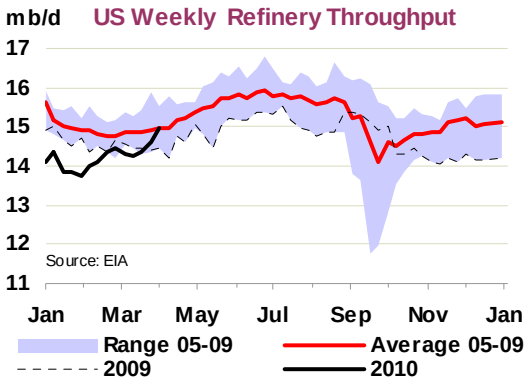
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

The year-on-year declines in OECD runs are expected to ease further in 2Q10, with total throughputs now estimated at 35.5 mb/d, or 440 kb/d lower than 2Q09. European and North American refiners are expected to ramp up runs sharply as maintenance ends and ahead of peak-summer product demand, while Pacific runs will fall an estimated 670 kb/d from 1Q10 as Japanese refiners enter their peak maintenance season.

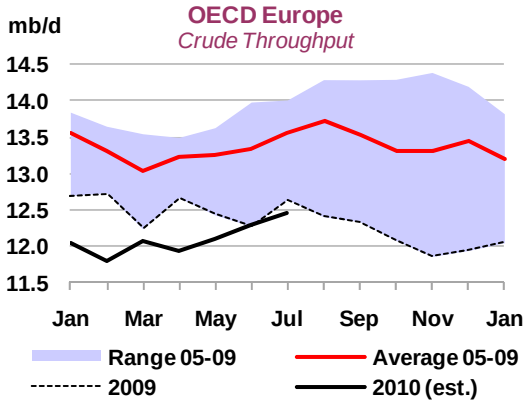
North American refinery runs have been adjusted higher by 80 kb/d for 1Q10, following revised January Canadian data and significantly higher than expected US runs in March. Official US January statistics were 45 kb/d lower than weekly EIA data, but more than offset by a 90 kb/d upward revision to Canadian preliminary data. While preliminary data show both Canadian and Mexican runs lower in February and March, stronger than expected US data bring up the regional total over the course of the quarter. Regional runs are estimated at 16.9 mb/d in 1Q10, with an average 1.8 mb/d of capacity offline due to maintenance, run cuts or shutdowns. As refineries exit turnarounds over the second quarter and start preparing for the peak driving season, runs are expected to add 380 kb/d from 1Q10, but, at 17.3 mb/d, remain well below year-ago and historical levels.

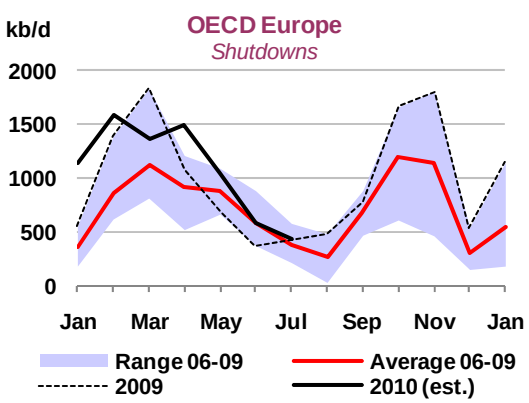


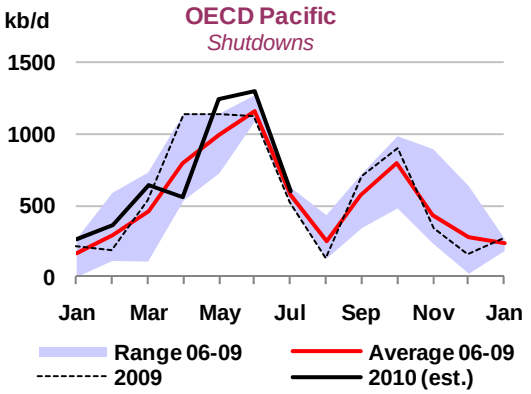


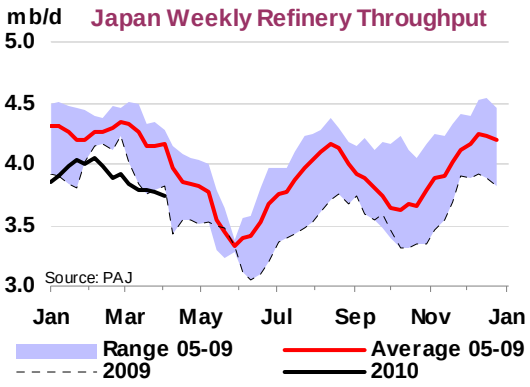
Weekly EIA data for February and March point to a strong recovery in US refinery activity over the two months and into early April, with total US throughputs gradually returning to their 5-year average by end-March. Refinery throughputs on the Gulf Coast saw particularly strong gains, reaching 7.6 mb/d in the week ending 2 April, 1.3 mb/d higher than the recent low seen 2 months earlier. Coking margins on the Gulf Coast improved significantly in March, averaging $3.35/bbl for Mars and $4.98/bbl for Maya, boosting crude runs. Cracking margins were less favourable, with only LLS posting positive returns, while Bonny and Brent declined further into the red.

European throughputs averaged 12.0 mb/d in 1Q10, largely unchanged from the previous quarter and our last estimate, but almost 600 kb/d lower than 1Q09. February run rates were particularly weak, reaching a 17-year low of 11.8 mb/d. Maintenance in a number of countries, including the UK, Germany, the Netherlands, Spain and Turkey (in addition to already reduced run rates in France), largely explained the record low runs, although poor economic conditions also played a part. After a brief uptick in activity in March, European runs should dip again in April, when the maintenance closure of Neste's 200 kb/d Porvoo refinery in Finland adds to total shutdowns. Over 2Q10, runs are forecast to recover slightly as the peak turnaround season ends, although the continued bleak outlook for refining margins and high product stocks are likely to keep runs well below levels of a year ago.









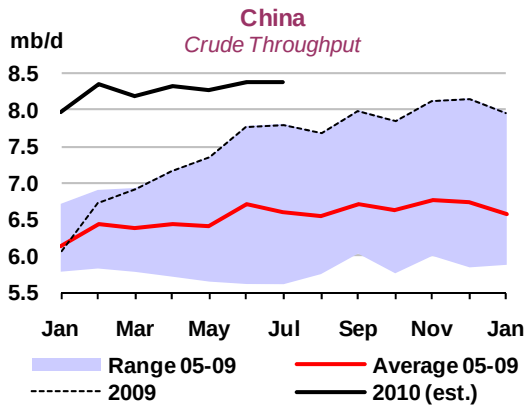
OECD Pacific runs were stronger than expected in February, rebounding by more than 200 kb/d from January to average 7.1 mb/d. The increase came from Japan, despite preliminary indications from weekly data having pointed to a more stable, lower monthly average. Preliminary weekly data for March show Japanese runs declined by 400 kb/d (although this estimate is equally subject to revisions as was February's). Regardless, Pacific runs will dip further over the coming months as refinery maintenance intensifies and reaches its seasonal peak in June. An estimated 1.2 mb/d of capacity is scheduled to be shut in May, followed by 1.3 mb/d in June.

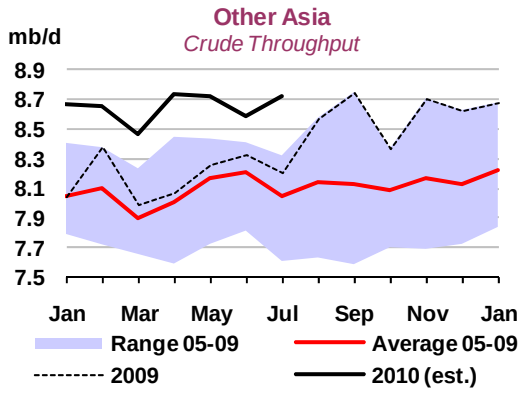
Non-OECD Refinery Throughput

1Q10 non-OECD refinery throughputs averaged 36.9 mb/d, largely unchanged from 4Q09, but 1.8 mb/d higher than a year earlier. The year-on-year increases continue to be centred in Asia, where new capacity is put to use. Chinese refining runs are seen 1.6 mb/d above 1Q09 while Other Asia posted a 470 kb/d yearly gain. Stronger than expected runs in Russia are keeping FSU throughputs at historically high levels, averaging 6.2 mb/d in 1Q10, or 260 kb/d more than a year earlier. 2Q10 is expected to a see further 1.4 mb/d annual increase in the non-OECD, to an average of 37.4 mb/d.

Several large non-OECD countries reported surprisingly high throughput levels in February. China, India and Russia all posted record highs based on recent years' data, despite poor margins and apparent oversupply in product markets. However, outages and reported maintenance are thought to have brought down runs in March sharply. Latin American runs likely fell the most, as Chilean outages coincided with the shutdown of PDVSA's Curaçao refinery in the Netherlands Antilles, as well as maintenance in Brazil and Ecuador.

Chinese refinery runs posted a record high of 8.3 mb/d in February, up sharply from a downwardly revised January level, and an impressive 1.6 mb/d above levels of a year ago. The increase in runs came despite refiners complaining that increasing international crude prices and lower domestic product prices cut profit margins. (Crude prices actually fell on average in February, and in any case, refiners are guaranteed a positive margin from the government). Reports that state-controlled refiner Sinopec received subsidies to export products in February, could have contributed to the higher run rates, although preliminary trade data actually show a significant decrease in product exports overall for that month. Runs are expected to dip in March as maintenance and unplanned shutdowns reduced rates. Amongst others, Sinopec's largest refinery, the 400 kb/d Zhenhai plant, entered overhaul in March, lowering runs by about 100 kb/d. The company's second largest refinery, Guangzhou, shut down a 160 kb/d crude distillation unit (CDU) for about three weeks after a fire in mid-March.





Other Asia refinery throughputs have equally been revised higher in February on account of another record **Indian** throughput level. Indian throughputs averaged 3.89 mb/d, 80 kb/d higher than in January, and 225 kb/d higher than previously assumed. The extensive turnarounds expected in February and March, notably at MRPL's Mangalore and IOC's Chennai refineries, seem not to have taken place. In light of the higher-than-expected reported figures, as well as changes to our outages outlook, we have taken a slightly more optimistic view for Indian refiners in 2Q10, raising runs by 150 kb/d.

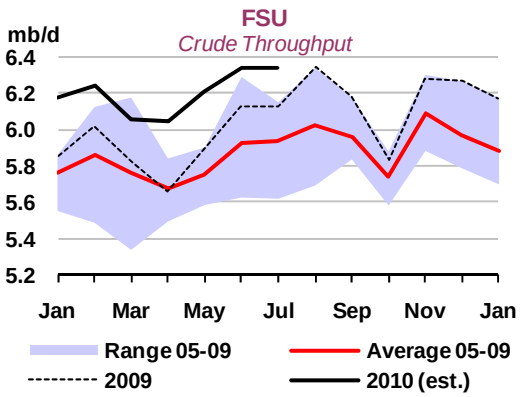
After having reportedly reached full capacity at the end of February, **Vietnam's** 140 kb/d Dung Quat refinery had to reduce run rates in March due to technical problems. The refinery, Vietnam's first, started test runs in February 2009 and was scheduled to be handed over to its owner, Petrovietnam, on 25 February of this year. The technical problems, however, have led contractor Technip to delay the handover until the 'pending issues have been dealt with'. A report by the State Appraisal Council states that some of the technical problems might not be resolved until November. As a result, we have lowered our forecast for Vietnam by 60 kb/d in 2Q10.

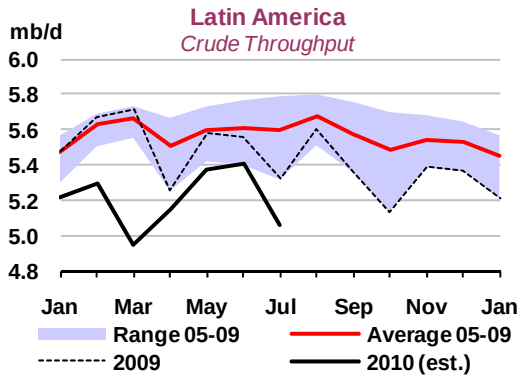
In addition to the changes mentioned above, we have incorporated some revisions to historical data, lifting 2008 and 2009 estimates for Other Asia by 25 kb/d and 150 kb/d respectively. Amongst others, we have revisited our assessment of Singapore refinery activity, as well as incorporated revised JODI data for Indonesia for 2009. Furthermore, due to quality concerns and internal inconsistencies in Malaysian JODI data, we have decided to exclude reported crude throughput levels for Malaysia for 2009. Pending completion of a more thorough data audit, Malaysian runs are now estimated based on installed capacity and recent historical outage levels.

FSU refinery run estimates are largely unchanged for 1Q10 and 2Q10 compared with last month's report, given offsetting changes to the Russian and Belarus outlooks. Official data from the Russian Energy Ministry show a 1.8% monthly increase in runs in February, as runs reached 5.0 mb/d, 90 kb/d higher than a month earlier, and the highest level since at least January 2002. In light of these higher runs, we have lifted our forecast for Russian throughputs for 2Q10 by 70 kb/d, to average 4.84 mb/d.

As the dispute between **Belarus** and Russia regarding export duties drags on (with Minsk most recently filing a lawsuit in a court of the Commonwealth of Independent States seeking to abolish the export duty on petrochemical feedstocks), Belarus refineries have run at reduced rates due to lower crude supplies. The country, which normally receives some 420 kb/d of Russian crude, has reduced imports by almost half in 1Q10, claiming that Russian oil has become too expensive. In an attempt to reduce dependence on Russian crude imports, Belarus will for the first time import Venezuelan crude. President Hugo Chavez has promised to supply 80 kb/d starting in May, and the first Aframax tanker is already heading for the Baltic port of Odessa. The crude is then scheduled to go by railway to the 320 kb/d Mozyr refinery, raising a question mark on the economics of the deal.

Elsewhere in the FSU, **Ukraine** runs fell in February, but are expected to increase in March despite Lukoil's Odessa refinery remaining closed. The Odessa refinery, which has been shut since the end of January, was due to restart in mid-March but this has been delayed until April, reportedly due to poor margins. **Kazakhstan** refinery runs were 289 kb/d in February, up 10 kb/d from January, while **Lithuanian** runs were lower in March as PKN Orlen's 190 kb/d Mazeikiu refinery was shut for part of the month for maintenance.





Latin American crude runs have been revised lower by 50 kb/d for 1Q10 to average 5.1 mb/d, due to reduced runs in the Netherlands Antilles and Brazil for March. PDVSA's 320 kb/d Curaçao refinery remained closed for the entire month (and until mid-April at best) and Petrobras' largest refinery, the 355 kb/d Paulinia (REPLAN) refinery is assumed to have run at reduced rates due to maintenance. 2Q10 estimates are largely unchanged, as lower estimates for Chile are offset by a smaller upward adjustment elsewhere.

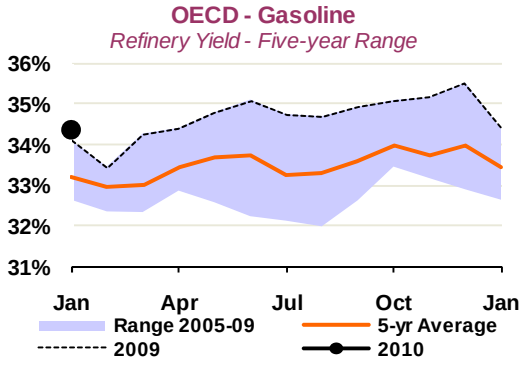
Our outlook for **Chilean** refinery runs has been lowered further since last month's report following updates on the damage suffered by the country's refineries during the 28 February earthquake. According to the Chilean Mining Minister Enap's 116 kb/d Bio Bio refinery sustained heavy damage during the quake and is not expected to resume production until June (and only to reach full capacity in 3Q10). The country's Aconcagua refinery, which sustained less serious damage, came back online in mid-March and is now operating normally.

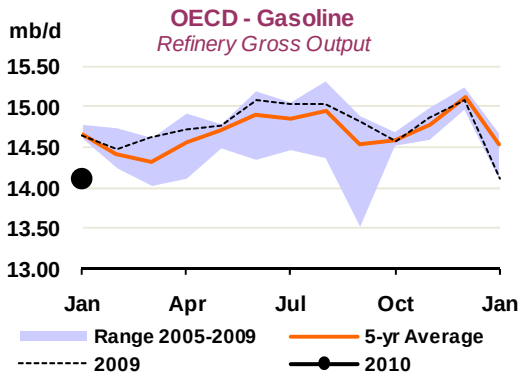
Reports emerged that **Argentina** was forced to import gasoline for the first time in 30 years in March. Surging gasoline demand in December and January, peak summer driving months, led to shortages at petrol stations and depleted stocks. As a result, leading Argentine refiner YPF announced it would import 315 kb of gasoline from the US in March (Argentine regularly imports diesel, but has historically exported gasoline). The government faults Shell and Petrobras for the shortage, accusing the companies of deliberately causing gasoline shortage to force rival YPF, the Argentine unit of Repsol, to raise its prices. Fuel prices are subsidised by the government and prices are running about 15% lower than the international average. Gasoline retailers such as Shell and Petrobras have called for fuel prices to be increased. The Planning Minister said the government would be taking measures to ensure oil refineries in the country run at full capacity and warned that fuel exports by the refiners would be curbed if the shortages continued. January Argentinean refinery runs were on par with December's 540 kb/d, but slightly above depressed 2009 levels. Throughputs declined by 8% year-on-year in 2009 to an average 525 kb/d.

A reassessment of historical throughput estimates for Aruba, the US Virgin Islands and the Netherlands Antilles has also led to annual changes to Latin American estimates by +50 kb/d for 2006, +140 kb/d for 2007, +120 kb/d for 2008 and +70 kb/d for 2009. Further updates to historical data will be included in coming months.

OECD Refinery Yields

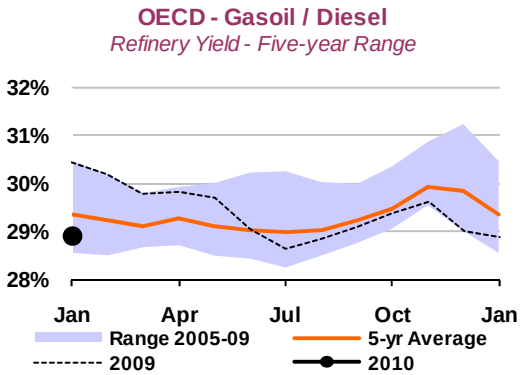
January OECD refinery yields increased for naphtha, jet fuel/kerosene and fuel oil at the expense of gasoline and 'other products', while gasoil/diesel yields remained unchanged. Total product gross output was 4.3% below levels of a year ago at 41.4 mb/d, with naphtha output increasing 16.4% but the rest of the product slate contracting, bar a small increase in 'other products'.

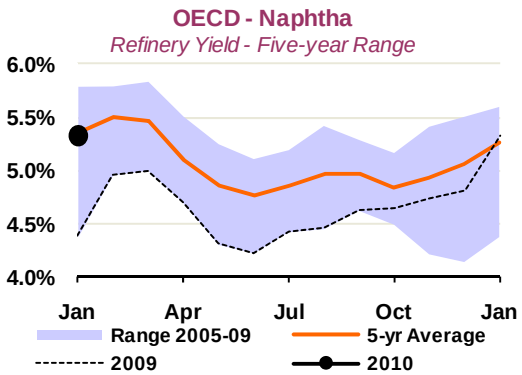




OECD gasoline yields dropped sharply to 34.4%, with all three OECD regions posting lower readings. Yields in North America and the Pacific were above the five-year range, while in Europe they remained below the five-year average. However, gross output is 520 kb/d lower year-on-year, with European output dropping by 405 kb/d and the Pacific increasing by 55 kb/d.

Gasoil/diesel yields fell slightly month-on-month to 28.9%. However, each region depicts different dynamics. Yields in North America are well below the five-year range, 2.8 percentage points (pp) lower year-on-year. Yields in the Pacific are in line with the five-year average, while in Europe, yields increased counter seasonally by 0.6 pp to above the five-year range. In terms of gross output, gasoil/diesel shows the strongest year-on-year decline among products, with output falling by 1.2 mb/d, of which 0.7 mb/d are in North America and 0.3 mb/d in Europe.





As in last month's report, naphtha yields continued their upward trend, supported by stronger crack spreads across all regions and strong demand for petrochemical feedstock in the Pacific. Yields increased sharply, reaching 5.3% and are now in line with the five-year average. More interestingly, naphtha is the only product for which gross output is within its five-year range, bar 'other products' at the bottom of the range. Gross output in both North America and the Pacific was in line with the five-year average, while in Europe gross output was 15% below its five-year average.

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

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.2	23.5	23.3	23.5	23.1	23.6	23.4	23.4
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.4	14.5	14.1	14.3	14.6	14.6	14.4
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	8.0	7.7	8.2	7.2	7.1	7.8	7.6
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.6	44.4	45.0	45.9	45.5	45.8	44.5	45.3	45.8	45.4
NON-OECD DEMAND																	
FSU	4.0	4.1	4.2	4.1	4.3	4.1	4.2	3.9	3.8	4.0	3.9	3.9	4.2	4.0	4.2	4.1	4.1
Europe	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.9	8.5	9.1	9.3	9.1	9.0	9.1
Other Asia	9.0	9.5	9.9	9.8	9.4	9.5	9.7	9.9	10.1	9.8	10.1	10.0	10.1	10.3	10.1	10.4	10.3
Latin America	5.4	5.7	5.7	6.0	6.0	5.9	5.9	5.7	5.9	6.1	6.1	6.0	6.0	6.2	6.3	6.3	6.2
Middle East	6.3	6.5	6.7	7.1	7.6	6.9	7.1	6.7	7.3	7.8	7.1	7.2	7.2	7.6	8.1	7.4	7.6
Africa	3.0	3.1	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.1	3.2	3.2	3.3	3.3	3.3	3.3
Total Non-OECD	35.7	37.3	38.4	38.9	39.3	38.0	38.6	37.9	39.6	40.3	40.0	39.5	40.5	41.4	41.7	41.3	41.2
Total Demand[1]	85.3	86.5	87.4	86.2	85.9	85.4	86.2	84.4	84.1	85.3	85.9	84.9	86.3	86.0	87.0	87.2	86.6
OECD SUPPLY																	
North America[4]	14.2	14.3	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.5	14.3	13.9	14.2	14.2
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.1	4.2	4.2
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.1	19.2	19.7	19.4	19.7	19.2	18.7	19.1	19.2
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.7	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.7	13.6
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Other Asia[2]	3.7	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Latin America[2,4]	3.9	3.9	4.1	4.1	4.2	4.2	4.1	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.7	4.6
Middle East	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.6
Total Non-OECD	28.0	28.5	28.8	28.8	28.7	28.8	28.8	29.0	29.3	29.5	29.7	29.4	30.0	30.2	30.2	30.4	30.2
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.4	50.9	51.1	50.9	50.2	50.8	50.7	51.3	51.1	51.4	52.1	51.5	52.3	52.0	51.6	52.3	52.0
Non-OPEC: Historical Composition[2]	51.4	50.4	50.1	49.9	49.2	49.8	49.7	51.3	51.1	51.4	52.1	51.5	52.3	52.0	51.6	52.3	52.0
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.6	28.5	28.8	29.0	28.7	29.1				
NGLs	4.3	4.3	4.3	4.4	4.4	4.5	4.4	4.6	4.5	4.7	4.8	4.7	5.1	5.2	5.6	5.8	5.5
Total OPEC[2]	35.0	34.6	35.9	35.7	35.9	35.0	35.6	33.1	33.0	33.5	33.8	33.3	34.2				
OPEC: Historical Composition[2]	34.1	35.1	36.9	36.7	36.9	36.0	36.6	33.1	33.0	33.5	33.8	33.3	34.2				
Total Supply[6]	85.4	85.5	87.0	86.6	86.1	85.8	86.4	84.5	84.1	84.9	85.9	84.8	86.5				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.0	0.3	0.6	0.4	0.4	0.5	0.1	0.2	-1.2	-0.1					
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1					
Total	0.3	-0.2	0.1	0.3	0.6	0.4	0.4	0.7	0.3	0.3	-1.2	0.0					
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.0	0.5	0.3					
Miscellaneous to balance[7]	0.0	-0.8	-0.8	0.1	-0.1	0.0	-0.2	-1.2	-0.5	-0.7	0.7	-0.4					
Total Stock Ch. & Misc	0.2	-1.0	-0.4	0.4	0.2	0.4	0.2	0.1	0.0	-0.4	0.0	-0.1	0.3				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.6	31.3	31.9	31.0	31.3	30.1	31.1	28.5	28.5	29.2	29.0	28.8	28.8	28.7	29.8	29.1	29.1
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.2	30.0	30.9	27.3	28.0	28.5	29.7	28.4	28.5	28.4	29.5	28.7	28.8

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	0.1	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	-0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	-	0.1
Other Asia	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1
Africa	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Total Non-OECD	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	0.1	0.1	-	-
Total Demand	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-0.2	-0.1	-0.1	0.1	0.2	-0.1	-
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	0.2	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.4	0.2	0.2	0.2	0.2
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	0.4	0.2	0.2	0.2	0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-0.1	-	-					
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	-	-	0.1	0.1	-	-	-	-	-	-0.1	0.2	-					
Total Stock Ch. & Misc	-	-	0.1	0.1	-	-	-	-	-	-0.1	0.2	-					
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-0.1	-0.1	-	-	-	-	-0.1	-	-0.2	-0.1	-0.4	-0.1	-	-0.2	-0.2
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-	-	-	-0.4	-0.1	0.1	-0.2	-0.2

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.25	23.50	23.29	23.49	23.10	23.58	23.43	23.40
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.90	14.24	14.46	14.39	14.50	14.15	14.26	14.58	14.57	14.39
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	8.01	7.68	8.17	7.16	7.14	7.81	7.57
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.56	44.45	44.98	45.90	45.47	45.81	44.52	45.30	45.81	45.36
Asia	17.11	17.75	17.81	17.51	17.14	17.55	17.54	18.66	18.63	19.00	18.46	19.21	19.64	19.22	19.44	19.38
Middle East	6.53	6.74	7.12	7.58	6.94	7.10	6.72	7.30	7.77	7.14	7.23	7.20	7.64	8.07	7.45	7.59
Latin America	5.69	5.71	5.96	6.04	5.92	5.91	5.75	5.94	6.05	6.11	5.96	5.96	6.17	6.25	6.29	6.17
FSU	4.15	4.23	4.06	4.26	4.06	4.15	3.89	3.79	4.00	3.95	3.91	4.16	3.95	4.17	4.13	4.10
Africa	3.07	3.20	3.19	3.14	3.22	3.19	3.23	3.21	3.16	3.11	3.18	3.23	3.30	3.25	3.32	3.28
Europe	0.77	0.77	0.75	0.72	0.75	0.75	0.73	0.73	0.71	0.70	0.72	0.71	0.74	0.73	0.71	0.72
Total Non-OECD	37.32	38.39	38.89	39.25	38.03	38.64	37.86	39.63	40.31	40.00	39.46	40.46	41.45	41.70	41.34	41.24
World	86.51	87.36	86.25	85.88	85.37	86.21	84.42	84.08	85.30	85.91	84.93	86.27	85.97	87.00	87.15	86.60
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.86	18.77	18.83	18.65	18.91	18.77	18.79
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.41	8.85	8.92	8.88	9.01	8.79	8.78	8.91	8.94	8.85
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.84	8.92	8.51	9.07	9.30	9.10	9.03	9.12
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.59	4.36	4.77	3.89	3.95	4.37	4.24
India	3.00	3.25	3.18	2.97	3.14	3.14	3.40	3.35	3.14	3.35	3.31	3.41	3.43	3.24	3.46	3.38
Russia	2.89	2.90	2.82	3.02	2.78	2.88	2.64	2.60	2.80	2.73	2.69	2.87	2.73	2.94	2.88	2.86
Brazil	2.35	2.37	2.46	2.53	2.51	2.47	2.39	2.48	2.58	2.64	2.52	2.51	2.60	2.67	2.72	2.63
Saudi Arabia	2.17	2.22	2.47	2.71	2.27	2.42	2.23	2.78	3.00	2.50	2.63	2.55	2.93	3.16	2.66	2.83
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.16	2.19	2.16	2.24	2.12	2.26	2.22	2.21
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.29	2.22	2.33	2.17	2.07	2.29	2.21
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.14	2.08	2.11	2.04	2.12	2.14	2.11
Iran	1.72	1.86	1.89	1.86	1.83	1.86	1.77	1.73	1.73	1.75	1.74	1.83	1.82	1.82	1.84	1.83
Total	61.58	62.24	60.99	60.41	60.21	60.96	59.77	59.24	60.13	60.84	60.00	61.30	60.46	61.14	61.30	61.05
% of World	71.2%	71.3%	70.7%	70.3%	70.5%	70.7%	70.8%	70.5%	70.5%	70.8%	70.6%	71.1%	70.3%	70.3%	70.3%	70.5%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.4	-1.8	-3.6	-0.1	0.8	1.5	-0.3	0.5
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.5	-5.6	-6.8	-6.8	-5.4	-5.1	0.2	0.8	1.3	-0.7
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	0.4	-4.8	0.3	-1.8	-1.8	-2.5	-1.5
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.1	-3.5	-3.0	-4.4	-1.6	0.2	0.7	-0.2	-0.2
Asia	5.1	5.8	2.8	3.3	-1.5	2.6	-1.2	4.8	6.3	10.9	5.2	9.5	5.3	3.2	2.3	5.0
Middle East	3.2	7.9	11.3	14.3	8.4	8.6	-0.2	2.5	2.5	2.8	2.0	7.1	4.5	3.9	4.3	4.9
Latin America	5.5	4.8	5.2	3.9	1.6	3.8	0.6	-0.4	0.2	3.2	0.9	3.7	4.0	3.3	2.9	3.5
FSU	2.7	2.4	2.6	1.4	-5.7	0.1	-8.1	-6.7	-6.0	-2.7	-5.9	6.9	4.5	4.1	4.7	5.0
Africa	4.0	3.2	5.4	4.0	2.6	3.8	1.2	0.7	0.5	-3.4	-0.3	-0.3	2.7	3.1	6.9	3.1
Europe	3.6	1.0	0.3	-6.7	-4.5	-2.5	-5.3	-1.9	-1.8	-7.0	-4.0	-1.9	1.3	3.0	2.1	1.1
Total Non-OECD	4.4	5.3	4.8	5.0	0.5	3.5	-1.4	1.9	2.7	5.2	2.1	6.9	4.6	3.4	3.3	4.5
World	1.5	1.3	1.1	-0.5	-2.7	-0.3	-3.4	-2.5	-0.7	0.6	-1.5	2.2	2.2	2.0	1.5	2.0
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.33	-0.43	-0.88	-0.03	0.18	0.34	-0.07	0.11
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.39	-0.84	-1.06	-1.04	-0.83	-0.75	0.03	0.12	0.18	-0.10
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	0.04	-0.39	0.03	-0.13	-0.13	-0.20	-0.11
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.40	-2.91	-1.65	-1.44	-2.10	-0.75	0.07	0.32	-0.09	-0.11
Asia	0.83	0.97	0.49	0.55	-0.25	0.44	-0.21	0.85	1.11	1.87	0.91	1.67	0.98	0.59	0.44	0.92
Middle East	0.20	0.49	0.72	0.95	0.54	0.56	-0.01	0.18	0.19	0.19	0.14	0.48	0.33	0.30	0.31	0.36
Latin America	0.30	0.26	0.29	0.23	0.10	0.22	0.03	-0.02	0.01	0.19	0.05	0.21	0.24	0.20	0.18	0.21
FSU	0.11	0.10	0.10	0.06	-0.25	0.00	-0.34	-0.27	-0.25	-0.11	-0.24	0.27	0.17	0.17	0.18	0.20
Africa	0.12	0.10	0.16	0.12	0.08	0.12	0.04	0.02	0.02	-0.11	-0.01	-0.01	0.09	0.10	0.22	0.10
Europe	0.03	0.01	0.00	-0.05	-0.04	-0.02	-0.04	-0.01	-0.01	-0.05	-0.03	-0.01	0.01	0.02	0.01	0.01
Total Non-OECD	1.59	1.93	1.78	1.86	0.18	1.32	-0.53	0.74	1.06	1.98	0.82	2.60	1.82	1.38	1.34	1.78
World	1.26	1.14	0.91	-0.39	-2.37	-0.30	-2.94	-2.17	-0.59	0.54	-1.28	1.85	1.89	1.71	1.25	1.67
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.02	0.08	-0.01	0.10	-0.08	0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.16	-0.03	-0.03	-0.03	-0.06
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.09	0.02	0.02	0.01	0.03
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.07	-0.02	0.01	-0.02	0.08	-0.10	-0.01
Asia	0.00	-0.09	-0.06	0.01	0.01	-0.03	-0.08	-0.06	0.01	-0.03	-0.04	-0.07	0.06	0.09	0.04	0.03
Middle East	0.00	0.01	-0.01	0.01	-0.01	0.00	0.01	-0.01	0.01	0.00	0.00	0.14	0.05	0.03	0.01	0.06
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.02	0.00	0.00	-0.02
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	-0.02	-0.10	-0.01	0.00	-0.02	-0.04
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	-0.02	-0.01	0.00	-0.01	-0.01
Total Non-OECD	0.00	-0.08	-0.07	0.02	0.00	-0.03	-0.07	-0.07	0.02	-0.11	-0.06	-0.07	0.08	0.12	0.02	0.04
World	0.00	-0.08	-0.07	0.02	0.00	-0.03	-0.07	-0.07	0.02	-0.18	-0.07	-0.06	0.06	0.20	-0.08	0.03
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.16	0.10	0.05	0.02	-0.03	0.01	0.00	0.01	-0.18	-0.04	0.01	0.13	0.18	0.10	0.10

* France, Germany, Italy, Spain and UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	4Q09	1Q10	2Q10	3Q10	4Q10	Jan 10	Feb 10	Mar 10
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.92		7.94	7.95				7.94	7.90	8.00
Iran	3.90	3.74		3.69	3.71				3.70	3.74	3.68
Iraq	2.38	2.43		2.45	2.38				2.43	2.47	2.25
UAE	2.59	2.27		2.28	2.28				2.29	2.28	2.28
Kuwait	2.31	2.01		2.02	2.03				2.03	2.03	2.03
Neutral Zone	0.57	0.54		0.53	0.51				0.52	0.52	0.50
Qatar	0.85	0.77		0.78	0.81				0.80	0.82	0.82
Angola	1.85	1.77		1.88	1.92				1.89	1.95	1.92
Nigeria	1.95	1.82		1.96	2.00				2.00	1.98	2.01
Libya	1.72	1.55		1.52	1.53				1.52	1.53	1.53
Algeria	1.36	1.25		1.24	1.25				1.25	1.25	1.24
Ecuador	0.50	0.47		0.46	0.47				0.46	0.47	0.47
Venezuela	2.35	2.16		2.20	2.23				2.22	2.23	2.25
Total Crude Oil[6]	31.23	28.69		28.96	29.06				29.04	29.17	28.98
Total NGLs[1,6]	4.40	4.65	5.46	4.82	5.13	5.24	5.61	5.83	5.13	5.13	5.13
Total OPEC[6]	35.63	33.35		33.78	34.20				34.18	34.30	34.11
OPEC: Historical Composition[6]	36.63	33.35		33.78	34.20				34.18	34.30	34.11
NON-OPEC[2]											
OECD											
North America	13.94	14.26	14.21	14.51	14.53	14.28	13.88	14.17	14.48	14.60	14.52
United States[5]	7.52	8.07	8.05	8.32	8.29	8.12	7.88	7.93	8.33	8.27	8.27
Mexico	3.16	2.97	2.92	2.95	2.99	2.95	2.89	2.86	2.99	2.99	2.98
Canada	3.25	3.22	3.24	3.24	3.25	3.21	3.12	3.37	3.15	3.34	3.27
Europe	4.75	4.52	4.24	4.51	4.49	4.17	4.08	4.22	4.51	4.49	4.48
UK	1.56	1.47	1.39	1.46	1.49	1.38	1.29	1.38	1.50	1.46	1.50
Norway	2.46	2.38	2.20	2.41	2.35	2.13	2.13	2.18	2.37	2.37	2.32
Others	0.72	0.66	0.66	0.64	0.65	0.66	0.66	0.65	0.63	0.66	0.66
Pacific	0.65	0.65	0.71	0.65	0.65	0.72	0.72	0.74	0.63	0.65	0.68
Australia	0.55	0.55	0.60	0.55	0.55	0.61	0.61	0.63	0.54	0.55	0.57
Others	0.10	0.10	0.11	0.10	0.10	0.11	0.11	0.11	0.09	0.10	0.11
Total OECD	19.33	19.43	19.16	19.68	19.67	19.17	18.69	19.12	19.61	19.73	19.68
NON-OECD											
Former USSR	12.82	13.27	13.58	13.46	13.54	13.64	13.47	13.66	13.42	13.58	13.61
Russia	10.01	10.21	10.42	10.36	10.39	10.42	10.42	10.44	10.36	10.39	10.43
Others	2.80	3.06	3.16	3.10	3.14	3.22	3.06	3.22	3.06	3.20	3.18
Asia	7.42	7.39	7.61	7.42	7.57	7.58	7.65	7.64	7.52	7.60	7.60
China	3.79	3.79	3.91	3.81	3.91	3.90	3.92	3.92	3.88	3.95	3.92
Malaysia	0.77	0.74	0.73	0.72	0.74	0.73	0.72	0.72	0.76	0.73	0.73
India	0.81	0.80	0.87	0.81	0.82	0.85	0.90	0.90	0.82	0.82	0.83
Indonesia	1.00	0.98	0.99	0.98	0.99	0.99	0.99	1.00	0.98	0.99	0.99
Others	1.05	1.07	1.11	1.09	1.11	1.11	1.12	1.11	1.09	1.13	1.13
Europe	0.14	0.14	0.13	0.14	0.13	0.13	0.13	0.13	0.12	0.13	0.13
Latin America	4.14	4.33	4.63	4.43	4.53	4.58	4.66	4.74	4.48	4.56	4.56
Brazil[5]	2.37	2.49	2.67	2.53	2.61	2.63	2.69	2.75	2.57	2.63	2.63
Argentina	0.75	0.72	0.71	0.72	0.71	0.71	0.71	0.70	0.71	0.71	0.72
Colombia	0.59	0.67	0.80	0.73	0.76	0.78	0.81	0.84	0.75	0.76	0.76
Others	0.43	0.45	0.45	0.45	0.46	0.45	0.45	0.45	0.45	0.46	0.45
Middle East[3]	1.64	1.68	1.70	1.69	1.68	1.69	1.70	1.71	1.69	1.68	1.69
Oman	0.75	0.81	0.87	0.83	0.85	0.86	0.88	0.89	0.85	0.85	0.86
Syria	0.39	0.38	0.36	0.37	0.37	0.36	0.36	0.35	0.37	0.37	0.36
Yemen	0.30	0.30	0.28	0.29	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.60	2.55	2.55	2.54	2.56	2.55	2.55	2.56	2.57	2.56	2.56
Egypt	0.70	0.69	0.68	0.67	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Gabon	0.24	0.24	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.66	1.63	1.63	1.61	1.64	1.63	1.62	1.63	1.64	1.64	1.63
Total Non-OECD	28.77	29.36	30.20	29.68	30.02	30.17	30.16	30.43	29.79	30.12	30.15
Processing Gains[4]	2.24	2.29	2.20	2.29	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Other Biofuels[5]	0.39	0.40	0.48	0.45	0.44	0.45	0.52	0.53	0.43	0.45	0.44
TOTAL NON-OPEC[6]	50.73	51.48	52.04	52.08	52.33	52.00	51.56	52.27	52.04	52.50	52.47
Non-OPEC: Historical Composition[6]	49.74	51.48	52.04	52.08	52.33	52.00	51.56	52.27	52.04	52.50	52.47
TOTAL SUPPLY	86.37	84.82		85.86	86.53				86.21	86.80	86.58

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Oct2009	Nov2009	Dec2009	Jan2010	Feb2010*	Feb2007	Feb2008	Feb2009	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	483.0	485.4	468.3	479.6	494.7	451.8	444.7	498.7	0.49	-0.15	-0.21	-0.10
Motor Gasoline	237.6	251.2	252.7	265.8	267.2	242.9	263.2	247.4	0.06	-0.05	-0.03	0.13
Middle Distillate	243.4	244.1	238.4	237.7	232.5	191.5	190.0	220.6	0.00	0.19	0.16	-0.12
Residual Fuel Oil	42.7	43.6	45.0	48.1	48.6	44.4	47.0	47.0	0.03	-0.03	-0.01	0.01
Total Products[3]	719.2	715.4	694.7	698.3	683.3	637.6	646.4	683.2	0.02	0.42	0.20	-0.51
Total[4]	1366.9	1356.1	1306.3	1318.1	1319.1	1224.1	1229.0	1328.7	0.53	0.39	0.04	-0.87
Europe												
Crude	323.4	346.2	336.1	339.5	323.2	331.0	323.2	339.5	0.15	-0.14	-0.14	0.07
Motor Gasoline	101.9	102.9	107.4	110.2	107.2	114.5	121.3	106.0	-0.07	-0.03	0.01	0.08
Middle Distillate	283.7	295.1	287.2	303.3	293.9	274.5	237.1	280.2	0.03	0.06	0.10	-0.04
Residual Fuel Oil	66.0	68.8	71.8	72.3	72.7	74.8	76.0	78.6	-0.07	0.01	-0.05	0.03
Total Products[3]	558.8	571.9	572.9	599.7	587.5	567.7	539.9	571.5	-0.14	-0.01	0.13	0.04
Total[4]	950.6	983.8	973.9	1008.0	978.2	972.9	934.3	983.8	-0.04	-0.19	-0.01	0.07
Pacific												
Crude	165.5	167.2	160.5	163.5	154.3	171.7	164.3	175.5	0.08	0.00	-0.05	-0.06
Motor Gasoline	24.8	25.1	22.9	27.0	28.2	25.4	23.2	24.9	0.06	0.00	-0.01	-0.02
Middle Distillate	68.6	69.2	62.5	65.3	65.5	72.3	58.1	63.4	-0.09	0.06	0.11	-0.11
Residual Fuel Oil	21.1	19.2	18.6	18.9	19.5	22.3	19.2	21.6	0.00	-0.01	0.03	-0.03
Total Products[3]	180.1	177.4	161.0	169.6	170.2	181.4	160.4	170.9	-0.06	-0.04	0.22	-0.26
Total[4]	410.1	407.3	383.2	396.9	387.4	426.8	396.1	415.5	0.01	-0.07	0.20	-0.39
Total OECD												
Crude	971.9	998.7	964.9	982.6	972.2	954.5	932.2	1013.7	0.72	-0.28	-0.40	-0.10
Motor Gasoline	364.3	379.2	383.0	403.0	402.6	382.7	407.7	378.3	0.06	-0.09	-0.03	0.18
Middle Distillate	595.7	608.4	588.0	606.3	591.9	538.4	485.2	564.2	-0.07	0.31	0.37	-0.26
Residual Fuel Oil	129.8	131.5	135.4	139.3	140.8	141.4	142.3	147.2	-0.03	-0.03	-0.03	0.01
Total Products[3]	1458.1	1464.7	1428.6	1467.5	1441.0	1386.8	1346.6	1425.6	-0.18	0.37	0.54	-0.74
Total[4]	2727.6	2747.3	2663.5	2723.1	2684.7	2623.8	2559.4	2727.9	0.51	0.13	0.23	-1.19

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Oct2009	Nov2009	Dec2009	Jan2010	Feb2010*	Feb2007	Feb2008	Feb2009	1Q2009	2Q2009	3Q2009	4Q2009
North America												
Crude	725.1	726.1	726.6	726.6	726.6	688.6	698.8	705.5	0.12	0.12	0.01	0.02
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	185.6	183.7	184.2	184.4	184.4	173.7	184.9	187.8	0.01	-0.01	0.00	-0.02
Products	239.7	241.0	240.8	240.9	240.9	237.6	235.3	232.4	0.06	0.05	0.03	-0.01
Pacific												
Crude	388.4	388.8	389.0	389.0	389.0	385.8	385.0	389.2	0.02	0.00	-0.01	0.01
Products	20.0	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.00	0.00	0.01
Total OECD												
Crude	1299.1	1298.5	1299.8	1300.0	1300.0	1248.1	1268.7	1282.5	0.16	0.11	0.00	0.00
Products	261.8	263.0	262.8	262.9	262.9	256.0	256.2	253.5	0.06	0.05	0.03	0.00
Total[4]	1562.3	1563.0	1564.1	1564.4	1564.4	1505.1	1525.9	1537.0	0.23	0.15	0.03	0.00

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End December 2008		End March 2009		End June 2009		End September 2009		End December 2009 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	193.9	88	197.7	95	197.9	92	194.5	89	190.0	-
Mexico	50.3	25	45.6	23	48.1	23	50.4	23	44.7	-
United States[4]	1738.7	92	1797.0	97	1841.0	99	1846.5	98	1778.1	-
Total[4]	2005.1	86	2062.4	90	2109.1	91	2113.5	90	2034.9	87
Pacific										
Australia	40.5	44	39.9	42	40.5	43	44.9	46	40.3	-
Japan	629.6	133	611.3	152	611.2	149	607.3	132	588.8	-
Korea	134.9	58	155.2	72	149.1	72	167.0	73	155.0	-
New Zealand	7.9	51	9.5	61	8.5	56	7.5	49	8.1	-
Total	812.9	100	815.9	112	809.3	111	826.8	103	792.2	97
Europe[5]										
Austria	21.4	77	19.9	74	19.8	71	20.8	77	21.2	-
Belgium	34.9	56	34.3	62	33.6	56	34.2	52	34.4	-
Czech Republic	21.4	114	22.7	111	22.0	98	21.8	103	21.5	-
Denmark	22.9	131	25.1	152	26.4	161	25.0	153	25.5	-
Finland	30.7	147	33.5	167	26.6	128	29.3	141	33.1	-
France	179.2	89	177.6	98	172.9	95	174.0	93	174.9	-
Germany	277.4	108	277.7	116	280.2	117	276.7	116	284.1	-
Greece	40.0	83	36.7	93	35.9	94	35.5	89	35.0	-
Hungary	15.0	100	15.7	100	15.1	93	14.4	88	14.3	-
Ireland	11.4	63	11.5	74	11.7	78	12.4	72	11.4	-
Italy	127.9	83	131.0	86	129.1	82	129.0	82	125.6	-
Luxembourg	0.7	14	0.7	14	0.8	16	0.8	15	0.8	-
Netherlands	129.2	128	129.8	134	136.8	141	136.6	137	137.5	-
Norway	29.9	143	24.0	108	23.6	122	24.7	138	21.9	-
Poland	58.1	119	58.9	111	63.1	106	64.8	114	64.0	-
Portugal	24.7	92	25.0	90	24.8	91	24.5	91	26.2	-
Slovak Republic	8.8	122	9.8	123	8.4	99	8.3	102	8.3	-
Spain	137.6	89	137.8	94	135.6	92	135.0	93	132.6	-
Sweden	37.4	116	40.8	125	39.5	122	38.5	122	39.0	-
Switzerland	36.3	120	36.8	133	38.0	148	38.2	133	37.0	-
Turkey	60.9	110	59.2	97	58.8	93	57.8	111	57.6	-
United Kingdom	98.8	57	100.4	60	91.7	55	94.2	59	94.5	-
Total	1404.6	94	1408.8	98	1394.5	96	1396.7	97	1400.4	99
Total OECD	4222.6	91	4287.1	96	4312.9	96	4337.1	95	4227.5	92
DAYS OF IEA Net Imports[6]	-	130	-	133	-	134	-	135	-	144

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End December 2009 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
4Q2006	4167	1499	2669	84	30	54
1Q2007	4107	1507	2599	85	31	54
2Q2007	4165	1506	2659	85	31	54
3Q2007	4171	1520	2651	83	30	53
4Q2007	4091	1524	2567	83	31	52
1Q2008	4101	1529	2571	86	32	54
2Q2008	4128	1526	2602	88	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4223	1527	2696	91	33	58
1Q2009	4287	1547	2740	96	35	62
2Q2009	4313	1561	2752	96	35	61
3Q2009	4337	1564	2773	95	34	60
4Q2009	4228	1564	2663	92	34	58

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 4Q2009 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10	Year Earlier Jan 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.58	0.51	0.44	0.54	0.41	0.51	0.63	0.58	0.05
Europe	0.70	0.70	0.59	0.57	0.60	0.57	0.61	0.71	0.55	0.56	0.49	0.07
Pacific	1.19	1.22	1.28	1.40	1.16	1.23	1.32	1.45	1.37	1.24	1.27	-0.03
Saudi Medium												
North America	0.56	0.64	0.40	0.42	0.45	0.41	0.34	0.36	0.37	0.32	0.58	-0.26
Europe	0.05	0.05	0.02	0.03	0.02	0.01	0.02	-	0.04	-	0.03	-
Pacific	0.34	0.39	0.34	0.34	0.33	0.35	0.33	0.40	0.31	0.41	0.42	-0.01
Saudi Heavy												
North America	0.09	0.07	0.03	0.04	0.02	0.02	0.03	-	0.02	0.02	0.04	-0.02
Europe	0.11	0.09	0.02	0.03	0.03	0.01	0.01	0.02	0.00	-	0.04	-
Pacific	0.20	0.24	0.15	0.22	0.15	0.12	0.12	0.12	0.14	0.21	0.28	-0.07
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.44	0.31	0.45	0.40	0.41	0.46	0.35	0.47	-0.12
Europe	0.30	0.21	0.12	0.13	0.12	0.19	0.06	0.11	0.01	0.09	0.14	-0.05
Pacific	0.17	0.15	0.24	0.26	0.20	0.24	0.27	0.13	0.39	0.42	0.21	0.21
Iraqi Kirkuk												
North America	-	0.08	0.06	0.07	0.02	0.11	0.04	0.03	0.06	0.02	0.09	-0.07
Europe	0.11	0.23	0.31	0.26	0.34	0.34	0.29	0.22	0.27	0.31	0.26	0.05
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.15	0.16	0.13	0.16	0.27	0.16	0.17	0.14	0.04
Pacific	0.09	0.08	0.07	0.11	0.06	0.06	0.06	0.03	0.10	0.08	0.13	-0.06
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.33	0.41	0.48	0.37	0.39	0.29	0.29	0.42	-0.13
Pacific	0.64	0.61	0.57	0.65	0.51	0.57	0.56	0.54	0.58	0.60	0.65	-0.06
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.51	0.63	0.33	0.09	0.13	-	-	0.52	-
Europe	0.08	0.06	0.07	0.07	0.13	0.04	0.02	0.03	0.03	0.03	0.07	-0.03
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.74	0.62	0.87	0.75	0.70	0.82	0.85	0.98	-0.13
Europe	0.07	0.07	0.07	0.07	0.06	0.06	0.08	0.06	0.06	0.09	0.08	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	1.06	0.96	0.87	0.82	0.80	0.83	0.81	1.12	-0.31
Europe	0.14	0.14	0.10	0.08	0.09	0.09	0.12	0.08	0.16	0.10	0.06	0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.01	0.00	0.01	0.00	-	0.01	0.06	0.01	0.05
Europe	0.02	0.01	0.01	0.01	-	0.02	-	-	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.09	0.27	0.17	0.06	-	0.14	0.07	-	-
Europe	1.86	1.81	1.72	1.58	1.76	1.76	1.80	1.84	1.83	1.77	1.72	0.04
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.47	0.40	0.63	0.67	0.61	0.77	0.54	0.38	0.16
Europe	0.24	0.29	0.32	0.25	0.39	0.30	0.34	0.41	0.33	0.17	0.31	-0.14
Pacific	0.01	-	0.00	-	0.01	-	0.01	-	0.02	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.14	0.30	0.19	0.21	0.21	0.31	0.26	0.03	0.23
Europe	0.07	0.14	0.13	0.12	0.12	0.12	0.15	0.07	0.31	0.11	0.21	-0.10
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	1Q09	2Q09	3Q09	4Q09	Nov-09	Dec-09	Jan-10	Year Earlier Jan-09	% change
Crude Oil												
North America	8214	8046	7327	7743	7541	7316	6717	6909	6404	6730	7783	-14%
Europe	9685	9779	8905	9001	9128	8793	8701	8965	8612	8437	9218	-8%
Pacific	6718	6605	6081	6560	5706	5960	6104	6124	6358	6659	6822	-2%
Total OECD	24616	24429	22312	23305	22375	22069	21522	21998	21374	21826	24162	-10%
LPG												
North America	28	29	13	28	11	9	5	0	8	25	45	-44%
Europe	276	268	252	251	250	249	256	260	267	254	248	3%
Pacific	557	589	529	504	518	566	529	591	483	597	467	28%
Total OECD	861	885	794	784	779	823	790	851	757	877	760	15%
Naphtha												
North America	40	55	22	40	19	18	12	4	23	28	86	-68%
Europe	265	260	292	319	232	282	334	394	318	410	223	84%
Pacific	794	776	841	746	814	907	896	825	898	996	593	68%
Total OECD	1099	1091	1155	1105	1066	1207	1242	1223	1239	1433	903	59%
Gasoline[3]												
North America	1128	1078	877	996	889	843	784	796	737	533	984	-46%
Europe	203	218	235	239	280	247	177	218	313	305	303	1%
Pacific	73	90	97	121	71	97	98	102	94	69	102	-32%
Total OECD	1404	1386	1210	1355	1239	1187	1060	1115	1143	907	1389	-35%
Jet & Kerosene												
North America	183	63	61	80	45	67	55	55	36	84	90	-7%
Europe	372	402	450	454	464	453	431	348	410	424	459	-8%
Pacific	43	34	53	79	49	37	48	37	68	48	64	-25%
Total OECD	598	500	565	613	558	556	534	440	514	556	614	-9%
Gasoil/Diesel												
North America	132	72	58	106	39	36	54	27	74	188	130	45%
Europe	781	869	1044	1224	964	970	1022	1026	933	1143	1192	-4%
Pacific	91	119	88	82	81	73	115	89	109	54	77	-30%
Total OECD	1004	1060	1190	1411	1084	1078	1191	1142	1116	1385	1399	-1%
Heavy Fuel Oil												
North America	323	286	270	326	326	205	226	225	257	252	371	-32%
Europe	433	447	553	474	567	643	526	568	529	592	439	35%
Pacific	95	125	113	144	128	103	79	62	113	117	104	13%
Total OECD	851	858	936	943	1021	951	831	855	900	961	914	5%
Other Products												
North America	1050	1075	870	935	896	896	757	859	672	748	963	-22%
Europe	854	792	770	738	777	830	735	717	713	691	750	-8%
Pacific	254	298	323	279	324	337	353	354	381	288	308	-7%
Total OECD	2158	2166	1964	1952	1997	2063	1845	1931	1765	1726	2021	-15%
Total Products												
North America	2883	2658	2173	2509	2226	2073	1892	1966	1806	1857	2669	-30%
Europe	3184	3255	3596	3698	3534	3673	3482	3530	3483	3820	3615	6%
Pacific	1906	2032	2045	1955	1985	2119	2119	2060	2145	2169	1716	26%
Total OECD	7974	7946	7815	8162	7745	7866	7492	7556	7435	7846	8000	-2%
Total Oil												
North America	11097	10704	9500	10253	9767	9390	8609	8875	8210	8587	10791	-20%
Europe	12870	13034	12501	12699	12662	12466	12183	12495	12095	12257	12833	-4%
Pacific	8623	8637	8126	8515	7691	8079	8223	8184	8504	8828	8538	3%
Total OECD	32590	32375	30127	31467	30120	29935	29014	29555	28809	29673	32162	-8%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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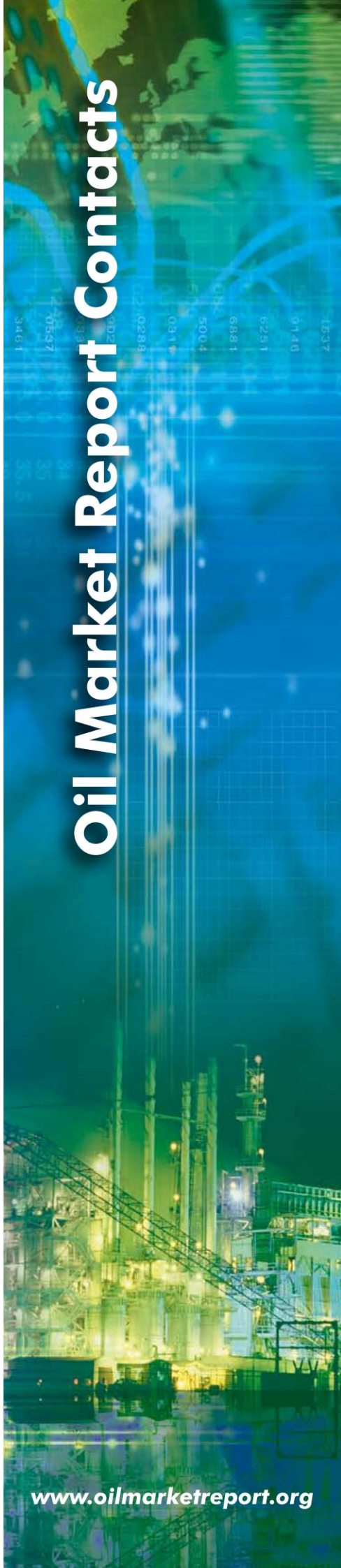

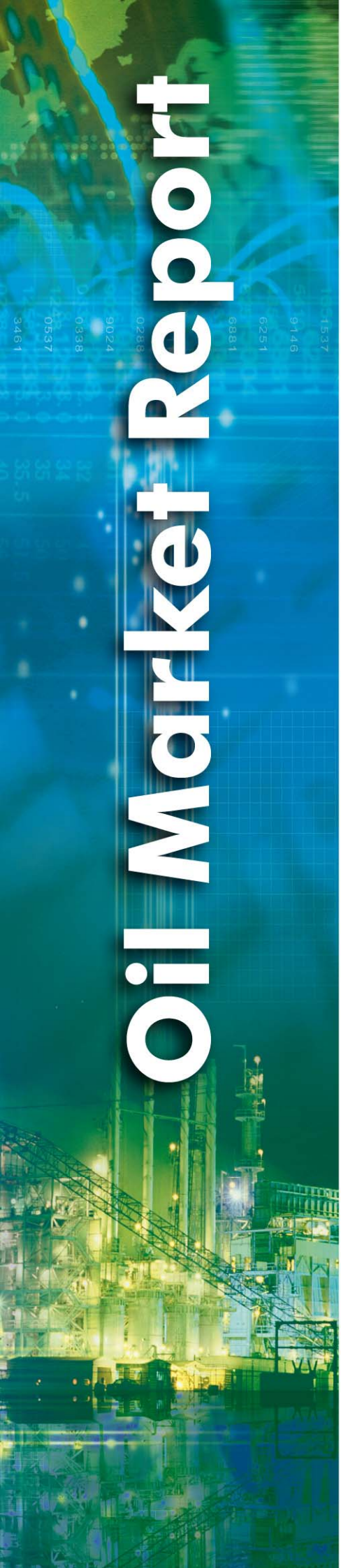

International Energy Agency

12 May 2010

HIGHLIGHTS

- **Crude prices fell by over $10/bbl in early-May,** the biggest weekly decline in 18 months amid an evolving Eurozone debt crisis and sell-off in global equity markets. Subsequent moves by EU finance ministers to guarantee liquidity for vulnerable economies saw partial recovery, with WTI futures recently trading at $76/bbl and ICE Brent at $79.50/bbl.

- **Global oil demand is revised down by 190 kb/d on average for 2009 and 2010**, equating to 84.8 mb/d (-1.2 mb/d year-on-year) and 86.4 mb/d (+1.6 mb/d) respectively. Revisions stem largely from changes to non-OECD historical baseline data, as slightly higher GDP prognoses from the IMF are counterbalanced by a higher price assumption.

- **OPEC crude output rose by 40 kb/d in April, to 29.03 mb/d,** sustaining a trend of largely stable supply since mid-2009. The 'call on OPEC crude and stock change' for 2010 is cut by 0.4 mb/d to 28.7 mb/d on lower demand estimates and higher non-OPEC supply. The 'call' peaks in 3Q10 at 29.4 mb/d but recedes in 4Q10 on rising non-OPEC supplies.

- **Non-OPEC oil supply fell to 52.4 mb/d in April**, on seasonal output curbs. The 2010 forecast is revised up 0.2 mb/d to 52.3 mb/d on higher expectations for the US, Canada and China. Growth in 2010 of 0.8 mb/d is the strongest since 2004 and matches that for OPEC NGLs. The *Deepwater Horizon* drilling accident in the US Gulf has led to a major crude spill. Regional production is unaffected but the incident may lead to tighter safety measures and delay further offshore leasing.

- **OECD industry stocks rose by 7.3 mb to 2 709 mb in March**, with divergent trends in crude and products across all OECD regions. Stock cover in days of forward demand rose to 60.5 days by end-March but stood 1.1 days below March 2009 levels. Preliminary April data show a sharp 47.4 mb build in onshore stocks and higher floating storage.

- **The 2Q10 global refinery crude run estimate is raised to 73.3 mb/d**, up 450 kb/d from 1Q10 and 370 kb/d higher than in last month's report. Sharply higher US crude runs in April, due to improved complex margins and a quick exit from seasonal turnarounds, combine with stronger expectations for Chinese throughputs.

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The IEA is Seeking to Recruit a Senior Oil Market Analyst

The International Energy Agency (IEA), an intergovernmental body committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation, is seeking to recruit a Senior Market Analyst to examine **oil price formation** in both the physical and paper markets, and inter-linkages between the two. The successful applicant will work under the guidance of the Head of the Oil Industry and Markets Division of the IEA.

The ideal candidate will possess:

- A university degree(s) in relevant, numerate disciplines, such as economics/econometrics, finance, statistics, physical sciences or engineering.
- In-depth knowledge of, and eight to ten years' experience in, oil and commodity markets analysis, with a focus on trends in physical and futures market prices, hedging and risk management techniques, financial instruments, commodity trading strategies and the relative influence of physical and financial price drivers. International experience desirable.
- Policy experience with a good knowledge of the international regulation of commodity markets. Demonstrated experience in quantitative data analysis and statistics and in developing analytical methodologies. Proven skills in working with databases, spreadsheets and word-processing software.
- Ability to work well under extremely demanding deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of French would be an advantage.

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COOL HEADS IN A CRISIS

Both the global economy and the oil sector face testing times after a series of natural and man-made crises in recent months. Drawing similarities between coincident but disparate events risks sounding trite, but in each case policy responses will be crucial in determining the investment environment for the next decade. While most agree that a gradual shift towards a lower carbon economy is desirable, the reality is that oil will retain a pivotal role in satisfying the transportation and consumer aspirations of the world's population for decades to come. So decisions made today that affect the way oil is produced, traded, stored, transformed, shipped and consumed really matter for the sake of the global economy.

April witnessed see-sawing perceptions on the health of the global economy. The IMF's latest outlook provides an upbeat view, nudging GDP growth above 4% for 2010, with upgrades for both OECD and non-OECD. We have adopted similar levels in our oil demand model, but identify offsets via deployment of a higher oil price assumption, near $77/bbl for 2010. A downward revision of 0.2 mb/d for 2009 and 2010 oil demand largely reflects changes in non-OECD baseline data. As the IMF acknowledges, economic risks remain. Eurozone finance ministers are striving to ensure that potential contagion from Greece's debt crisis could be contained. However, serious concerns persist on government resolve to reduce public deficits quickly enough and to implement genuine reform, with some commentators seeing potential economic implications being at least as great as in autumn 2008. Downside economic risks remain a clear and present danger.

Real GDP Growth
OMR dated 12 May 2010

% change	2009	2010
WORLD	**(0.8)**	**4.1**
OECD	**(3.3)**	**2.3**
OECD, North America	(2.8)	3.2
OECD, Europe	(3.9)	1.3
OECD, Pacific	(3.3)	2.6
Non-OECD	**2.5**	**6.4**
Africa	2.5	4.5
Latin America	(0.2)	3.8
China (excl. Hong Kong)	8.7	10.0
Other Asia	2.8	6.7
Non-OECD Europe	(4.1)	0.9
FSU	(7.2)	3.7
Middle East	1.8	4.5

Current vs. Previous
OMR dated 11 February 2010

WORLD	**0.2**	**0.3**
OECD	**0.1**	**0.3**
OECD, North America	0.1	0.4
OECD, Europe	(0.0)	0.1
OECD, Pacific	0.2	0.2
Non-OECD	**0.3**	**0.3**
Africa	0.4	0.3
Latin America	0.6	0.3
China (excl. Hong Kong)	0.0	0.0
Other Asia	0.2	0.8
Non-OECD Europe	(0.0)	(0.2)
FSU	0.9	0.2
Middle East	0.0	0.3

Sources: IMF, IEA

The 2008/2009 global financial and economic crisis saw governments rush to provide liquidity to enable financial systems to continue to function. Moves to prevent future systemic failure are entirely justified. Yet some policy makers now implicitly see commodity futures market liquidity itself as a problem, in moves to curb what is seen as speculative excess. Despite a lack of clear evidence that crude oil prices move in lock-step with either open interest or net non-commercial positions, wide-ranging curbs on market activity now look likely. Meanwhile physical players warn of the risks to investment if they have to divert a greater share of capital to meeting the higher costs of hedging. This is not to argue against oversight and regulation, merely to observe that moves aimed at avoiding market manipulation and price volatility, if hastily formulated, could re-enforce volatility if they hamper investment and price discovery.

Natural forces were also clearly evident in April. Firstly, an ash cloud after eruption at Iceland's Eyjafjallajökull volcano wiped out an estimated 1.2 mb/d of global jet fuel demand in eight days of partial European airspace closures. Depending on the duration of volcanic activity and prevailing weather systems, 2010 jet-kerosene demand may take further hits in the months ahead.

Secondly, the hazards for oil companies in recovering oil and gas from ever deeper, more remote and technically challenging locations was tragically illustrated by the explosion and subsequent oil leak from the *Deepwater Horizon* drilling rig in the Gulf of Mexico. Valid arguments about the oil industry's generally good safety record fade into the background when loss of life and environmental damage materialise on this scale. Equipment standards, safety procedures and crew training will likely be reviewed, depending on results from an ongoing investigation of the incident. The industry itself needs to ensure that safety standards are scrupulously applied. However, a knee-jerk reaction by regulators, banning new offshore licensing altogether, as some are proposing, risks pushing companies to ever-more precarious locations in search of hydrocarbons. The law of unintended consequences may apply.

DEMAND

Summary

- **Global oil demand** is revised down by 190 kb/d on average in 2009 and 2010. These revisions stem largely from baseline changes to non-OECD historical data, as slightly higher GDP prognoses from the IMF were largely counterbalanced by a higher price assumption. However, recent submissions for February and preliminary data estimates for March have also contributed to alter the outlook to some extent. Oil demand has been stronger than anticipated in some OECD areas (North America and the Pacific), but somewhat weaker in two non-OECD regions (Asia and the Middle East). Global oil demand is now estimated at 84.8 mb/d in 2009 (-1.4% or -1.2 mb/d year-on-year) and 86.4 mb/d in 2010 (+1.9% or +1.6 mb/d versus the previous year).

- **OECD oil product demand** remains unchanged at 45.5 mb/d for 2009 (-4.4% or -2.1 mb/d year-on-year), while the 2010 forecast is revised up by 80 kb/d to 45.4 mb/d (-0.1% or -20 kb/d versus 2009). This revision follows slightly stronger preliminary readings in North America and the Pacific (notably the long-expected revival of gasoline and diesel demand in the US), as well as a rosier economic outlook, mostly in North America. European oil demand prospects, meanwhile, have been trimmed as a result of the grounding of airline flights in mid-April, following problems with an ash cloud from an Icelandic volcano, and persistent concerns on the region's economic outlook, dramatically highlighted by the Greek debt crisis.

Global Oil Demand (2008-2010)

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.1	3.1	3.2	3.1	3.2	3.2	3.1	3.1	3.2	3.2	3.3	3.2	3.3	3.3
Americas	30.6	30.5	29.7	30.0	30.2	29.3	28.9	29.4	29.6	29.3	29.6	29.6	29.9	29.8	29.7
Asia/Pacific	26.7	25.8	25.0	24.9	25.6	25.7	25.9	25.9	27.0	26.1	27.3	26.8	26.3	27.3	26.9
Europe	16.1	15.8	16.3	16.2	16.1	15.7	15.0	15.2	15.1	15.2	14.8	14.9	15.3	15.3	15.1
FSU	4.1	4.0	4.3	4.1	4.1	3.9	3.8	4.0	3.9	3.9	4.1	3.9	4.1	4.1	4.1
Middle East	6.5	6.9	7.4	6.7	6.9	6.5	7.1	7.6	7.0	7.1	6.9	7.4	7.9	7.2	7.4
World	**87.1**	**86.2**	**85.7**	**85.0**	**86.0**	**84.3**	**83.9**	**85.1**	**85.7**	**84.8**	**85.9**	**85.9**	**86.7**	**87.0**	**86.4**
Annual Chg (%)	1.1	1.1	-0.7	-3.1	-0.4	-3.3	-2.7	-0.6	0.8	-1.4	2.0	2.3	1.8	1.5	1.9
Annual Chg (mb/d)	0.9	0.9	-0.6	-2.7	-0.4	-2.8	-2.3	-0.5	0.7	-1.2	1.7	1.9	1.6	1.3	1.6
Changes from last OMR (mb/d)	-0.25	-0.02	-0.20	-0.33	-0.20	-0.15	-0.16	-0.16	-0.19	-0.16	-0.35	-0.11	-0.31	-0.11	-0.22

- **Non-OECD oil demand** has been revised down by 230 kb/d on average in 2009 and 2010. These changes are related primarily to historical data revisions, as well as finalised 2008 data, for most non-OECD countries. In aggregated terms, non-OECD demand was raised by some 60 kb/d on average over 2000-2004, but trimmed by about 160 kb/d on average for 2005-2008. Further revisions to the baseline are possible in future, as a handful of large oil consuming countries (most notably China and Russia) have yet to submit comprehensive 2008 demand assessments. In addition, non-OECD demand has turned out to be weaker than previously thought in Asia (given very feeble Malaysian readings, although this is possibly related to data-quality issues) and the Middle East (with reported Iranian figures seemingly reflecting the impact of a weaker economy and restrictions on international trade). Overall, total non-OECD oil demand, estimated at 39.3 mb/d in 2009 (+2.2% or +0.9 mb/d year-on-year), is projected to rise to 40.9 mb/d in 2010 (+4.2% or +1.6 mb/d versus 2009).

Global Overview

This report incorporates the latest IMF economic forecasts, which were published in the Fund's *World Economic Outlook* released in mid-April; a revised nominal price assumption; and non-OECD historical data revisions. Together with the most recent data submissions and preliminary estimates, these changes have entailed some adjustments to both our global oil demand baseline and short-term outlook.

Firstly, compared with the IMF interim *January Update*, the Fund's new GDP growth projections are marginally higher for both 2009 and 2010. Last year's recession appears to have been slightly less severe than anticipated (-0.8% rather than -1.0% year-on-year), while this year's rebound is expected to be slightly stronger (+4.1% instead of +3.8%). The revisions for 2009 were mostly concentrated in non-OECD countries – a testimony of the resilience of those economies. By contrast, the adjustments for 2010 were equally split between OECD and non-OECD countries (+0.3 percentage points each).

Real GDP Growth
OMR dated 12 May 2010

% change	2009	2010
WORLD	**(0.8)**	**4.1**
OECD	**(3.3)**	**2.3**
OECD, North America	(2.8)	3.2
OECD, Europe	(3.9)	1.3
OECD, Pacific	(3.3)	2.6
Non-OECD	**2.5**	**6.4**
Africa	2.5	4.5
Latin America	(0.2)	3.8
China (excl. Hong Kong)	8.7	10.0
Other Asia	2.8	6.7
Non-OECD Europe	(4.1)	0.9
FSU	(7.2)	3.7
Middle East	1.8	4.5

Current vs. Previous
OMR dated 11 February 2010

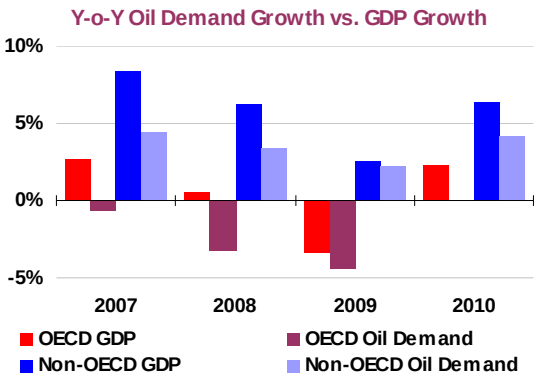
WORLD	**0.2**	**0.3**
OECD	**0.1**	**0.3**
OECD, North America	0.1	0.4
OECD, Europe	(0.0)	0.1
OECD, Pacific	0.2	0.2
Non-OECD	**0.3**	**0.3**
Africa	0.4	0.3
Latin America	0.6	0.3
China (excl. Hong Kong)	0.0	0.0
Other Asia	0.2	0.8
Non-OECD Europe	(0.0)	(0.2)
FSU	0.9	0.2
Middle East	0.0	0.3

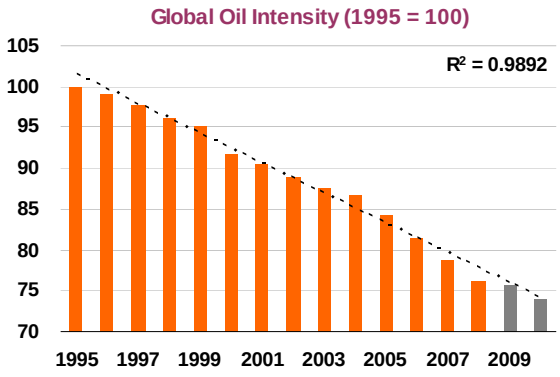
Sources: IMF, IEA

The overall picture is broadly unchanged: emerging and developing economies, led by Asia, are set to remain the key driving force of the global recovery, expanding collectively by +6.4%, almost three times as fast as the OECD (+2.3%). Nonetheless, as made clear by Greece's financial travails, the economic recovery is at risk of drowning in an ocean of public debt, at least in some OECD countries. Although attention is currently focusing on the unfolding Greek drama, other large economies – and not only in Europe – face the increasingly pressing challenge of achieving an orderly fiscal consolidation in the next few years without jeopardising long-term growth (but arguably at the price of subdued short- to medium-term growth). Elsewhere, China has taken further steps to rein in the real estate market amid inflationary concerns, even though previous moves to restrict bank lending have so far had limited impact (GDP surged by almost 12% year-on-year in 1Q10). The country is also seemingly reconsidering its stance regarding the potential appreciation of the renminbi, but it remains unclear whether this will occur, when and to what extent – and what would be its effect upon China's economy, the oil market and the global economy at large.

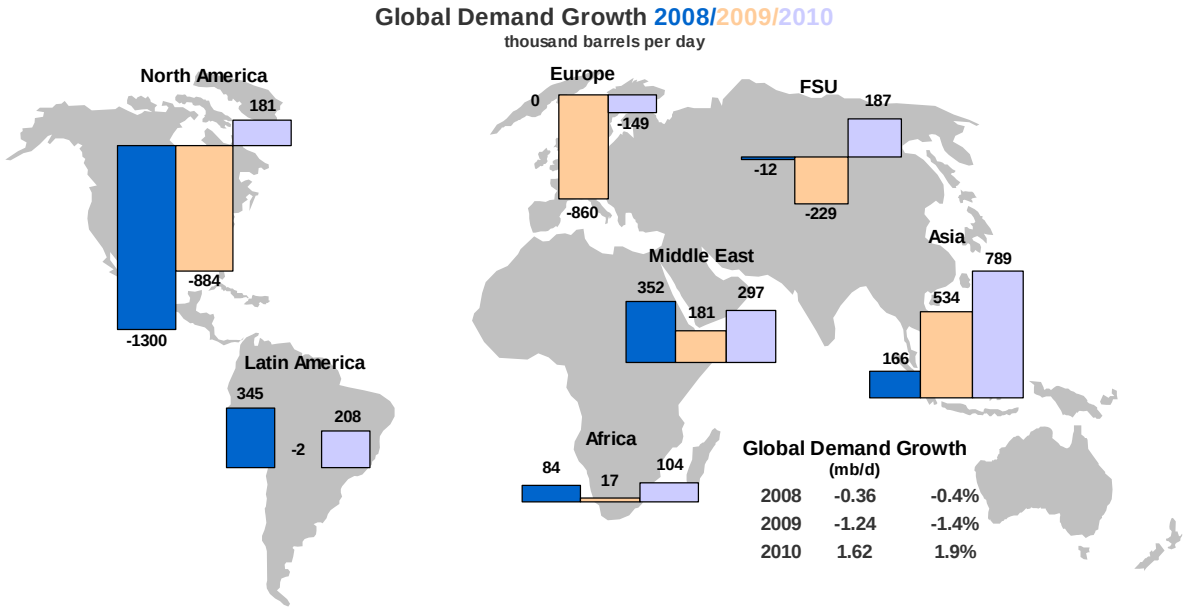
Secondly, we have also adjusted our nominal price assumption for 2010 to roughly $76.50/bbl, based on recent futures curves – some $1.20/bbl higher than previously assumed. Lastly, this report also includes historical data revisions, as well as finalised 2008 data, for most non-OECD countries. In aggregate terms, non-OECD demand was raised by some 60 kb/d on average in 2000-2004, but trimmed by about 160 kb/d on average in 2005-2008. Further revisions to the baseline are likely in future, as a handful of large oil consuming countries (most notably China and Russia) have yet to submit comprehensive 2008 demand assessments.

Overall, global oil demand is now estimated at 84.8 mb/d in 2009 (-1.4% or -1.2 mb/d year-on-year and 160 kb/d lower when compared with our last report). In 2010, oil demand is projected at 86.4 mb/d (+1.9% or +1.6 mb/d versus 2009 and 220 kb/d less than previously expected), similar to the level recorded in 2007 (itself revised down by 130 kb/d). Overall, these revisions stem largely from the baseline changes highlighted above, as the higher GDP prognoses are largely counterbalanced by the higher price assumption. However, recent submissions for February and preliminary data estimates for March and April have also contributed to alter slightly the outlook. Oil demand appears to be stronger than anticipated in some OECD areas (North America and the Pacific). By contrast, demand has been weaker than previously thought in two non-OECD regions: Asia (on the back of very feeble Malaysian readings, although this is possibly related to data-quality issues) and the Middle East (with reported Iranian figures suggesting that economic conditions may be worsening).





In general terms, this appraisal remains consistent with the recent oil market narrative and expected developments. This year's oil demand growth is still expected to come entirely from non-OECD countries (+4.2% or +1.6 mb/d), where consumption is highly sensitive to economic activity. By contrast, the economic improvement in the OECD is unlikely to prompt any demand growth at all. On the one hand, falling demand for heavier products will largely offset growth in lighter product categories. On the other, expected oil demand growth in North America – albeit modest, given cheaper energy alternatives, efficiency improvements and behavioural changes – will be counterbalanced by structurally declining demand in Europe and the Pacific. It should be noted that weather effects can also play a significant role: 2007 featured unusually mild temperatures – thus largely explaining the demand contraction in the OECD – while early-2010 saw a particularly severe winter – thus limiting the demand fall there. Finally, the outlook attempts to reflect efficiency gains in line with historical trends, with global oil intensity declining by 2.1% in 2010, as much as the yearly 1996-2009 average.



OECD

OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by a modest 0.4% year-on-year in March, according to preliminary data. As in February, growth was driven by **OECD North America** (which includes US Territories) and **OECD Pacific** (+1.9% and +1.4%, respectively). Demand in these regions continued to be driven by strong deliveries of LPG and naphtha (mostly used by the petrochemical industry, which is considered a leading indicator for economic activity) and by stronger middle distillates requirements, notably of diesel. By contrast, demand in **OECD Europe**

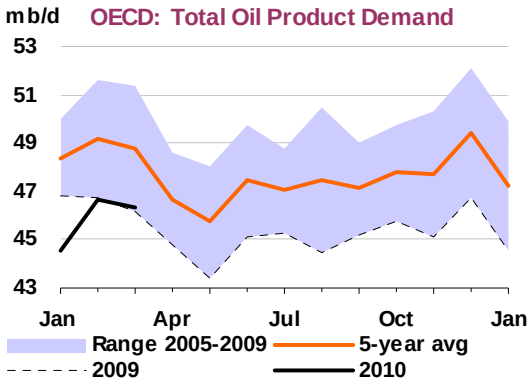
remained quite weak, shrinking by 2.6% year-on-year as growth in LPG, jet fuel/kerosene and naphtha failed to offset losses in other product categories.

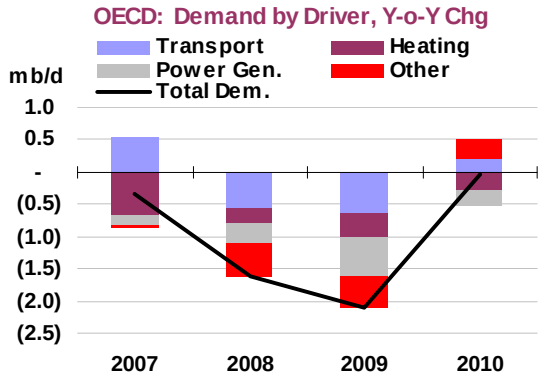
OECD Demand based on Adjusted Preliminary Submissions - March 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.43**	**0.6**	**1.62**	**-4.4**	**3.93**	**2.5**	**0.90**	**0.7**	**1.06**	**-3.5**	**5.87**	**7.15**	**23.81**	**1.9**
US50	8.92	0.4	1.39	-5.4	3.37	2.1	0.43	-0.8	0.62	1.0	4.35	7.5	19.08	1.8
Canada	0.65	-4.5	0.12	2.7	0.19	2.6	0.31	-0.2	0.11	3.6	0.76	1.2	2.14	-0.5
Mexico	0.79	7.1	0.06	2.1	0.30	8.0	0.13	8.0	0.22	-18.3	0.70	12.6	2.20	5.4
OECD Europe	**2.22**	**-2.2**	**1.19**	**1.6**	**4.32**	**4.7**	**1.97**	**-16.3**	**1.36**	**-7.5**	**3.47**	**-1.6**	**14.52**	**-2.6**
Germany	0.47	0.2	0.18	3.1	0.66	3.9	0.41	-41.3	0.14	-17.9	0.52	-9.2	2.38	-12.5
United Kingdom	0.37	-4.1	0.32	0.2	0.44	0.5	0.12	-6.5	0.08	-2.5	0.34	-9.8	1.68	-3.5
France	0.18	-7.4	0.14	-1.8	0.68	3.8	0.34	-9.1	0.07	-29.9	0.53	1.7	1.92	-2.3
Italy	0.24	-2.9	0.07	0.7	0.56	4.9	0.11	0.5	0.16	-29.8	0.35	5.2	1.50	-2.1
Spain	0.14	-0.2	0.09	-6.3	0.50	4.4	0.27	12.8	0.19	-6.9	0.36	-1.9	1.55	1.5
OECD Pacific	**1.56**	**1.3**	**1.03**	**5.7**	**1.13**	**0.4**	**0.57**	**-1.0**	**0.73**	**-15.7**	**2.98**	**6.1**	**8.00**	**1.4**
Japan	1.00	1.2	0.71	0.0	0.50	-2.6	0.43	-0.6	0.36	-23.7	1.65	10.9	4.66	1.0
Korea	0.18	6.5	0.19	28.6	0.27	1.9	0.13	-3.6	0.34	-4.8	1.15	1.0	2.26	2.1
Australia	0.33	0.6	0.11	8.5	0.31	1.4	0.00	-9.5	0.03	-19.0	0.16	-3.2	0.93	0.3
OECD Total	**14.21**	**0.2**	**3.83**	**0.0**	**9.38**	**3.2**	**3.44**	**-10.0**	**3.15**	**-8.3**	**12.33**	**4.3**	**46.34**	**0.4**

* Including US territories

Revisions to February preliminary data (-120 kb/d) were mostly concentrated in Europe and the Pacific (-45 kb/d each on average), followed more distantly by North America (-25 kb/d). In terms of products, the largest downward adjustments pertained to gasoline and residual fuel oil in North America, possibly reflecting the effects of a harsh winter on the former and of higher gas usage on the latter. February demand thus fell by 0.1% year-on-year, rather than expanding by +0.4%.





Total OECD Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec 09	Jan 10	Feb 10*	Latest month vs. Jan 10	Latest month vs. Feb 09
LPG & Ethane	4.66	4.64	4.83	4.36	4.37	5.01	5.35	5.26	5.35	0.09	0.54
Naphtha	3.06	2.97	2.96	2.86	2.96	3.09	3.10	3.30	3.41	0.11	0.36
Motor Gasoline	14.41	14.40	14.00	14.55	14.75	14.28	14.34	13.30	13.74	0.44	-0.31
Jet Fuel & Kerosene	3.97	3.74	3.99	3.53	3.63	3.79	4.03	3.97	4.04	0.07	0.04
Gas/Diesel Oil	13.02	12.29	13.09	11.78	11.73	12.56	12.88	11.79	13.11	1.32	-0.10
Residual Fuel Oil	3.66	3.16	3.61	3.07	2.90	3.07	3.15	3.26	3.09	-0.17	-0.40
Other Products	4.78	4.28	4.08	4.30	4.65	4.07	3.90	3.67	3.91	0.24	-0.20
Total Products	**47.57**	**45.46**	**46.56**	**44.45**	**44.98**	**45.88**	**46.74**	**44.56**	**46.66**	**2.10**	**-0.06**

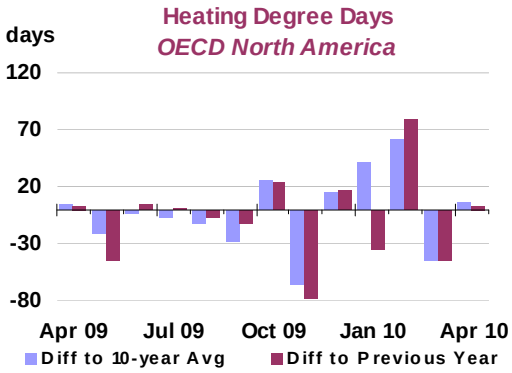
* Latest official OECD submissions (MOS)

Although estimated 2009 OECD oil demand remains unchanged at 45.5 mb/d (-4.4% or -2.1 mb/d year-on-year), the 2010 forecast is revised up by 80 kb/d to 45.4 mb/d (-0.1% or -20 kb/d versus 2009). This is due to slightly stronger preliminary readings in North America (March and April) and the Pacific (March),

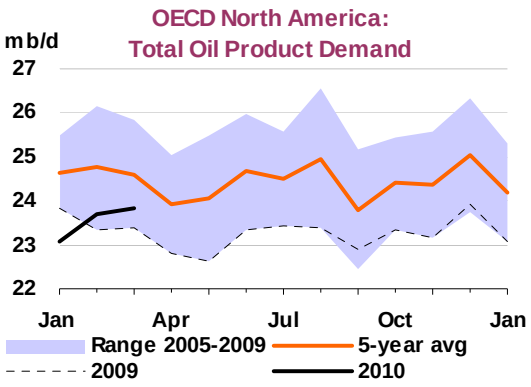
which point to the long-expected revival of gasoline and diesel demand in the US, as well as to a rosier economic outlook, mostly in North America. European oil demand prospects, meanwhile, have been trimmed as a result of the grounding of airline flights in mid-April, following the giant ash cloud that resulted from the eruption of an Icelandic volcano, and persistent concerns about the region's economic outlook, dramatically highlighted by the ongoing Greek turmoil. Overall, total OECD oil demand should fall for the fifth consecutive year.

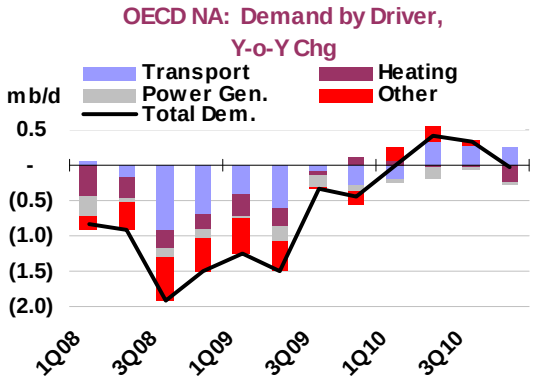
North America

Preliminary data show oil product demand in North America (including US territories) rising by 1.9% year-on-year in March, following a 1.5% increase in February. Annual demand growth in 1Q10 is estimated at just slightly above zero. However, this would mark the first quarter without a regional year-on-year decline since 2Q07, possibly pointing to a gradual, cyclical resumption of oil demand growth after an almost three-year hiatus, brought about first by rising prices and then by the economic recession. Oil demand growth over the past six months has been driven almost exclusively by increased consumption of petrochemical feedstocks – LPG and naphtha – that have outweighed declines in transportation fuels.



However, transport fuel demand appears to be gaining ground. Regional diesel demand grew by an estimated 2.5% year-on-year in March, while gasoline increased by 0.6%. In real terms, US surface trade with Canada and Mexico continued to rebound, increasing by 21.7% year-on-year in February. Such developments, if sustained, point to continued transportation fuel growth through the remainder of 2010. Nonetheless, regional gasoline and diesel demand in 3Q10 – the period when it typically peaks – is expected to remain over 0.5 mb/d below 3Q07, with still-high unemployment in the US, elevated fuel prices and structural efficiency improvements weighing on growth.





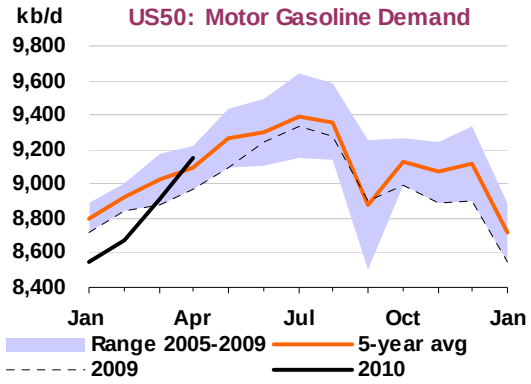
Revisions to February preliminary data were modest, at -25 kb/d, stemming mostly from lower US residual fuel oil (-190 kb/d) and gasoline (-130 kb/d), which outweighed an upward revision to US diesel demand of 250 kb/d. As such, North American demand increased by only 1.5% in February, versus 1.6% reported in last month's report. North American oil demand for 2009 remained essentially unchanged at 23.3 mb/d (-3.7% or -0.9 mb/d versus 2008 and -5 kb/d compared with last month's report). In 2010, demand is seen rising to 23.5 mb/d (+0.8% or +180 kb/d year-on-year and +65 kb/d versus our last report), with increases in petrochemical feedstocks and a transportation fuel rise outweighing structural declines in heating oil and residual fuel oil.

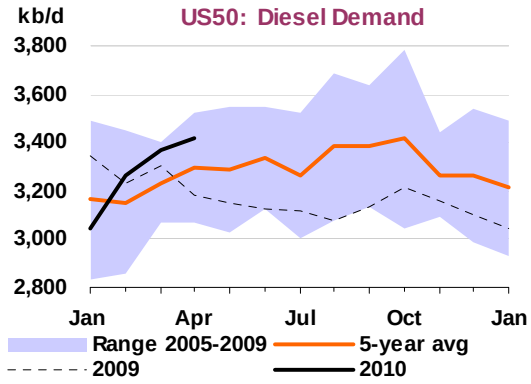
OECD North America Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec 09	Jan 10	Feb 10*	Latest month vs. Jan 10	Latest month vs. Feb 09
LPG & Ethane	2.72	2.79	2.88	2.51	2.62	3.16	3.31	3.39	3.33	-0.06	0.48
Naphtha	0.36	0.31	0.29	0.33	0.31	0.30	0.33	0.35	0.42	0.07	0.15
Motor Gasoline	10.51	10.54	10.30	10.63	10.74	10.49	10.51	9.95	10.10	0.15	-0.23
Jet Fuel & Kerosene	1.77	1.63	1.66	1.62	1.68	1.57	1.59	1.59	1.63	0.04	-0.01
Gas/Diesel Oil	5.01	4.62	4.94	4.41	4.40	4.73	4.92	4.64	4.94	0.30	-0.01
Residual Fuel Oil	1.10	0.97	1.08	0.98	0.87	0.95	0.99	1.05	0.99	-0.06	0.07
Other Products	2.69	2.43	2.38	2.43	2.63	2.29	2.26	2.13	2.30	0.18	-0.11
Total Products	**24.17**	**23.29**	**23.52**	**22.91**	**23.25**	**23.48**	**23.91**	**23.09**	**23.70**	**0.61**	**0.35**

* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by 2.7% year-on-year in April, following +1.8% in March and +0.8% in February. April data showed growth in all product categories bar heating oil and residual fuel oil. LPG/ethane and naphtha grew by 9.3% and 26.6% year-on-year, respectively, while motor gasoline increased by 2.0%. Middle distillate transportation fuels showed further recovery with jet fuel/kerosene increasing by 1.0% (despite the cancellation of Europe-bound flights during part of the month) and diesel jumping by 7.5%. Diesel's strength comes on the heels of growth of 2.1% in March and 1.0% in February, suggesting that fuel consumption has finally started to benefit from improved economic conditions in the US over the past half-year. Still, this strength reflects comparison to an abnormally low base and a carry-through of February's upward revision. US diesel demand in April remained 2.9% (or 100 kb/d) below April 2008 levels, although the difficulty in splitting diesel and heating oil from US weekly data makes preliminary estimates tenuous.



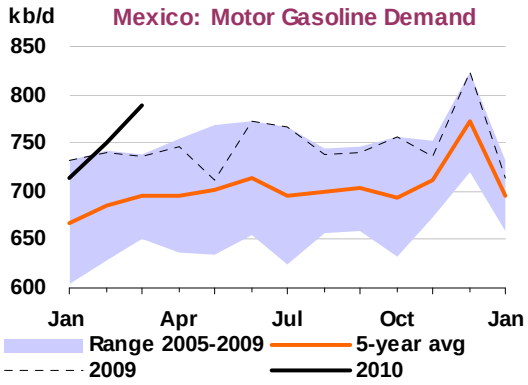


The US economy has continued to improve, though with still stubbornly high unemployment and a shaky housing market. GDP grew by an annualised 3.2% in 1Q10, the third consecutive quarter of expansion, as stronger consumer spending began to supplant slowing industrial inventory restocking. Ground level activity continues to offer more evidence of a rebound. Road freight tonnage, as reported by the American Trucking Association, surged by 7.5% year-on-year in March, the fourth consecutive month of gains. For 1Q10 as a whole, tonnage rose by 4.9% versus 1Q09. Loaded container trade at the Port of Los Angeles and Long Beach increased by 6.5% year-on-year in March and by 16.0% for 1Q10 overall. Moreover, light vehicle sales continued to improve in March, up from February on a seasonally adjusted basis and 21.2% higher than March 2009. All of these indicators seemingly underscore improved transport fuel demand readings, particularly in diesel.

Recent employment and housing data have also provided support. The US economy added 290,000 jobs in April and seasonally-adjusted housing starts improved in March, topping 625,000 units. However, April's unemployment rate actually increased to 9.9%, from 9.7% in March, and almost 25% of the new jobs stemmed from the forthcoming Census (and are therefore temporary). Moreover, housing starts,

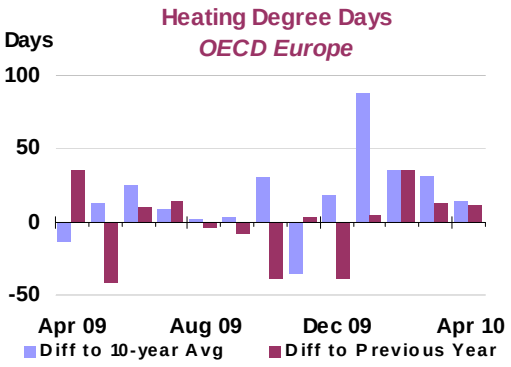
though 20% higher than March 2009, remained far below the over 2 million units seen during the height of the housing boom in 2005. While stronger than expected April preliminary data and an improving economy suggest rising gasoline and diesel demand through end-summer, weak employment-related commuting and elevated fuel prices suggest more downside than upside demand pressure.

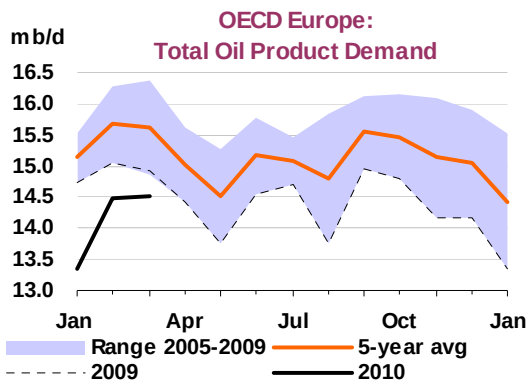
Mexican oil demand continued to lead the region in terms of growth rates, increasing by 5.4% year-on-year in March. A revival in manufacturing led by surging auto production (+85.1% year-on-year in March), as well as expanding employment, have raised economic prospects and supported strong readings in diesel (+8.0%) and gasoline (+7.1%). Meanwhile, estimated March growth for **Canada** was slightly negative, at -0.5% year-on-year, with downward revisions to January and February gasoline demand translating into a weaker March reading (-4.5% year-on-year).

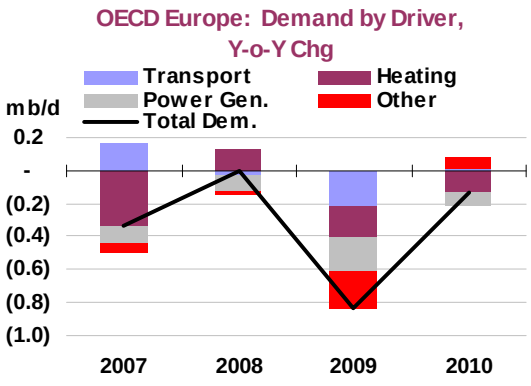


Europe

According to preliminary inland data, oil product demand in Europe declined by 2.6% year-on-year in March, as higher LPG, jet fuel/kerosene, diesel and 'other products' deliveries were negated by losses in other categories. The rise in diesel demand (+4.7%) was particularly noteworthy as it took place amid persistent cold temperatures – HDDs were sharply higher than the ten-year average, albeit somewhat lower than in March 2009. Meanwhile, stable natural gas and relatively high oil prices continued to weigh on deliveries of heating oil (-16.3%) and residual fuel oil (-7.5%). However, gas prices are set to rise, as they are usually indexed to oil prices (with a 6-9 month lag).







The revisions to February preliminary demand data were relatively minor (-45 kb/d), as downward adjustments to 'other products' and fuel oil overtook changes to LPG and distillates data. Overall, February oil demand was slightly weaker than previously anticipated (-3.7% year-on-year versus -3.4%). As noted in our last report, 1Q10 demand has indeed been inordinately weak (-5.3% year-on-year), especially compared to last year's depressed baseline. Although estimated oil product demand for 2009 is unchanged at 14.5 mb/d in 2009 (-5.4% or -835 kb/d versus 2008), it is expected to decline to 14.4 mb/d in 2010 (-1.0% or -140 kb/d year-on-year and 40 kb/d less than previously forecast).

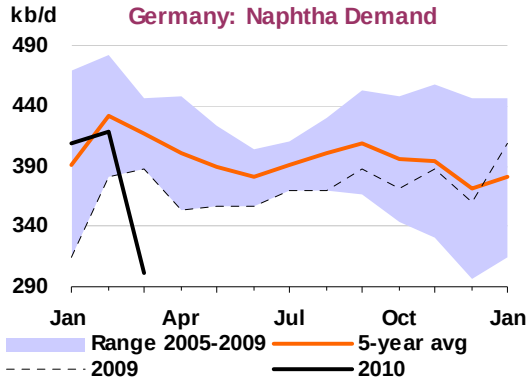
The short-term outlook has been complicated by the eruption of an Icelandic volcano and, more importantly, by the financial turmoil affecting Greece and the Eurozone. Despite efforts to stave off Greece's sovereign debt default and eventual contagion to other southern European countries, the market has apparently bet that several years of painful adjustment in countries with highly degraded fiscal positions is untenable, and that a default is therefore a distinct possibility, with all the negative economic consequences that would entail. A sharp recession in Greece (410 kb/d in 2009) would have a relatively minor impact on overall European oil demand. However, the picture would arguably change if other large countries – such as Spain, Portugal or Italy, which collectively consume 3.3 mb/d or roughly a fifth of the total – were also to face difficulties in financing their public debt or engage in drastic fiscal consolidation. At the time of writing, the European Union had agreed to a massive €750-billion global emergency rescue package to stabilise the euro, bringing a modicum of calm to financial markets and suggesting that the worst-case scenario has so far been averted.

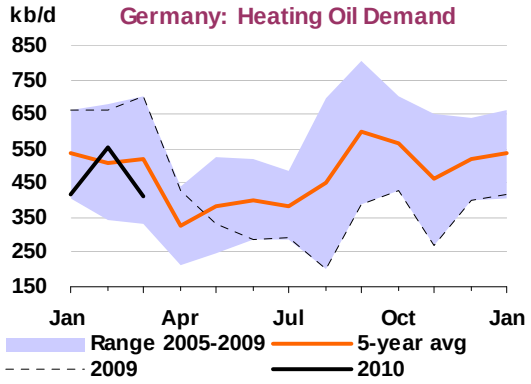
OECD Europe Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec 09	Jan 10	Feb 10*	Latest month vs. Jan 10	Latest month vs. Feb 09
LPG & Ethane	1.03	0.97	1.05	0.99	0.89	0.96	1.03	0.97	1.08	0.10	0.04
Naphtha	1.06	0.99	1.03	0.89	0.99	1.04	0.97	1.07	1.11	0.05	0.04
Motor Gasoline	2.36	2.30	2.19	2.39	2.41	2.22	2.17	1.93	2.09	0.16	-0.12
Jet Fuel & Kerosene	1.31	1.25	1.19	1.26	1.34	1.23	1.19	1.17	1.20	0.03	0.00
Gas/Diesel Oil	6.33	6.07	6.51	5.81	5.84	6.15	6.21	5.63	6.48	0.86	-0.11
Residual Fuel Oil	1.65	1.44	1.61	1.36	1.38	1.41	1.38	1.41	1.34	-0.06	-0.30
Other Products	1.58	1.47	1.33	1.53	1.63	1.38	1.21	1.17	1.19	0.01	-0.12
Total Products	**15.33**	**14.50**	**14.90**	**14.24**	**14.46**	**14.39**	**14.18**	**13.34**	**14.49**	**1.15**	**-0.56**

* Latest official OECD submissions (MOS)

Preliminary data indicate that **German** oil product demand plummeted by as much as 12.5% year-on-year in March. Such weakness was concentrated in heating oil and residual fuel oil deliveries (-41.3% and -17.9%, respectively), and perhaps more surprisingly, in naphtha demand (-22.1%). Consumer heating oil stocks, at 50% of capacity by end-March, are trailing almost exactly their five-year average, suggesting that this product will follow a more traditional seasonality given high oil prices, as opposed to last year's unusual first-quarter surge. Only diesel demand brought some support to overall deliveries, rising by 3.9% year-on-year after two consecutive months of strong decline – and relative to last year's extremely weak baseline.

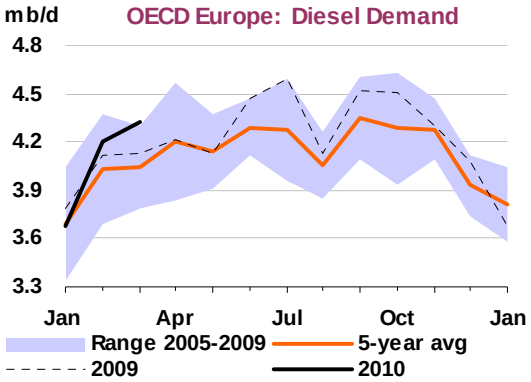


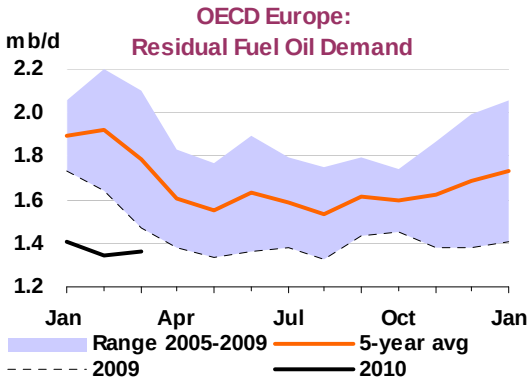


The weak March figure for naphtha demand may well be revised up, but it could yet be another sign that the German economy slowed down in 1Q10 after its buoyant rebound in 2H09. Month-on-month car sales have fallen continuously since mid-2009, and industrial production has remained virtually flat. Exports, while rising, are about a fifth below their pre-crisis levels in volumetric terms, boding ill for the sustainability of Germany's economic recovery, which depends on export-oriented manufacturing given subdued domestic consumption. As a large portion of German exports go to other Eurozone members,

the country's recovery would be further imperilled if the current financial turmoil were to spread to several neighbouring economies. Even if the worst is averted – i.e., sovereign default by one or several countries and/or exit from the Eurozone – the efforts required to achieve fiscal consolidation in Greece and elsewhere and the ensuing recession would ultimately adversely affect Germany.

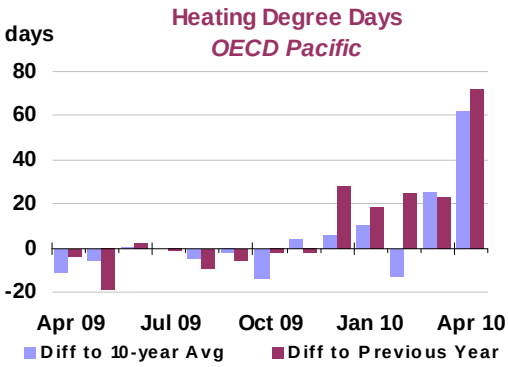
Germany's diesel demand rise also occurred in other large countries, notably in **France** (+3.8%), **Italy** (+4.9%) and **Spain** (+4.4%). Meanwhile, residual fuel oil demand continues to be displaced by natural gas, notably in industrial processes, not only in Germany but in most European countries as well. Both products, though, may have found some unexpected support in April as a result of the air space closure prompted by the Icelandic volcano. For almost a week, travellers and companies sought terrestrial and maritime alternatives (car, bus, railway and even ship, although a concurrent strike in France somewhat limited the train alternative) to flying from and to northern European countries.



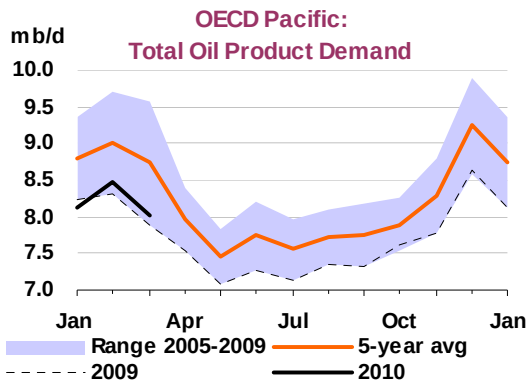


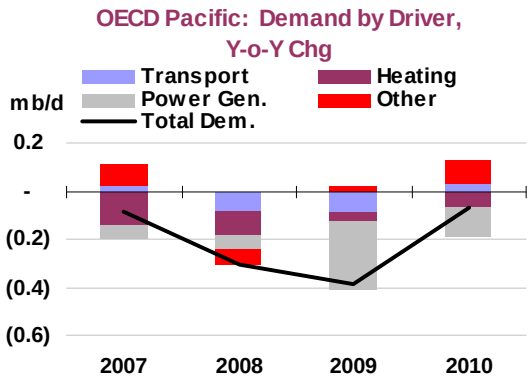
Pacific

According to preliminary data, oil product demand in the Pacific increased by 1.4% year-on-year in March, with all product categories bar heating oil and residual fuel oil registering gains. As in previous months, demand for petrochemical feedstocks remains resilient with LPG and naphtha rising by +5.7% and +2.8%, respectively. The export-led industrial recovery thus continues to gather momentum, but the region's economy is vulnerable to downside risks if external demand were to falter. Much colder temperatures (compared to both the ten-year average and the same month in the previous year) brought support to jet fuel/kerosene deliveries, which rose by 5.7% (kerosene is used for heating in both Japan and Korea). Demand for transportation fuels also improved relative to last year's weak baseline, with gasoline and diesel growing by 1.3% and 0.4%, respectively. Meanwhile, the decline in residual fuel oil deliveries persisted (-15.7%) as electricity needs were met by cheaper natural gas and rising utilisation rates at nuclear power plants.



February data revisions were relatively small (-50 kb/d), mostly centred on distillates. As such, OECD Pacific oil demand rose slightly less than anticipated in that month (-1.8% vs. 2.4% year-on-year). Estimated oil product demand for 2009 is unchanged at 7.7 mb/d (-4.8% or -390 kb/d versus 2008), it is projected to decline to 7.6 mb/d in 2010 (-0.9% or -70 kb/d compared with the previous year and 50 kb/d more than previously forecast).





Preliminary data show that oil demand in **Japan** rose in March (+1.0% year-on-year), for the second consecutive month albeit relative to a very weak baseline. Demand continues to be largely boosted by export-driven petrochemicals (with LPG and naphtha rising by 6.4% and 14.7%, respectively), but gasoline (+1.2%) and 'other products' (+10.1%) also contributed. This rise in gasoline demand, in particular, derived from booming passenger car sales (+41% year-on-year, but from a low baseline) supported by government subsidies for fuel-efficient vehicles. By contrast, residual fuel oil continued to decline (-23.7%), displaced by cheaper natural gas and rising nuclear power generation. Japan's nuclear utilisation rate averaged 66% in March, six percentage points higher than levels of a year ago (yet down from 70% in the previous two months).

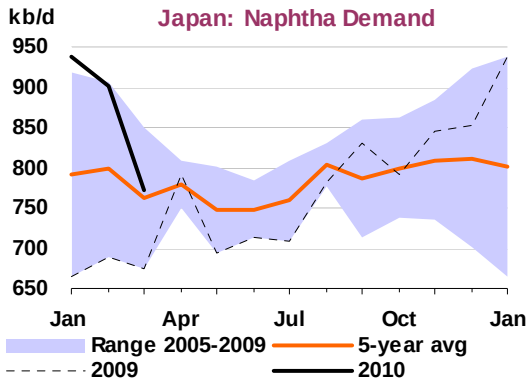
OECD Pacific Demand by Product
(million barrels per day)

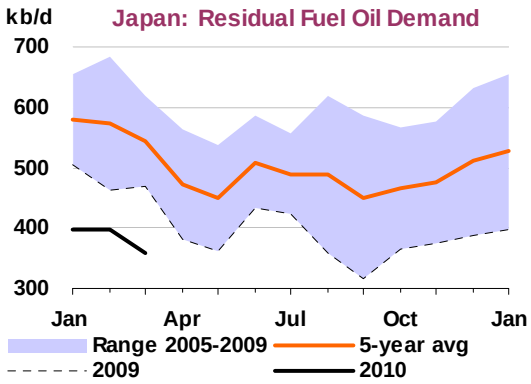
	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec 09	Jan 10	Feb 10*	Latest month vs. Jan 10	Latest month vs. Feb 09
LPG & Ethane	0.90	0.88	0.90	0.85	0.86	0.89	1.00	0.90	0.95	0.04	0.03
Naphtha	1.64	1.68	1.64	1.64	1.66	1.76	1.80	1.88	1.88	0.00	0.17
Motor Gasoline	1.54	1.55	1.51	1.52	1.60	1.57	1.66	1.43	1.55	0.12	0.04
Jet Fuel & Kerosene	0.89	0.85	1.15	0.66	0.60	0.99	1.25	1.21	1.21	0.00	0.05
Gas/Diesel Oil	1.68	1.59	1.64	1.56	1.49	1.68	1.74	1.52	1.69	0.16	0.02
Residual Fuel Oil	0.91	0.75	0.92	0.73	0.65	0.72	0.77	0.80	0.76	-0.05	-0.18
Other Products	0.50	0.38	0.38	0.33	0.39	0.40	0.43	0.37	0.42	0.05	0.02
Total Products	**8.07**	**7.68**	**8.14**	**7.30**	**7.27**	**8.01**	**8.65**	**8.12**	**8.47**	**0.34**	**0.15**

* Latest official OECD submissions (MOS)

In late April, the Japanese government announced a revamping of the toll road discount introduced in March 2009, which caps tolls at ¥1,000 (roughly $11) for passenger cars, irrespective of the mileage, during weekends and most national holidays. The toll ceiling is to double to ¥2,000 from next June and will be valid for the entire week. The new cap will actually depend on the type of vehicle, ranging from ¥1,000 for the most fuel-efficient to as much as ¥10,000 for the most polluting; in addition, it will now apply to all cars, as opposed to only those equipped with an electronic toll collection system (ETC). Finally, about a fifth of rural roads will become free.

The government thus intends to reconcile its pledge to lower tolls substantially (without the caps, Japanese highways would cost two to six times more than in other OECD countries) with Japan's commitment to reduce CO_2 emissions. Yet the new system is likely to boost gasoline demand marginally, since the ¥2,000 cap will be advantageous only when driving more than 70 km – but most highway users drive less than 50 km. Moreover, rising end-user prices (now at some ¥130/litre, up by about 20% year-on-year) and the potential introduction of an environmental tax to compensate for higher emissions could dampen driving. As such, gasoline use is unlikely to arrest its ongoing structural decline, with demand currently expected to fall by 0.9% to 980 kb/d in 2010.



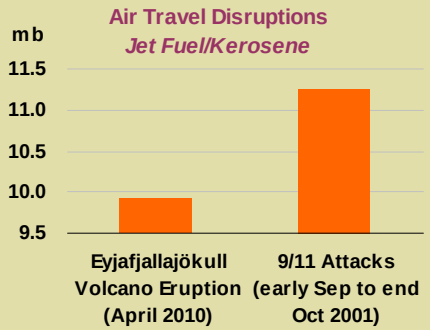


Clogged By Ash

The eruption of Iceland's volcano Eyjafjallajökull, with its subsequent release of a dense ash cloud since mid-April, has heavily disrupted aviation activities, mostly in Northern Europe. Flights were partially or totally cancelled in almost two dozen countries for over one week (15-22 April). The countries most affected during the one-week air space closure included four with key international airport hubs – France (Charles de Gaulle), Germany (Frankfurt), the Netherlands (Schiphol) and the UK (Heathrow) – as well as Austria, Belarus, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, Italy, Norway, Poland, Romania, Slovakia, Slovenia, Sweden, Switzerland and the Ukraine. Paradoxically, Iceland itself was largely unaffected due to favourable winds. Inbound flights from other countries were also indirectly affected, notably from North America, but flights from Asia, the Middle East, northern Africa and several large South America were also grounded.

Aside from the material costs to the aviation industry – put at $250 million per day by the International Air Transport Association (IATA) – global jet fuel/kerosene demand also took a hit. Quantifying this disruption with precision is necessarily fraught with difficulties, given the lack of comprehensive flight data. However, a rough approximation for April can be worked out, based on the following assumptions:

- In the European countries listed above, 70% of all flights on average were grounded during eight days (the 15 April flying ban was lifted on 20 April, but normal operations were fully restored only a few days later);
- Disruptions in North America concerned 20% of all flights originating there (since the Transatlantic route is probably the busiest in the world), and 10% elsewhere;
- Global jet fuel/kerosene demand in April would have otherwise been similar to March levels (6.3 mb/d), since this year's European spring holidays occurred in April, tempering the traditional seasonal demand fall (about 150 kb/d).



On this basis, some 1.2 mb/d of global jet fuel/kerosene (roughly 330 kb/d on a monthly basis), equivalent to 20% of the total under normal conditions, were probably not used during April's eight-day air space closure. Overall, this 10 mb disruption was about 10% lower than the one that followed the New York terrorist attacks in September 2001 (roughly 11 mb from mid September until end-October), which was largely restricted to OECD countries.

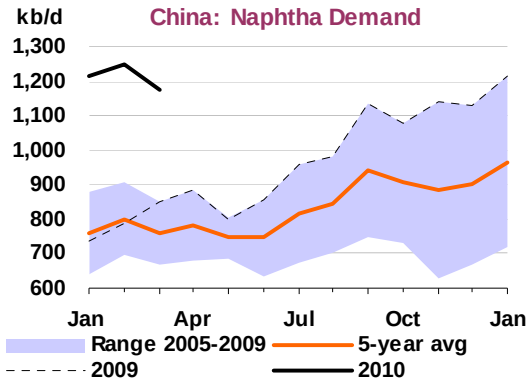
However, the episode is not over yet, as Eyjafjallajökull has again occasionally disrupted flights in several European areas since early May (notably Ireland and Scotland, followed by the northern part of the Iberian Peninsula, southern France, northern Italy and parts of Germany, Austria and Croatia). Although the latest round may turn out to be much less severe than last month's, if disruptions persist in May global jet fuel/kerosene demand could be weaker than currently thought.

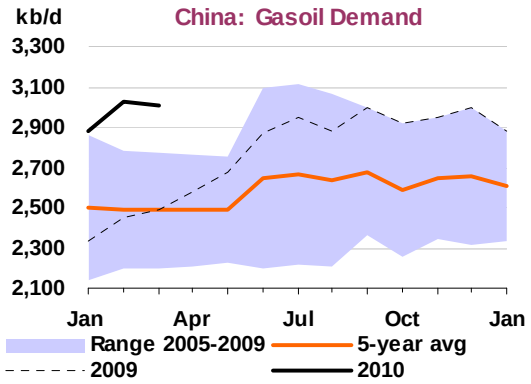
Non-OECD

China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) rose by 12.5% year-on-year in March. The pace of demand growth has thus somewhat moderated compared with the previous four months, when total year-on-year average gains exceeded 20%. Yet gains in naphtha (38.1%), gasoil (20.4%) and 'other products' (23.7%) were strong enough to largely offset losses in other categories, notably gasoline (-6.9%) and residual fuel oil (-5.4%). The rise in gasoil demand was related to the beginning of the agricultural ploughing season and the resumption of fishing and industrial activities, although it was probably exacerbated by an unusually long and cold winter, notably in northern provinces where agricultural planting was delayed by over two weeks. The surge in gasoil use was also reflected in reported nationwide stocks, which fell by 8% month-on-month.

By contrast, the reason for the decline in apparent gasoline demand is less obvious. Stocks fell (-2% month-on-month), but much less than demand (-7% month-on-month). An explanation is perhaps to be found in March's lower refinery runs and higher gasoline exports, suggesting that Chinese refiners were awaiting a price hike that would improve shrinking domestic margins ('guideline' domestic price had last been adjusted in November 2009, but international oil prices had increased steadily since then). From this perspective, exporting had become more profitable than supplying the domestic market.





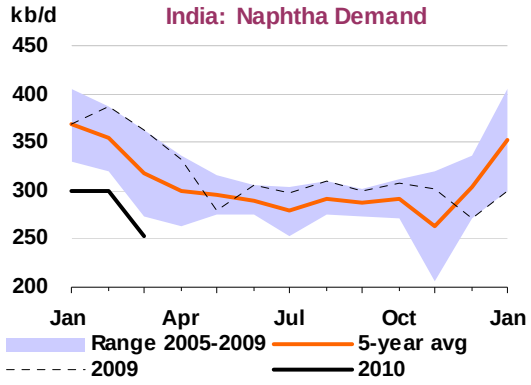
The long-anticipated increase to 'guideline' prices for gasoline and gasoil finally took place in mid-April. In line with market expectations, China's National Development and Reform Commission (NDRC) announced a price hike of 5% on average for both products, as well as a 10% upward adjustment to jet fuel prices. In terms of oil use, the price increase is unlikely to have much impact, as demand is largely inelastic and mostly driven by economic growth. Meanwhile, market watchers continue to wait for an official announcement regarding a potential reform of the country's oil product price mechanism. Any such reforms, though, are not expected to alter significantly the government's policy of subsidising several consumers in key sectors – agriculture, fishing, forestry and public transportation.

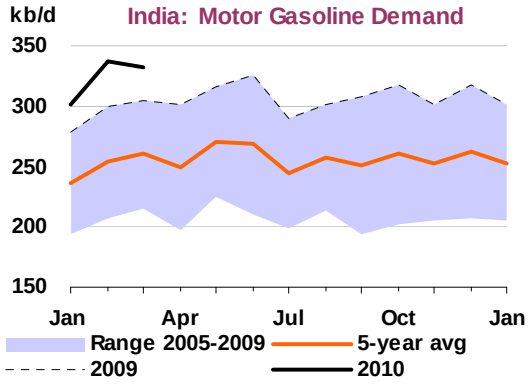
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	712	86	-26	13.1	-3.5
Naphtha	768	946	1,188	178	242	23.1	25.6
Motor Gasoline	1,493	1,539	1,616	46	77	3.1	5.0
Jet Fuel & Kerosene	292	343	377	51	35	17.3	10.1
Gas/Diesel Oil	2,837	2,759	2,994	-77	235	-2.7	8.5
Residual Fuel Oil	603	582	480	-22	-102	-3.6	-17.6
Other Products	1,246	1,604	1,794	358	190	28.7	11.9
Total Products	**7,892**	**8,511**	**9,161**	**618**	**651**	**7.8**	**7.6**

Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – fell by 1.0% year-on-year in March, highlighting the opposing forces driving the country's demand. On the one hand, as noted in previous reports, naphtha and residual fuel oil demand have continuously fallen for the past several months (-30.0% and -19.0%, respectively, in March) on rapidly growing availability of natural gas, both from expanding East Coast production and higher LNG imports. Assuming that LNG prices remain moderate and that infrastructure development continues apace, some observers reckon that India's domestic natural gas consumption could well rise by at least 50% in the next five years (from about 5 bcf/d in 2009 to 8 bcf/d in 2015). However, preliminary estimates for naphtha and residual fuel oil consumption are prone to revisions – February's preliminary data, which had indicated a 0.2% contraction in total oil demand, the first in over a year, were revised up to +1.4%, as the decline in both fuels, albeit pronounced, turned out to be lower.





On the other hand, demand for cooking, transportation and farming fuels is rising strongly (LPG, gasoline and gasoil rose by 8.2%, 9.4% and 7.3%, respectively, in March). It is worth noting that with car sales increasing by 29% year-on-year in 2009, India has become the second fastest growing automobile market in the world after China (+42%) and ahead of Germany (+23%). Passenger car sales grew by almost 26% year-on-year in April (commercial vehicle and two-wheeler sales rose by 40% and 26%, respectively).

India: Demand by Product

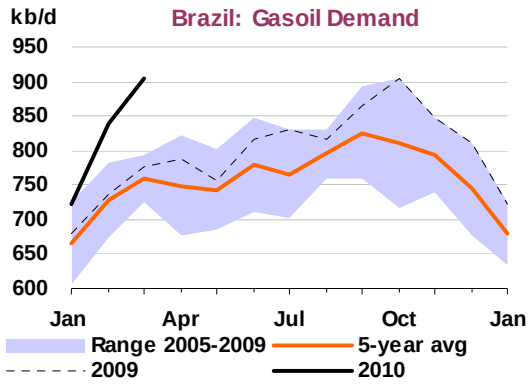
(thousand barrels per day)

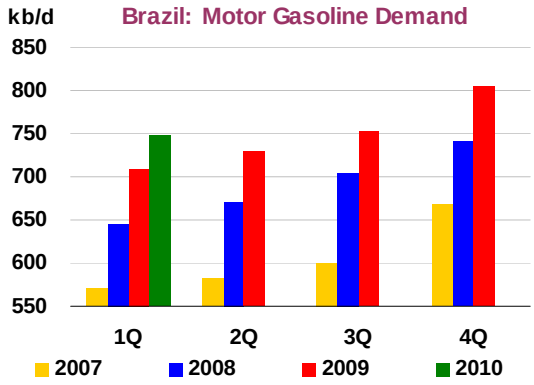
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	386	406	442	20	36	5.1	8.9
Naphtha	300	318	255	18	-63	6.0	-19.9
Motor Gasoline	267	305	338	38	33	14.1	10.7
Jet Fuel & Kerosene	293	294	301	1	7	0.2	2.5
Gas/Diesel Oil	1,083	1,167	1,257	84	90	7.8	7.7
Residual Fuel Oil	408	407	367	-1	-40	-0.2	-9.9
Other Products	348	362	371	13	9	3.8	2.5
Total Products	**3,086**	**3,259**	**3,331**	**173**	**72**	**5.6**	**2.2**

India's rapid gasoline demand growth is stretching refining and marketing capabilities to the limit. Recent reports suggest that April's switching to Euro IV-equivalent standards in 13 cities and the gradual adoption of Euro III standards in the rest of the country (from June to October) may result in domestic production shortfalls in the months ahead, which will have to be met with imports. Indeed, the recent demand trend has vastly exceeded the growth projections (made in mid-2009) upon which the switching had been planned. Oil companies also apparently underestimated the time required to upgrade refining units. Seeking to limit costly imports, the Supreme Court has postponed by five months the switching to Euro III standards, which is now due to take place in October.

In **Brazil**, gasoil and jet/kerosene demand continued to surge, increasing by 16.4% and 15.8% year-on-year, respectively, in March. Overall 1Q10 gasoil demand jumped by 12.3% (or about 90 kb/d) versus the same period in 2009. From January until its September peak, Brazilian gasoil demand typically increases by around 160 kb/d, buoyed by increased agricultural activity and cooler temperatures. A rapidly rebounding economy is amplifying this rise, with industrial production data from February showing a year-on-year jump of 18.4%.

Brazilian gasoline demand also grew strongly (+8.6%) in March. A 90-day reduction on ethanol blended into gasoline ended on 2 May, with the content of anhydrous ethanol returning to a nominal 25% from 20%. Stronger 2010-2011 ethanol production, on the back of increased capacity, more favourable weather and sugar prices, and a government loan scheme to help producers defray day-to-day costs, should help Brazil avoid the domestic supply shortfalls that plagued the 2009-2010 harvest.

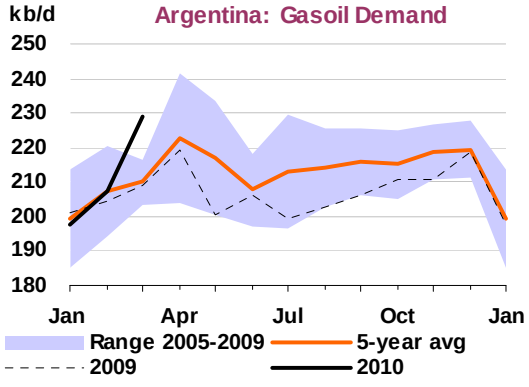




Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	214	212	218	-3	6	-1.2	2.8
Naphtha	155	165	158	11	-7	6.8	-4.5
Motor Gasoline	690	749	789	59	40	8.5	5.3
Jet Fuel & Kerosene	94	96	106	2	10	2.6	10.6
Gas/Diesel Oil	813	802	860	-10	58	-1.3	7.2
Residual Fuel Oil	204	192	194	-13	3	-6.2	1.4
Other Products	361	351	356	-10	5	-2.9	1.4
Total Products	**2,531**	**2,566**	**2,681**	**36**	**114**	**1.4**	**4.5**

Increased agricultural activity is also bringing an earlier seasonal boost to **Argentina's** gasoil consumption (+9.5% year-on-year in March), which normally peaks in April. This jump in gasoil demand also suggests an ongoing economic rebound. Nevertheless, inflation remains a serious economic concern – market consensus views on annual CPI increases are some 10 percentage points higher than official figures (+9.7 year-on-year in March). Oil refinery workers called for wage increases more in line with price increases, and briefly toyed with the idea of launching a national strike. The private sector, meanwhile, is curbing investment, which could tame the country's medium-term economic prospects.



SUPPLY

Summary

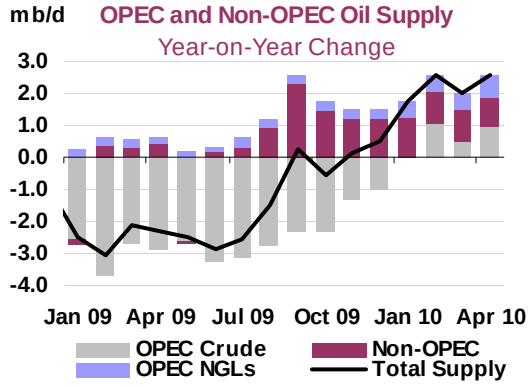
- **Global oil supply was unchanged at 86.6 mb/d in April** from March, as lower non-OPEC output was offset by a rise in OPEC NGLs and crude. However, year-on-year, total production was up by 2.6 mb/d, with growth of 1 mb/d, 0.7 mb/d and 0.9 mb/d, respectively, in the three components.

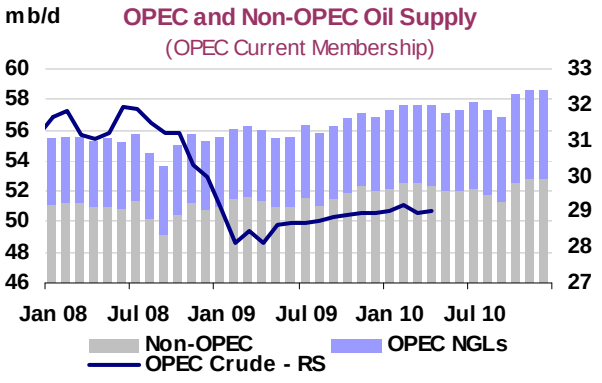
- **Non-OPEC supply dipped 175 kb/d to 52.4 mb/d in April** from March, as seasonal factors curbed output in the North Sea and Canada. The 2010 forecast is revised up by 0.2 mb/d to 52.3 mb/d on expectations for stronger NGL output in the US, bitumen in Canada and conventional crude in China. With 2009 estimated production unchanged at 51.5 mb/d, annual 2010 growth of 0.8 mb/d is slightly higher than in 2009 and now matches 0.8 mb/d of growth expected for OPEC NGLs, representing non-OPEC's best performance since 2004.

- **An accident that sank the *Deepwater Horizon* drilling rig** in the US Gulf of Mexico has led to a major oil spill. While regional crude production is currently unaffected, the incident could lead to tightened offshore safety measures and may impede moves to further open up US waters for hydrocarbon development.

- **OPEC crude oil production rose by a modest 40 kb/d in April, to 29.03 mb/d.** Excluding Iraq, production by the 11 OPEC members with output targets increased by 70 kb/d to 26.79 mb/d. As a result, OPEC-11 compliance slipped to 55% in April, with production estimated at 1.95 mb/d above the group's 24.845 mb/d collective quota. Effective spare crude capacity remains near 5.4 mb/d.

- **The 'call on OPEC crude and stock change' for 2010 is reduced by 400 kb/d to an average 28.7 mb/d** due to this month's downward demand revisions and higher forecast for non-OPEC supply. The 'call' peaks in 3Q10 at 29.4 mb/d but recedes in 4Q10 when other supplies rise sharply.



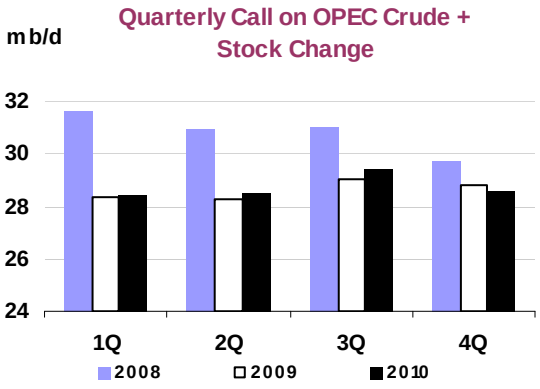


All world oil supply figures for April discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Indonesia and Russia are supported by preliminary April supply data.

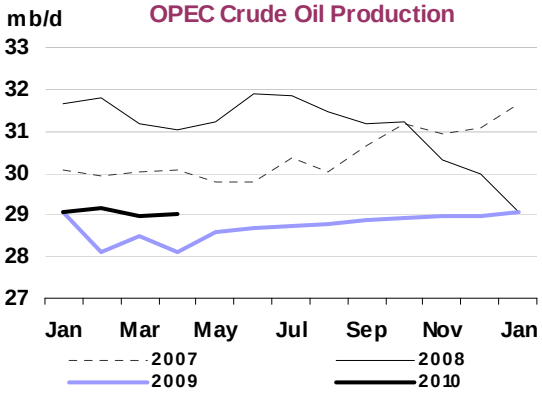
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

OPEC crude oil production has held relatively steady at around 29 mb/d since mid-2009, a trend that continued into April. Crude oil production rose by a modest 40 kb/d in April, to 29.03 mb/d. Excluding Iraq, production by the 11 OPEC members with output targets increased by 70 kb/d, to 26.79 mb/d. As a result, OPEC-11 compliance with output targets slipped to 55% in April, with production now estimated 1.95 mb/d above the group's 24.845 mb/d collective quota. Saudi Arabia, the UAE and Kuwait remain most compliant with targeted output cuts, while Angola and Nigeria continue to produce above their allotted output levels.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Despite the steepest weekly oil price decline in more than 18 months and sudden turmoil in global financial markets in early May, several OPEC ministers attending the OAPEC Conference in Doha, Qatar on 9 May dismissed the need for further action on production levels, attributing the latest oil price downturn to a correction in overheated markets. Despite the $11/bbl drop in prices by 6 May, benchmark crudes at $75-$80/bbl remain within the group's apparent comfort zone for prices. However, Kuwait's Oil Minister said a decline in oil prices to $65/bbl would 'ring a bell' and possibly lead to an extraordinary ministerial meeting.

OPEC is not scheduled to meet to review market fundamentals for another five months, in early October. Latest data show the 'call on OPEC crude and stock change' for 2010 at 28.7 mb/d, a downward revision of 0.4 mb/d from last month's report. A baseline revision to demand and higher projected non-OPEC output are behind the revision. The 'call on OPEC crude and stock change' is pegged at 29.4 mb/d in 3Q10 and 28.6 mb/d in 4Q10.

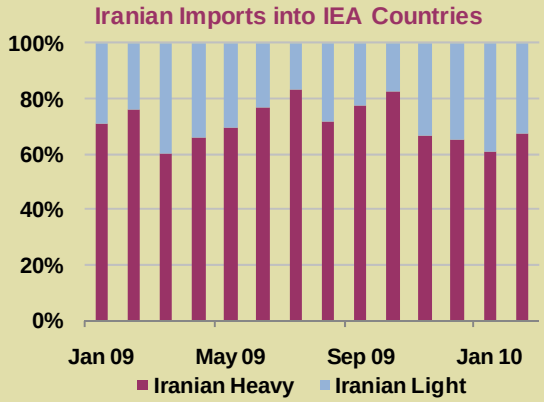
Saudi Arabia's crude oil production in April was unchanged at 8.25 mb/d, roughly 200 kb/d above its output target but still representing a strong 91% compliance rate. Moreover, much of the above-target production is reportedly being used internally for direct burn at power and desalination plants, with volumes dedicated for domestic use likely to increase further in coming months to meet peak summer demand. **Kuwaiti** and **UAE** output was only marginally higher in April, with both countries increasing output by 10 kb/d to 2.29 mb/d.

Iraqi output fell by 30 kb/d to 2.24 mb/d in April, with production in the northern region disrupted following a bomb attack on the Iraq-Turkey pipeline, which carries one-quarter of the country's exports. The attack occurred in the northern province of Nineveh, which is a stronghold of insurgent activity, including Al Qaeda. With Iraq's political future still uncertain after March elections, analysts fear acts of sabotage aimed at destabilising the country could increase in coming months. Total Iraqi crude oil exports were estimated at 1.76 mb/d last month. Shipments from the southern Basrah terminals rose by 40 kb/d to 1.42 mb/d, while northern exports of Kirkuk crude were off by 68 kb/d, to 342 kb/d in April.

Iran's Floating Armada

Iran ramped up production in April by 70 kb/d, to 3.75 mb/d, but the extra output appears destined to end up in storage at sea. Weaker demand for heavier crudes, unattractive price formulas and the threat of new sanctions have combined to reduce buying interest in the country's heavier, sour crudes. Estimates for the volume of unsold Iranian crude held in floating storage vary but generally ranged between 30-38 mb by early May, about double end-March levels.

In the past, Iran has had similar marketing problems for its heavier, high-metal content crude, especially during seasonal refinery turnaround periods. With India's Reliance having curbed liftings of high metal content Soroosh and Nowruz crudes earlier this year, a lack of alternative buyers has added to the armada of offshore storage. This year the problem of unsold barrels has been compounded by the more general trend of term-crude customers cutting or cancelling their contracts. Term customers have turned away from Iran in part due to weaker demand for heavier, sour crudes, as well as NIOC's uncompetitive pricing relative to similar quality crudes. Notably, Iran is the only major supplier to Chinese buyers to have its term contract volumes cut this year. Refiners in Japan, South Korea and India have also cut or cancelled contracts with Iran for 2010.



Volumes at sea may continue to build until refiner demand returns after turnarounds or NIOC improves its sales terms. The last time Iran was forced to store unsold barrels at sea was in early 2008, when it took five months to sell off the surplus barrels. New changes at the top of NIOC, with a close ally of Iran's president appointed to head the troubled state oil company, may actually intensify marketing woes in the near term. NIOC is unlikely to start a fire sale of its crude held offshore, if only to avoid depressing prices for its heavier crude further. Iran's production profile has become increasingly weighted towards heavy, sour barrels that make up a large portion of its export stream. NIOC's own refining slate tends to favour running lighter, higher quality crudes for processing at its older domestic refineries.

Although the threat of further sanctions against the country also intensified this month, it is difficult to draw a direct line to the growing stockpile of crude inventories, which remains largely a marketing issue. Looming sanctions, however, do help to explain the country's shrinking list of gasoline suppliers.

The deadline is drawing closer to find a solution in the stand off with Iran over its nuclear programme, with a draft proposal of long-anticipated and much-debated additional sanctions by the United Nations expected to be finalised by mid-June and then submitted to the Security Council for review. The US and European countries have reportedly made significant progress in bringing onboard Russia and China to support the sanctions.

In anticipation of either a UN-sponsored sanctions regime or unilateral measures by the US and Europe, a number of companies have publicly announced that they have stopped supplying gasoline to Iran. Securing credit terms and insurance risks are major issues for traders. The US administration has also proposed imposing sanctions on companies selling refined products, including shipping, financing and insurance firms involved in the trading chain. So far Shell, Vitol, Trafigura, Reliance, Lukoil and Glencore have halted gasoline sales to Iran. Chinese suppliers, including CNPC and Sinopec trading subsidiaries Chinaoil and Unipec respectively, have reportedly stepped in to fill the gap, but the withdrawal of its traditional suppliers is nonetheless creating further headaches for the state oil company at a time when it is grappling with a growing fleet of floating storage.

Despite the downward pressure on regional crude prices from surplus Iranian barrels, it is unlikely Iran will be able to stem the build in stockpiles by significantly curtailing physical crude production, which has been averaging between 3.65 mb/d and 3.8 mb/d over the past year. The country needs to produce at current high levels in order to maintain gas pressure at aging fields and meet domestic demand.

Nigerian crude output was slightly lower in April due to increased militant attacks. Production was down 10 kb/d, to 2 mb/d last month, with crude flows halted by militant activity partially offset by rising output as companies continue to make progress in restoring damaged infrastructure. Last month rebels attacked a pipeline on the ENI-operated Brass River facilities, which forced the shut-in of 60 kb/d out of total 150 kb/d output in late April. Operations resumed on 5 May following completion of repairs. On the same day that ENI lifted its *force majeure* on Brass River, Shell was forced to shut-in output in the eastern Niger Delta region following attacks and a fire on a pipeline feeding the Bonny terminal. In addition, roughly 100 kb/d of Shell's deeper offshore EA production has remained shut-in for repair work since February.

OPEC Crude Production

(million barrels per day)

	Feb 2010 Supply	Mar 2010 Supply	Apr 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Apr 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.25	1.24	1.24	1.40	0.16	0.200	65%
Angola	1.95	1.91	1.89	2.10	0.20	0.244	0%
Ecuador	0.47	0.47	0.47	0.50	0.03	0.067	42%
Iran	3.74	3.68	3.75	4.00	0.25	0.562	11%
Kuwait[2]	2.29	2.28	2.29	2.65	0.36	0.374	86%
Libya	1.53	1.53	1.54	1.70	0.16	0.252	63%
Nigeria[3]	1.98	2.01	2.00	2.20	0.20	0.319	0%
Qatar	0.82	0.82	0.82	0.90	0.08	0.122	33%
Saudi Arabia[2]	8.16	8.25	8.25	12.00	3.75	1.318	91%
UAE	2.28	2.28	2.29	2.70	0.41	0.379	95%
Venezuela[4]	2.23	2.25	2.25	2.40	0.15	0.364	33%
OPEC-11	**26.70**	**26.72**	**26.79**	**32.55**	**5.75**	**4.201**	**54%**
Iraq	2.47	2.27	2.24	2.60	0.36		
Total OPEC	**29.17**	**28.99**	**29.03**	**35.15**	**6.11**		
(excluding Iraq, Nigeria, Venezuela					*5.40)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 480 kb/d in April.

However, relative political calm prevailed over Nigeria after Goodluck Jonathan assumed full presidential powers following the announcement of the death of President Umaru Yar'Adua on 5 May. The new president has the broad support of the main rebel groups, which may lead to a lessening of militant activity in the near term and a rise in production and export levels. Export schedules show production could reach 2.1-2.2 mb/d in May and June, reflecting higher Forcados and Qua Iboe output following restoration of shut-in capacity.

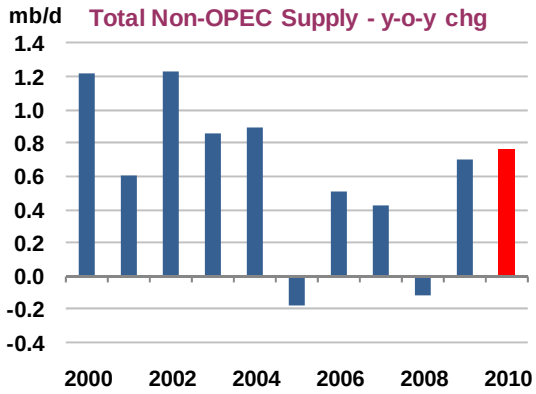
OPEC NGLs

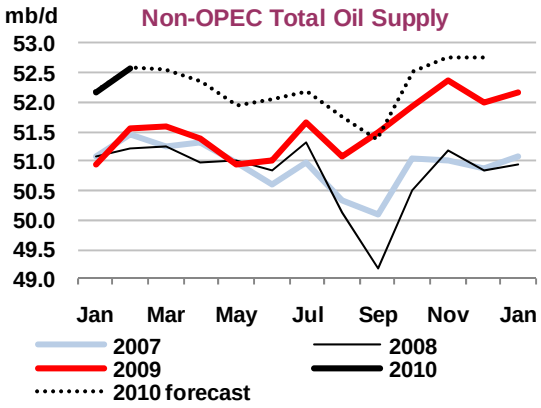
OPEC NGLs production rose by 125 kb/d to 5.2 mb/d in April as output ramped up from projects which started-up at end-2009 and in 1Q10. Saudi Arabia, Qatar, the UAE and Nigeria accounted for all of the growth. However, going forward, NGL production for 2H10 has been revised down by 100 kb/d due to delays in new Qatari production.

Qatar's newest liquefied natural gas (LNG) production facility, Rasgas 3, train 7, started operations in February but the facility was unexpectedly shut down in April. The project was expected to reach full production by the end of September but this is unlikely given current delays. RasGas Phase 3 (trains 6 & 7) are expected to add 100 kb/d of condensate and 45 kb/d of NGLs to capacity.

Non-OPEC Overview

Non-OPEC supply dipped to 52.4 mb/d in April from March as seasonal factors curbed output in key OECD producing regions such as the North Sea and Canada. 1Q10 output is revised up by 0.1 mb/d, also to 52.4 mb/d, largely on higher-than-expected US NGL production, which is carried through the forecast. Combined with an upward adjustment to Canadian bitumen supply and a slightly higher China crude production baseline, this results in an upward revision of +0.2 mb/d to the 2010 outlook, which now stands at 52.3 mb/d. With 2009 estimated production left unchanged at 51.5 mb/d, year-on-year growth now amounts to +0.8 mb/d, a slightly higher increment than in 2009 and the strongest non-OPEC showing since 2004.





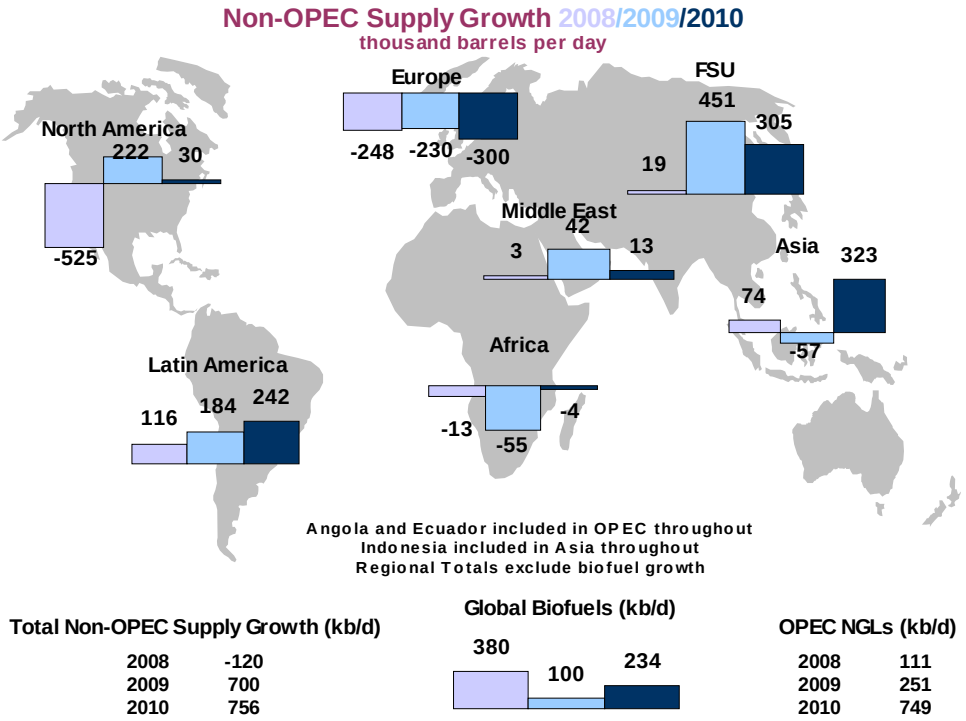
Annual data for many smaller non-OECD producers have been incorporated into our model, resulting in marginally higher historical production levels. The 2010 forecast includes a rare revision to reported Chinese crude oil production data, which were adjusted up by 100 kb/d for January. Offsetting downward adjustments in 2010 include revisions to Turkmenistan, Malaysia, Pakistan, Thailand, Brazil, Congo Brazzaville and Tunisia.

Non-OPEC Supply

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.7	14.5	14.1	14.4	14.4
Europe	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.1	4.1	4.3	4.2
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.7
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.1**	**19.2**	**19.7**	**19.4**	**19.8**	**19.3**	**18.9**	**19.4**	**19.4**
Former USSR	12.9	12.9	12.7	12.8	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.8	13.6
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	4.0	4.0	4.0	4.0	4.0
Other Asia	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7
Latin America	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.7	4.8	4.6
Middle East	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5
Total Non-OECD	**28.9**	**28.9**	**28.8**	**28.8**	**28.8**	**29.0**	**29.3**	**29.5**	**29.7**	**29.4**	**30.0**	**30.1**	**30.2**	**30.5**	**30.2**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.2**	**50.9**	**50.2**	**50.8**	**50.8**	**51.3**	**51.1**	**51.4**	**52.1**	**51.5**	**52.4**	**52.1**	**51.8**	**52.7**	**52.3**
Annual Chg (mb/d)	-0.1	0.0	-0.2	-0.1	-0.1	0.2	0.2	1.2	1.3	0.7	1.1	1.0	0.4	0.6	0.8
Changes from last OMR (mb/d)	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.2

From a 1Q10 production level of 52.4 mb/d, seasonal maintenance is expected to pull down non-OPEC production to 52.1 mb/d and 51.8 mb/d respectively in the second and third quarters, before a sharp rise again to 52.7 mb/d in 4Q10, as turnarounds end and some new production kicks in. Notably, new fields or field ramp-up should add around 100 kb/d each to Brazil, Russia, Azerbaijan and Kazakhstan in 4Q10. These countries, as well as the US, Canadian oil sands, China and India will contribute to net growth of 0.8 mb/d in 2010. Offsetting year-on-year decline will be most pronounced in the North Sea and Mexico, as well as in some non-OECD producers such as Malaysia.

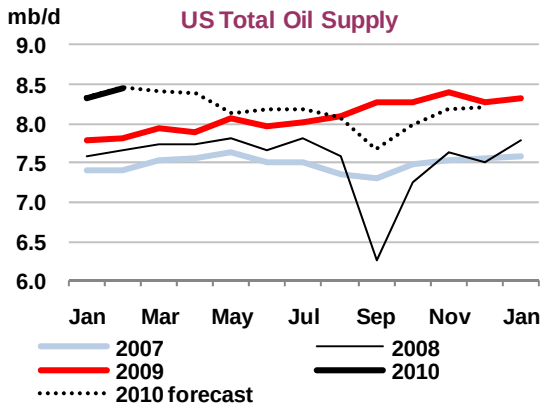


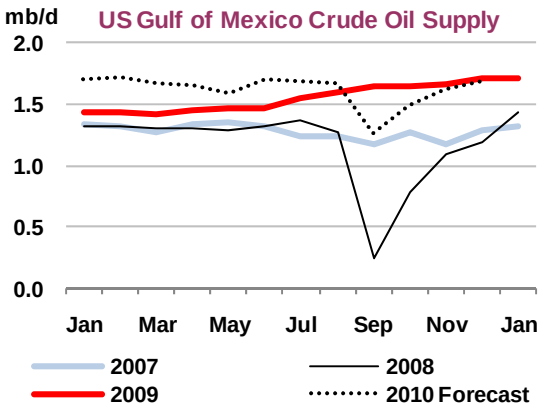
The oil industry's focus has recently centred on the oil spill in the US Gulf of Mexico. While the leakage risks severe damage to the area's marine and littoral environment, fishing and tourism, so far the accident has not led to any significant oil and gas production shut-ins (the rig that sank was working on non-producing wells). At the time of writing, attempts were being made to cap the well, and it remains to be seen how the incident will affect longer-term prospects for offshore drilling (see *Gulf of Mexico Oil Spill Could Boost Opposition to Offshore Drilling*).

OECD

North America

US – April Alaska actual, others estimated: Total US oil production picked up in February to 8.5 mb/d, with gains in crude, NGLs and fuel ethanol. Most significantly, total NGL production was reported substantially higher than forecast, at just under 2.0 mb/d. On the basis of higher-than-estimated early-2010 production, but also on a substantial upward revision to the US EIA's gas production forecast, the NGL estimate for 2010 is adjusted up by 75 kb/d for 2010 as a whole. Fuel ethanol and refinery additives output was also higher, with the former registering record output of 835 kb/d.

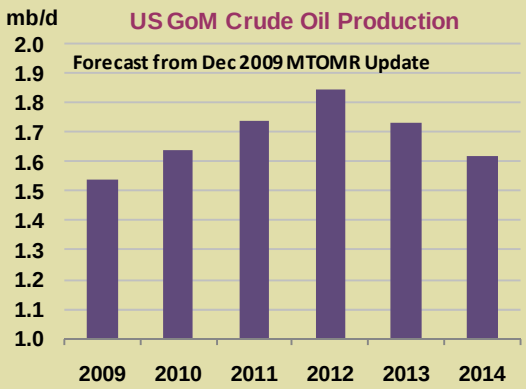


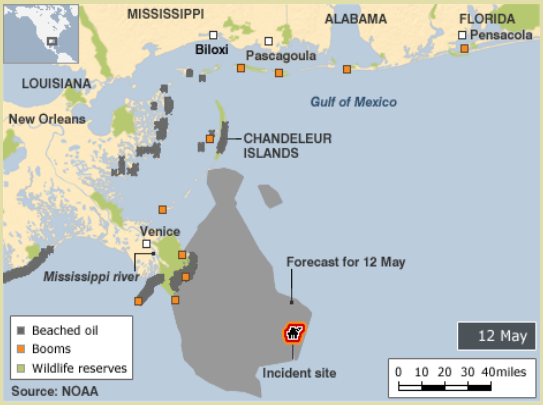


Gulf of Mexico Oil Spill Could Boost Opposition to Offshore Drilling

The recent oil spill in the US Gulf of Mexico has the potential to curb crude oil production, shipping and imports, even if it has not yet done so. It also casts doubt over President Obama's recently proposed plan to open up large tracts of US coastal waters that were off-limits to drilling (see *Proposals to Open Outer Continental Shelf Could Double US Crude Reserves* in report dated 13 April 2010). Already, the incident has led to a temporary moratorium on new drilling permits and the suspension of hearings on offshore development in Virginia, until a preliminary investigation into the accident is presented at the end of May. Beyond that, debate over the causes of the accident and the prospect of stricter safety requirements could postpone the passage of the broader energy bill in which the offshore access provisions reside.

After a fire broke out on the *Deepwater Horizon* drilling rig on 20 April, two days later a huge explosion caused the rig to sink, with 11 crew presumed dead. The rig, which is owned by drilling company Transocean, was leased by BP and was exploring for oil at the Macondo prospect in depths of around 1.5 km, some 60 km offshore Louisiana. The cause of the accident is thought to be a well blowout. Various security systems designed to prevent oil leakage failed to work, with the result being a flow of crude oil through the broken well and other leaks currently estimated at 5 kb/d or more.





Currently, only small volumes of gas output have been shut in and some drilling rigs in the proximity evacuated for safety reasons. Short-term measures to contain the spill include the use of oil booms, chemical dispersants and controlled fires. BP and associates have already succeeded in capping one of the leaks, though this has not yet stemmed the flow. Efforts to lower a metal dome over the leak in order to collect and pump the oil to the surface are ongoing, after attempts to activate the failed blowout preventer were unsuccessful. If quick fixes fail, it will take two to three months to drill relief wells in the vicinity.

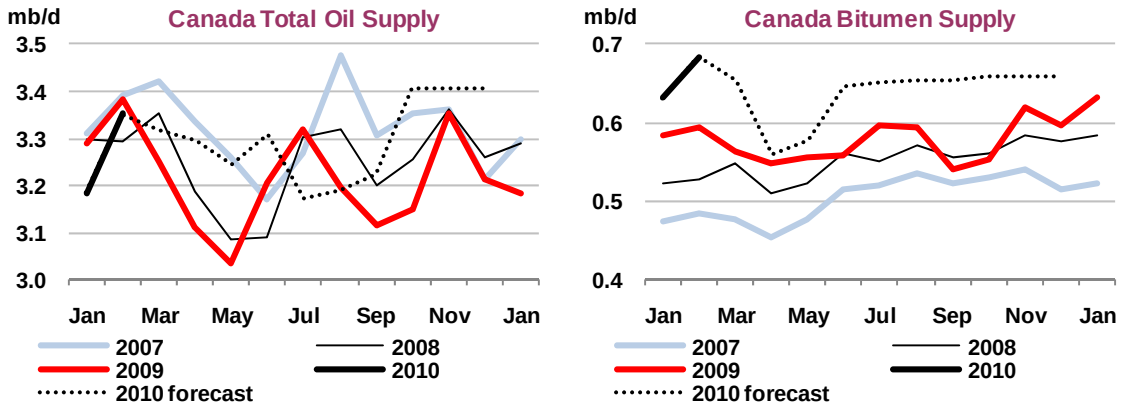
In addition to the loss of life and the environmental impact, the potential effect on oil operations in the Gulf of Mexico is threefold. Firstly, a wider spread of the oil slick could for safety reasons force a halt to activities on oil platforms, as well as hamper shipping, including ship-based crude imports to coastal refineries. Investigations into the cause of the accident have begun and the debate over the allocation of responsibility and adequacy of safety measures is already underway. More intrusive security checks, or potential retrofits of safety equipment, if required, could hamper production in the medium term, and raise costs accordingly, but might be necessary for companies to gain access to new acreage.

Secondly, for the longer term, environmental and local industry groups have raised concerns about the very desirability of offshore drilling and the merits of opening up new areas. This takes on greater urgency given the role of the GoM in generating most of the increase in US crude production in recent years and its likely predominant role in the future.

Finally, damage has accrued to the oil industry in general, and to the reputation of the companies concerned. The memories of past incidents such as *Piper Alpha* (UK, 1988) and *Exxon Valdez* (US, 1989) linger. Both resulted in a significant tightening of safety requirements for drillers, the latter also in the Oil Pollution Act that apportions liability and led to the introduction of double-hulled tankers. A 1969 spill in Santa Barbara directly led to the ban on further drilling in California, a position not even the recent bill proposal wanted to overturn. At the very least, the *Deepwater Horizon* accident highlights acutely the high risks involved as international companies are required to source hydrocarbon supplies in ever more challenging and remote locations.

US crude output expectations are also raised by 25 kb/d for 2010 on robust production from onshore unconventional basins such as the Bakken Shale in North Dakota. In the US Gulf of Mexico (GoM), the Telemark field started output in March, tied-back to Mirage and set to pump at 25 kb/d once its capacity is reached. The Gulf's largest field, Thunder Horse, started maintenance in the latter half of April, halving production for 60 days and thus curbing 2Q10 production by an estimated 70 kb/d. Expectations for 2010 GoM production overall are left unchanged, with projected net growth of 80 kb/d. Total US oil production is now expected to rise from 8.1 mb/d in 2009 to an upward-revised 8.2 mb/d in 2010, a fifth consecutive year of growth.

Canada – Newfoundland March actual, others February actual: Canadian oil production rose to 3.4 mb/d in February, largely on higher oil sands output. Bitumen production in February was reported 50 kb/d higher than expected, partly reflecting lower output of synthetic crude, as one of Suncor's upgraders was out of action for repairs (synthetic crude production was 65 kb/d lower than estimated). The plant suffered a fire last October and has subsequently run at below capacity for several months, though in April was back at normal levels, according to Suncor. The higher bitumen figure was nonetheless partly carried through the forecast on higher anticipated ramp-up at several new projects. In combination with higher forecast NGL production – also stronger in reported February data – total Canadian oil supply is forecast to rise from 3.2 mb/d to 3.3 mb/d in 2010, with combined bitumen and synthetic crude growth and higher NGLs offsetting slightly lower conventional crude production.



Canadian conventional crude production, while in decline in most areas, is set to get a boost in Newfoundland this year. Around mid-year, both the North Amethyst and Hibernia AA fields will come onstream, adding 35 kb/d and 25 kb/d respectively to the larger White Rose and Hibernia complexes.

With Canadian oil production set to grow in coming years, infrastructure to send more crude to the US is being expanded. The Keystone pipeline is currently being filled with crude and is set to start pumping 435 kb/d of Albertan crude from Hardisty, Alberta, to refineries in Illinois in the second half of 2010. Phase II will expand the line to Cushing, Oklahoma, the delivery point for WTI futures and a key crude oil hub. From late 2012, a further expansion will enable crude exports to flow all the way to the US Gulf, with an increased capacity of 1.1 mb/d.

North Sea

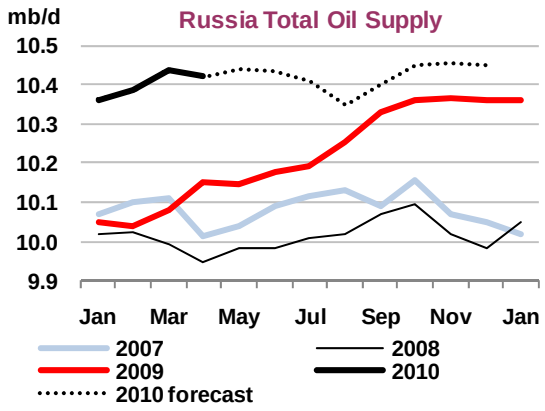
Norway – February actual, March provisional: At 2.4 mb/d in February, total Norwegian oil production was unchanged from January, but dropped to 2.3 mb/d in March as seasonal maintenance started. In late April, Norway and Russia agreed on the delineation of their northern boundary in the Barents Sea, which could assist the development of expected resources there. On the other hand, in a long-awaited report, the government cut its reserves estimate for waters around the Lofoten islands off Norway's northwestern coast from 2 to 1.3 billion barrels. Less oil in place could undermine development

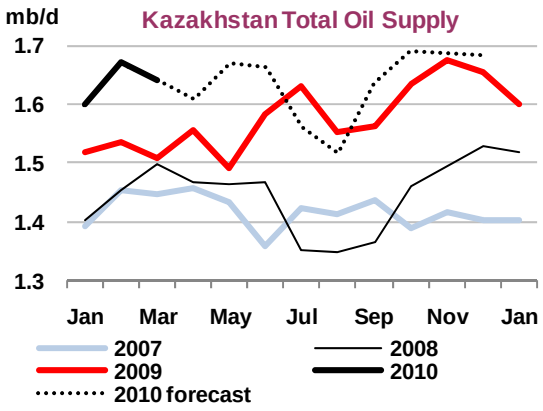
prospects amid an ongoing debate over the environmental impact, which itself could intensify following recent events in the US Gulf. Besides its current strategy of bringing onstream small tie-backs to existing infrastructure, Norway needs to develop new resources if it wants to stem the decline in its oil production. Overall, the Norwegian oil production outlook is little changed and is forecast to fall from 2.4 mb/d in 2009 to 2.2 mb/d in 2010.

UK – February actual: UK oil production also dipped slightly in February, to 1.45 mb/d, and is expected to slide further in March and 2Q10. Output at Buzzard, the UK North Sea's largest oil field, was cut by an estimated 50 kb/d due to equipment repairs. In early May, Buzzard started a turnaround estimated to last ten days, again curbing output, this time by an estimated 65 kb/d. In both the UK and Norway, commercial helicopter flights were temporarily grounded in mid-April after the eruption of Iceland's Eyjafjallajökull volcano, though platforms could be supplied by boat and the interruption caused no production shut-ins. The UK production forecast is broadly unchanged, with output expected to decline from 1.5 mb/d in 2009 to 1.4 mb/d in 2010.

Former Soviet Union (FSU)

Russia – March actual, April provisional: In line with our forecast, Russian oil production dipped marginally to 10.4 mb/d in April following several consecutive months of growth. Final data showed March output levels virtually unchanged. In April, production started at Lukoil's Yuri Korchagin field in the northern Caspian – a first for the Russian share of the inland sea. The field will have a production capacity of 50 kb/d. As elsewhere, Lukoil is lobbying to receive tax breaks for Yuri Korchagin, without which, it claims, it will be difficult to realise profits in a challenging and otherwise undeveloped province. Prime Minister Putin's presence at the field's launch was interpreted as a positive sign in that regard. TNK-BP announced that its new Verkhnechonsk field would ramp-up more slowly than initially expected. Despite this downward revision, overall Russian prospects for 2010 are unchanged, potentially growing by 0.2 mb/d from last year's 10.2 mb/d.





Kazakhstan – March actual: March oil production dipped by 30 kb/d to 1.64 mb/d and is expected to fall further in April to around 1.6 mb/d as maintenance at the Tengiz field's sour gas unit curbs production. Towards the end of the year, a steady production increase should bring the country's total output to around 1.7 mb/d. Average annual production of 1.58 mb/d in 2009 is forecast to rise to 1.64 mb/d in 2010.

Azerbaijan – January actual, February provisional: Preliminary February production data were 65 kb/d lower than expected, seeing total Azeri output at 1.03 mb/d. Downward-adjusted 1H10 output at the Azeri-Chirag-Guneshli (ACG) complex is offset by a slightly more robust forecast for the second half of the year, leaving average 2010 production more or less unchanged at 1.1 mb/d, up from 1.05 mb/d in 2009.

FSU net oil exports rose by 380 kb/d to 9.2 mb/d in March, or only marginally higher than one year ago. Gains were mostly in crude shipments, which were up by 290 kb/d at 6.6 mb/d, as loadings at Primorsk, on the Baltic, returned to normal following maintenance. Druzhba and 'Other Routes' were once again lower, reflecting the structural shift away from those outlets. Flows through the Baku-Tbilisi-Ceyhan (BTC) pipeline were up by 60 kb/d at 740 kb/d on expected higher Azeri production. Lastly, exports from the Arctic and Far East were 80 kb/d higher at 790 kb/d. Year-on-year growth of 310 kb/d is due to the start of crude exports from Russia's new terminal at Kozmino, the end-point of the half-completed Eastern Siberia-Pacific Ocean (ESPO) pipeline. In line with Asian practice, Russia has released loading schedules for crude from Kozmino out until early July. On this basis, June will see shipments of 260 kb/d, followed by higher volumes in July. Russia's crude export duty has been set at a higher $284/mt or $38.90/bbl for May, compared with $268.90/mt or $36.68/bbl in April.

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

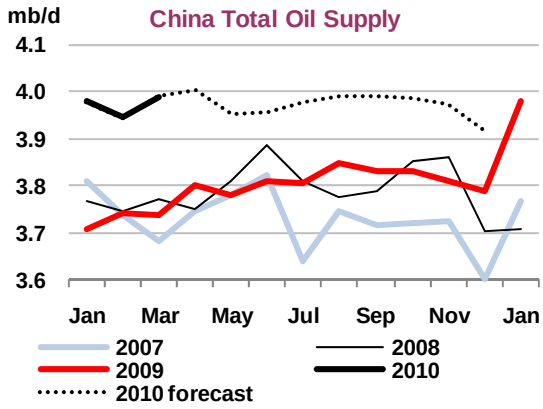
	2008	2009	2Q2009	3Q2009	4Q2009	1Q2010	Jan 10	Feb 10	Mar 10	Latest month vs. Feb 10	Latest month vs. Mar 09
Crude											
Black Sea	2.05	2.19	2.23	2.10	2.12	1.98	2.05	1.94	1.95	0.02	-0.31
Baltic	1.46	1.62	1.66	1.61	1.65	1.57	1.58	1.48	1.64	0.16	-0.01
Arctic/FarEast	0.30	0.48	0.45	0.48	0.51	0.73	0.69	0.71	0.79	0.08	0.31
BTC	0.67	0.81	0.80	0.82	0.87	0.72	0.73	0.68	0.74	0.06	0.00
Crude Seaborne	**4.48**	**5.09**	**5.14**	**5.02**	**5.15**	**5.00**	**5.06**	**4.81**	**5.13**	**0.32**	**-0.01**
Druzhba Pipeline	1.08	1.12	1.12	1.09	1.14	1.12	1.18	1.11	1.08	-0.03	-0.02
Other Routes	0.42	0.36	0.40	0.35	0.30	0.37	0.30	0.41	0.41	-0.01	0.04
Total Crude Exports	**5.98**	**6.58**	**6.66**	**6.45**	**6.59**	**6.50**	**6.53**	**6.33**	**6.62**	**0.29**	**0.02**
Of Which: Transneft	3.99	4.19	4.27	4.12	4.16	3.92	3.98	3.79	3.97	0.18	-0.28
Products											
Fuel oil	1.09	1.08	1.16	1.16	1.05	0.96	0.98	0.88	1.00	0.12	-0.02
Gasoil	0.94	0.98	0.95	0.97	0.91	0.97	0.98	0.94	0.98	0.04	0.01
Other Products	0.59	0.69	0.79	0.63	0.60	0.68	0.70	0.70	0.63	-0.07	-0.10
Total Product	**2.63**	**2.75**	**2.89**	**2.76**	**2.56**	**2.60**	**2.66**	**2.52**	**2.61**	**0.09**	**-0.10**
Total Exports	**8.61**	**9.32**	**9.55**	**9.21**	**9.15**	**9.10**	**9.20**	**8.85**	**9.23**	**0.38**	**-0.09**
Imports	0.04	0.04	0.05	0.04	0.04	0.05	0.04	0.05	0.05	0.00	0.01
Net Exports	**8.57**	**9.28**	**9.50**	**9.17**	**9.10**	**9.05**	**9.16**	**8.80**	**9.18**	**0.38**	**-0.10**

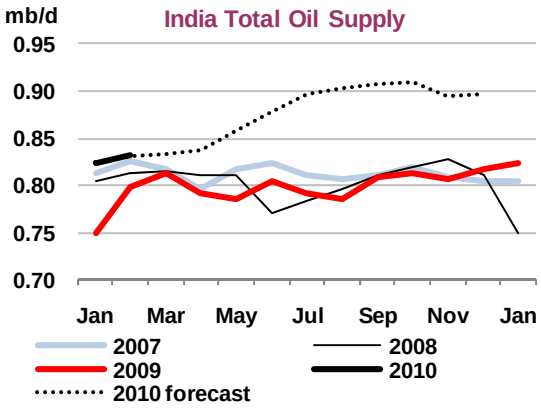
Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

March product exports were up by 90 kb/d at 2.6 mb/d, with higher fuel oil and gas oil shipments offsetting a decline in other products. The launch of Russia's new Ust-Luga product export terminal on the Baltic Sea has been postponed to the latter half of the year. As with the gradual shift in crude exports away from traditional routes such as the Druzhba pipeline towards the Far East and expanded Russian terminals such as Primorsk, the new 450 kb/d terminal – the largest in Russia – will serve to draw away shipments from other ports, notably in the non-Russian Baltic.

Other Non-OPEC

China – March actual: In March, Chinese oil production inched up to just below 4 mb/d and is expected to cross that threshold soon for the first time, with a steady increase from offshore output. Unusually, reported January data were revised up by 100 kb/d, centred wholly on the offshore sector. This revision, coupled with higher-than-expected March production (output at the ageing Daqing field held up well, while the offshore Huizhou field restarted production after a typhoon), was partly carried through the forecast, boosting forecast 2010 output by 60 kb/d. Total Chinese oil production is now expected to rise from 3.8 mb/d in 2009 to 4.0 mb/d in 2010, putting the country's growth roughly on a par with the expected respective increases in Russia, Brazil and US plus Canada.





India – February actual: Indian oil production continues to grow steadily, reaching 830 kb/d in February, as output from the Mangala complex in Rajasthan rises. Mangala started production in July 2009 and in combination with satellites Aishwariya and Bhagyama is now expected to reach an upward-revised 240 kb/d by late 2012. Largely due to Mangala, Indian oil production is forecast to rise from 800 kb/d in 2009 to 870 kb/d in 2010.

Brazil – March actual: In Brazil too, oil production is rising steadily, averaging 2.62 mb/d in March, with slightly lower-than-expected crude and NGL output partly offset by higher fuel ethanol production. With increasing crude production in key offshore areas – notably start-up at Cachalote, ramp-up at Frade, Marlim Leste P-53, Marlim Sul 2, Parque das Conchas and the launch of commercial-volume production at the large Tupi field all to come by the end of 2010 – Brazilian crude production will keep rising and is currently forecast to rise from average 2009 production of 2.5 mb/d to just under 2.7 mb/d in 2010.

However, the debate over the proposed plans for majority-state-owned Petrobras rumbles on, which could lead to delays in the development of the large pre-salt reserves (for background, see *Brazil's Lula Outlines Suggested Pre-Salt Development Regime* in report dated 10 September 2009). President Luiz Inácio Lula da Silva, when he launched the proposals, had hoped to have them sanctioned by Congress ahead of presidential elections due in October 2010. With attention shifting to the campaign, it looks increasingly unlikely that the set of four bills will be passed soon. Debate is still intense over capitalisation plans for Petrobras, which would see the government cede 5 billion barrels of to-be-developed reserves to the company, allowing it to raise capital, as well as the proposal to make Petrobras the mandatory operator of all new fields.

Various Africa: In **Gabon**, an oil workers' strike cut oil production by an estimated 50 kb/d to 200 kb/d in mid-April, but work soon resumed again thereafter. Average annual production is therefore only marginally affected and is expected to remain steady around 250 kb/d in 2010. In **Sudan**, elections confirmed the incumbent president, Omar al-Bashir, but results showed likely increased support for southern independence in a referendum scheduled for 2011. A division of the country could spark conflict over rights to the country's oil, much of which is located in the south and some of which straddles the proposed border. While Sudan's oil production has grown from virtually nothing in the late 1990s to 470 kb/d in 2009, sanctions and a lack of investment have seen production stagnate. Our forecast sees output remaining unchanged in 2010.

OECD STOCKS

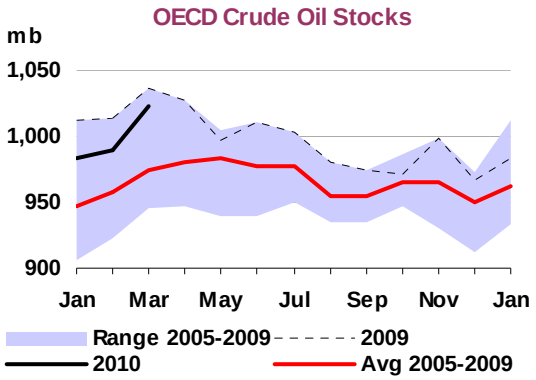
Summary

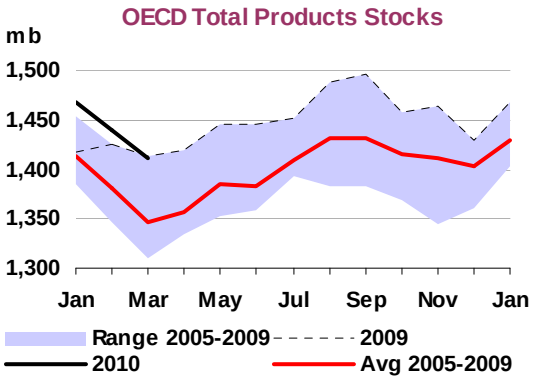
- **OECD industry stocks rose counter-seasonally** by 7.3 mb to 2 709 mb in March, with opposite movements in crude and products across all three OECD regions. Crude oil inventories built by 32.6 mb, in contrast to a 28.5 mb drop in products, mostly in middle distillates and gasoline.

- **OECD stocks in days of forward demand** rose to 60.5 days by end-March, compared to 59.9 days at end-February. Downward revisions to demand estimates drove the increase, alongside a significant gain in Pacific crude oil stocks.

- **Preliminary data indicated total OECD industry inventories** rose by a sharp 47.4 mb in April, more than the five-year average build of 18.0 mb. More than a half came from an increase in products in the US, while by 24 April, Japanese inventories had edged up by 3.2 mb. Stocks in Europe added further 10.1 mb to the overall stock levels.

- **Short-term crude floating storage** levels continued to rise to 81 mb in April, from 65 mb in March. Most of the increase resulted from additions of Iranian crude oil to floating storage in the Middle East Gulf. Draws in Mediterranean and Northwest European short-term product floating storage pushed the overall product levels further down from 52 mb at end-March to 40 mb at end-April.





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

OECD commercial oil stocks built by 7.3 mb in March, in contrast to the five-year average draw of 12.5 mb. This divergence from seasonal pattern comes from a larger-than-usual crude build outpacing a weaker-than-normal product draw. On a days of forward demand cover basis, stock levels increased by 0.6 days to 60.5. Preliminary April data point to a 47.4 mb build led by product restocking in the US.

Preliminary Industry Stock Change in March 2010 and First Quarter 2010

	March (preliminary) *(million barrels)*				March (preliminary) *(million barrels per day)*				First Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**13.3**	**6.6**	**12.7**	**32.6**	**0.43**	**0.21**	**0.41**	**1.05**	**0.35**	**0.13**	**0.14**	**0.62**
Gasoline	-6.7	-2.4	-2.0	-11.1	-0.22	-0.08	-0.06	-0.36	0.06	0.05	0.04	0.16
Middle Distillates	-7.1	-5.7	-5.1	-17.9	-0.23	-0.18	-0.17	-0.58	-0.19	-0.03	-0.02	-0.25
Residual Fuel Oil	1.1	-0.6	0.9	1.4	0.04	-0.02	0.03	0.05	0.06	0.00	0.02	0.08
Other Products	1.9	-0.1	-2.7	-0.9	0.06	0.00	-0.09	-0.03	-0.15	0.00	-0.03	-0.18
Total Products	**-10.8**	**-8.8**	**-8.9**	**-28.5**	**-0.35**	**-0.28**	**-0.29**	**-0.92**	**-0.22**	**0.02**	**0.01**	**-0.20**
Other Oils[1]	1.3	1.7	0.2	3.1	0.04	0.05	0.01	0.10	-0.01	0.05	0.02	0.06
Total Oil	**3.8**	**-0.5**	**4.0**	**7.3**	**0.12**	**-0.02**	**0.13**	**0.23**	**0.12**	**0.19**	**0.16**	**0.48**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

February OECD inventory levels were revised up by 17.3 mb, mostly due to an upward 17.7 mb adjustment to European crude readings, mainly in Germany, Italy and the UK. Combined with revisions to North American and Pacific crude stock levels (-6.4 mb and +6.3 mb, respectively), the actual February crude stock change in the OECD turned out to be less dramatic than previously estimated (a 6.4 mb build, against a 10.4 mb draw reported last month). Overall, oil inventories in February drew by 22.2 mb due to a seasonal 27.4 mb decrease in products.

Revisions versus 13 April 2010 Oil Market Report

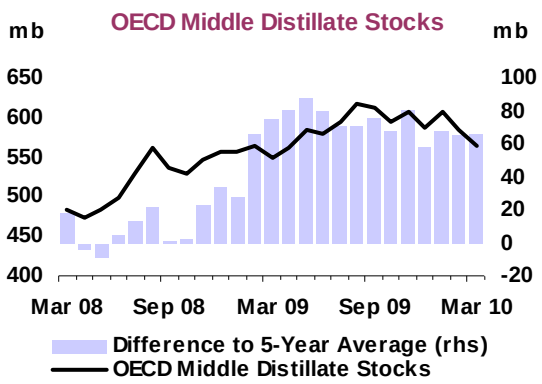
(million barrels)

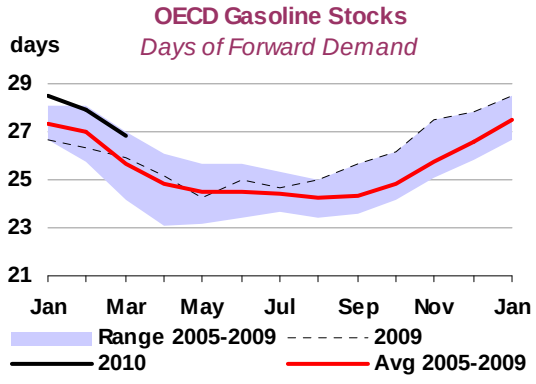
	North America		*Europe*		*Pacific*		*OECD*	
	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10	Jan 10	Feb 10
Crude Oil	**0.8**	**-6.4**	**0.0**	**17.7**	**0.0**	**6.3**	**0.8**	**17.5**
Gasoline	0.0	-2.2	0.0	1.1	0.0	0.2	0.0	-0.9
Middle Distillates	0.0	-4.5	0.0	-4.0	0.0	-0.1	0.0	-8.6
Residual Fuel Oil	0.0	1.0	-0.4	-0.5	0.0	0.0	-0.4	0.4
Other Products	0.6	8.5	0.0	-0.3	0.0	0.2	0.6	8.4
Total Products	**0.6**	**2.7**	**-0.4**	**-3.7**	**0.0**	**0.2**	**0.2**	**-0.8**
Other Oils[1]	0.1	0.4	0.1	0.0	0.0	0.1	0.2	0.5
Total Oil	**1.4**	**-3.3**	**-0.3**	**14.0**	**0.0**	**6.6**	**1.1**	**17.3**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Crude oil industry inventories increased by 32.6 mb in March, almost twice the normal 16.8 mb build. Most of the surge came from the Pacific, where abundant imports and low refinery runs propelled stocks up by 12.7 mb, in comparison to a typical 1.1 mb stockbuild. North American stocks soared by almost double their five-year average, while European crude holdings moved in line with seasonal norms. Preliminary reports indicate that OECD crude stocks built by 14.7 mb in April. This build was augmented by an additional 16 mb added to floating storage, most of which stems from an increase in Iranian crude at sea (see *Iran's Floating Armada*).

Oil products decreased by 28.5 mb in March, slightly less than the seasonal average decline of 33.4 mb. Distillates drew by 17.9 mb across all three regions, in line with seasonal trends. Still, in both absolute and days of forward cover terms, distillates trended above the five-year range, slightly increasing their surplus versus the historical average from 64.8 mb to 66.5 mb, or to 6.1 days in March. Gasoline stocks fell by 11.1 mb and remained in the upper half of the five-year range. Contrary to April historical trends, gasoline holdings rose in Japan and, more significantly, in the US ahead of the driving season, and contributed to a sharp 32.7 mb increase in OECD product stocks, along with distillates and fuel oil. However, preliminary Japanese data only run up to 24 April, as data for the last week of April were unexpectedly delayed.





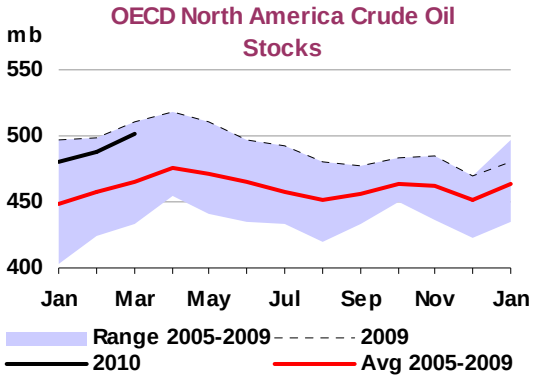
Flight disruptions caused by a volcanic ash cloud spreading over Europe increased jet fuel stocks during April. Japanese preliminary data showed a 0.6 mb build, while US stocks rose by 2.4 mb. Inventories held

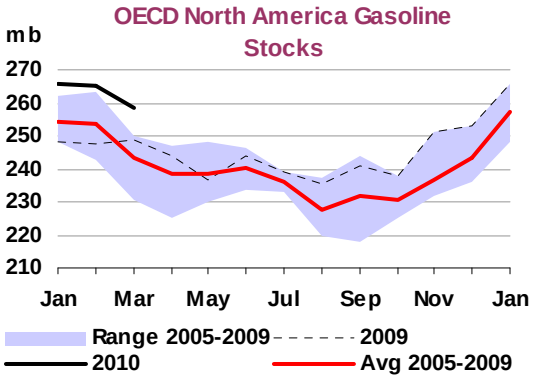
in independent storage in the Northwest Europe declined, but according to various reports, at least three tankers anchored near the European coast stored jet/kerosene following the disruption. Jet fuel floating storage was expected to draw down after air traffic above Europe returned to normal, since the product degrades fairly quickly and it needs to be blended with gasoil/diesel when held in long-term storage.

Analysis of Recent OECD Industry Stock Changes

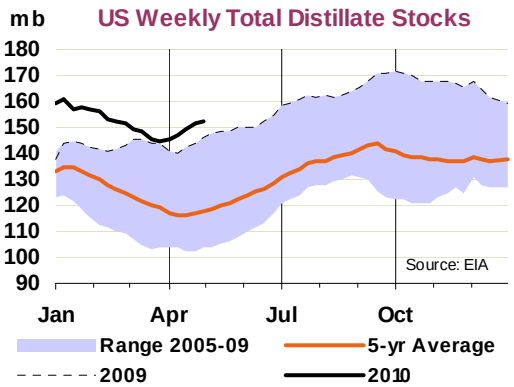
OECD North America

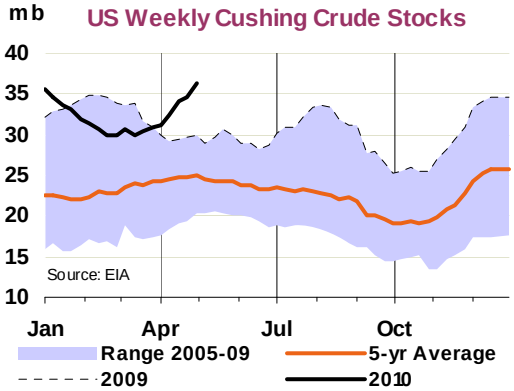
North American industry stocks rose by 3.8 mb in March. The regional crude stock-build of 13.3 mb and product draw of 10.8 mb were driven primarily by stock movements in the US, while Mexican oil stocks fell by 0.5 mb despite a 1.2 mb increase in gasoline stocks. Depressed US refinery runs in the middle of spring maintenance diverted 13.7 mb of crude into storage tanks. Middle distillates, mainly along the East Coast and in the Midwest, drew by 6.4 mb while gasoline dropped by 7.9 mb.





However, US crude runs rebounded by 0.7 mb/d in April, resulting in a 29.5 mb product build. The largest increases came from propane (+8.5 mb) and middle distillates, with diesel rising by 4.0 mb and heating oil contributing 2.9 mb. Middle distillates have increased their surplus to the five-year average; this time the rise stemmed from an end-winter related heating oil stock-build. Gasoline stocks posted surprising gains and extended the surplus to the five-year average to 17.6 mb from 10.5 mb in March.

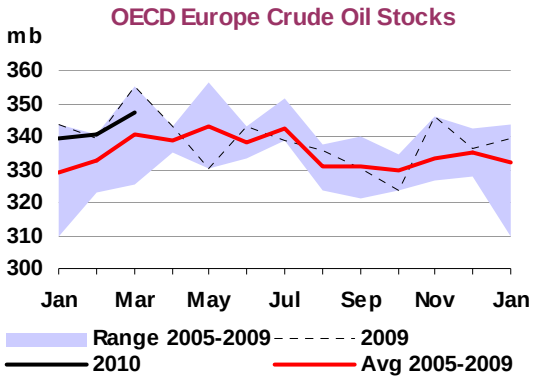


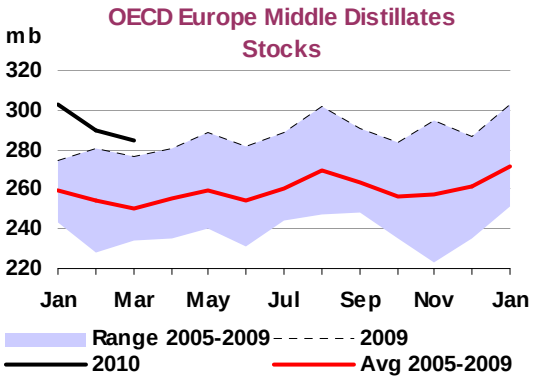


April crude oil inventories rose by 4.7 mb, with stocks in the Midwest reaching historically high levels. Holdings at Cushing, Oklahoma, the delivery point of NYMEX WTI, posted 5.1 mb gains on the month and reached 36.2 mb, approximately two thirds of nameplate capacity. Cushing storage capacity gradually expanded throughout 2009 to 51.5 mb estimated by Reuters and further 2.3 mb of new capacity reportedly became operational this April. However, Genscape, a company using infra-red spectrum monitoring techniques to estimate Cushing levels, assessed total nameplate capacity including new storage tanks at 51.4 mb at end-April. Still, most market sources put Cushing *operable* capacity at only around 80% (around 41-42 mb).

OECD Europe

Contrary to a usual draw of around 2.5 mb, commercial oil inventories in Europe fell only slightly in March. Crude holdings rose by 6.6 mb, but were more than offset by an 8.8 mb draw in products. French crude built counter-seasonally by 2.4 mb, reversing a similar February draw when a labour strike at the country's oil ports disrupted tanker offloading. Germany and Italy also contributed to the overall build. Meanwhile, middle distillate decreases, mainly in Germany, the Netherlands and 'other Europe', drove the product stock-draw. German consumer heating oil stocks decreased further in March to 50% of capacity.

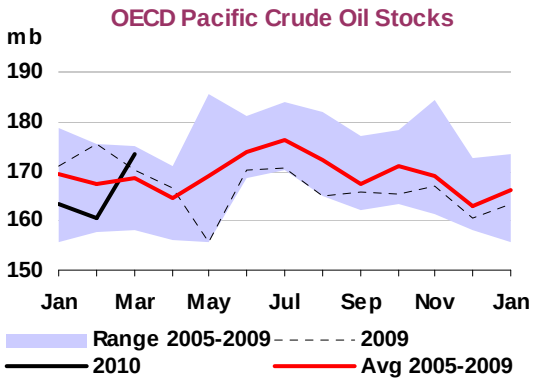


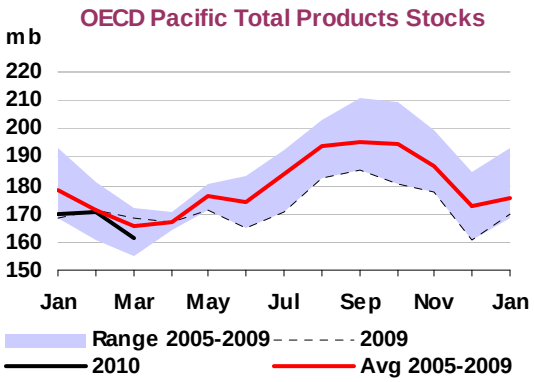


Preliminary Euroilstock data show stocks in EU-15 plus Norway rose by 10.1 mb in April, led by a 11.2 mb build in crude oil inventories. Products fell by 1.2 mb with draws in gasoline and fuel oil offsetting increases in middle distillates and naphtha. However, gasoline and gasoil stocks held in independent storage in Northwest Europe rose month-on-month. Despite a temporary curb in jet/kerosene demand due to the volcano disruption, holdings in Northwest Europe fell. Yet, reportedly, at least three additional tankers stored jet/kerosene in floating storage off Europe after the disruptions.

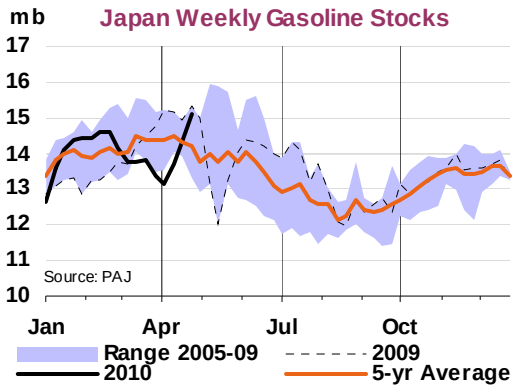
OECD Pacific

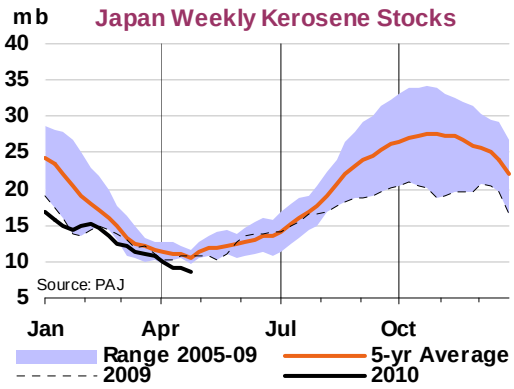
Pacific commercial stocks rose counter-seasonally by 4.0 mb in March, as crude oil imports increased despite slowing regional refinery runs. Crude oil stocks in Korea and Japan built by a combined 12.3 mb, while gasoline and distillates fell by 2.0 mb and 4.9 mb, respectively.





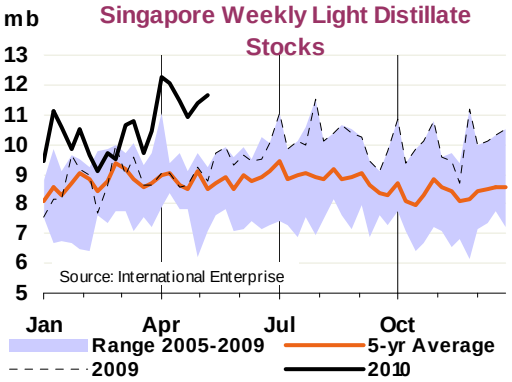
Preliminary weekly Japanese data up to 24 April provided by the Petroleum Association of Japan (PAJ) point to a 1.2 mb drawdown in crude oil stocks, despite depressed refinery runs as maintenance began in April. Meanwhile, gasoline inventories built counter-seasonally by 1.9 mb and jumped from the bottom to the top of the five-year range. Gasoil inventories built by 1.1 mb and jet fuel added a further 0.6 mb, possibly because of flight disruptions in Europe. Following a burst of colder weather in mid-April, kerosene fell more than the seasonal average to its lowest levels in at least the past seven years.

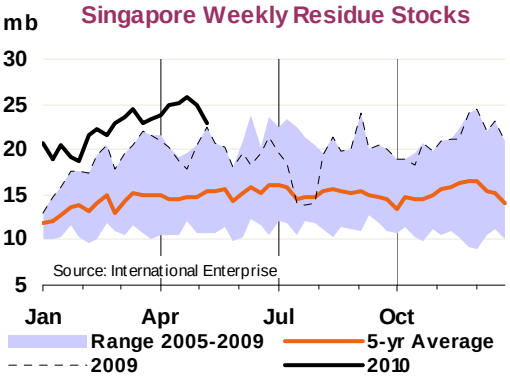




Recent Developments in Singapore and China Stocks

Product inventories held in Singapore rose for the fourth consecutive month to record levels in April. Fuel oil stocks soared to new highs by mid-month, as ample supplies overtook relatively stable regional demand. Afterwards, stock levels fell sharply, narrowing the surplus to the five-year average level from 10 mb at end-April to 7.5 mb at the beginning of May. In total, fuel oil inventories rose by 0.6 mb on the month and middle distillates added a further 0.9 mb. Light products fell from 12.3 mb in March to 11.5 mb, 25% above the five-year average. Overall, a rise in product stocks to 49.3 mb coincided with higher exports from China following higher refinery runs in recent months and from Korea as refineries returned from seasonal maintenance.

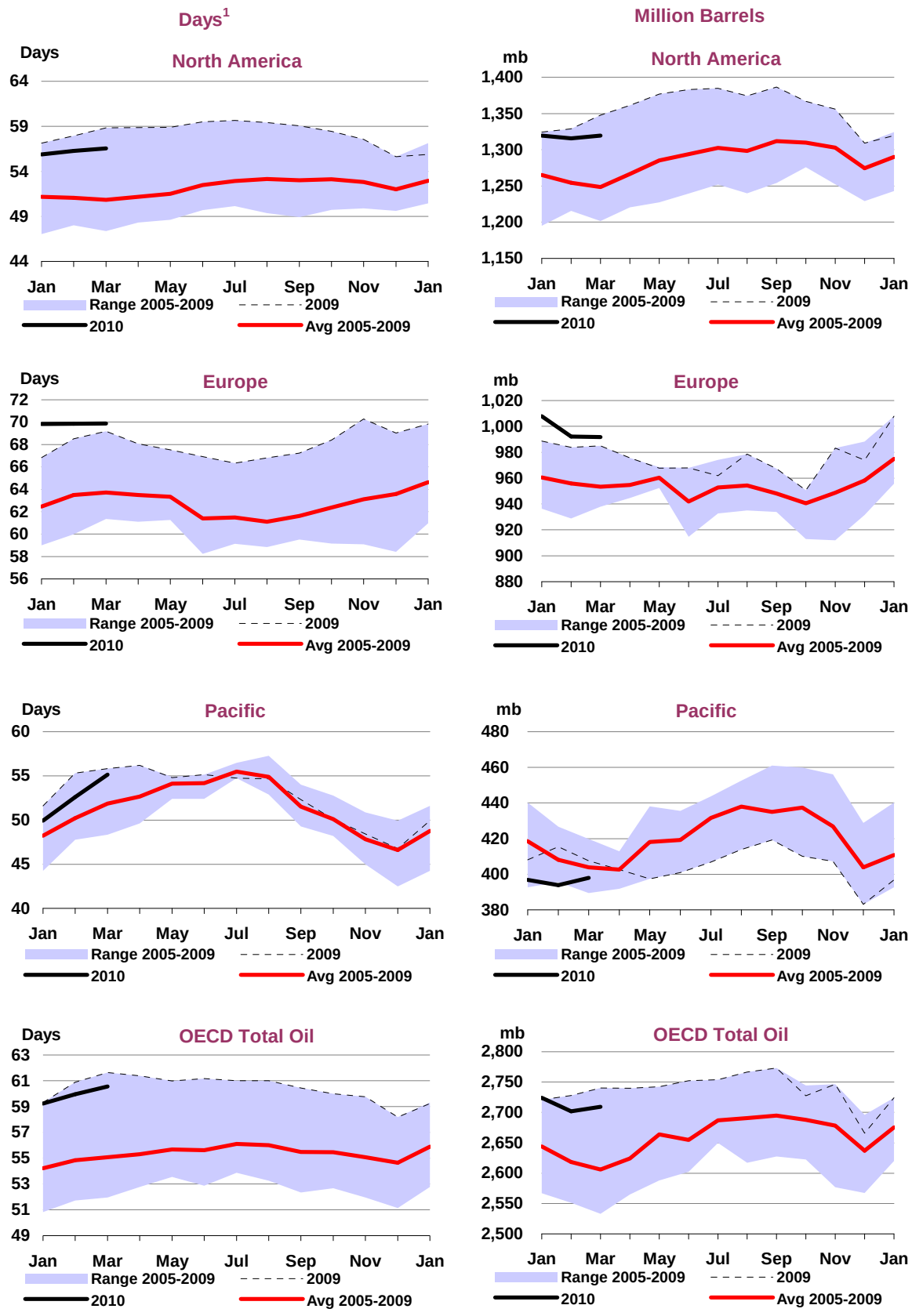




Oil product inventories in China dropped by 8.7 mb in March. An increase in gasoil exports pushed gasoil inventories 7.1 mb lower on the month. Similarly, gasoline and kerosene stocks fell, albeit by smaller amounts. The draw in product stocks outpaced a 2.5 mb addition to Chinese crude inventories. Oil imports rose further in March and crude stocks, as reported by *China Oil, Gas and Petrochemicals,* stood at 208.9 mb at end-month. While data series for 2010 are not directly comparable with 2008 and 2009, the March product draw and crude build came in close to the seasonal movements evident in the previous two years' data.

Regional OECD End-of-Month Industry Stocks

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



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

PRICES

Summary

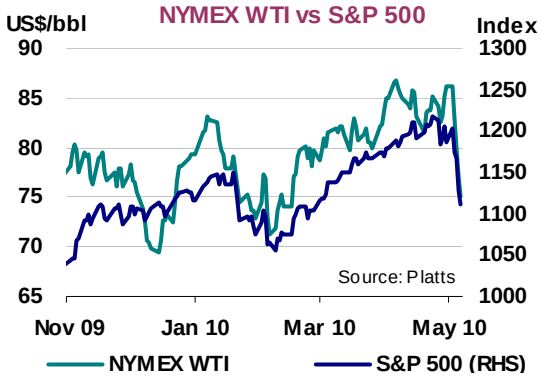
- **The fallout from the Eurozone debt crisis and ensuing sell-off in global stock markets hammered oil prices in early May.** Oil markets posted their biggest weekly decline in nearly 18 months by 7 May, with prices for benchmark crudes plummeting by more than $10/bbl, after steady gains in April.

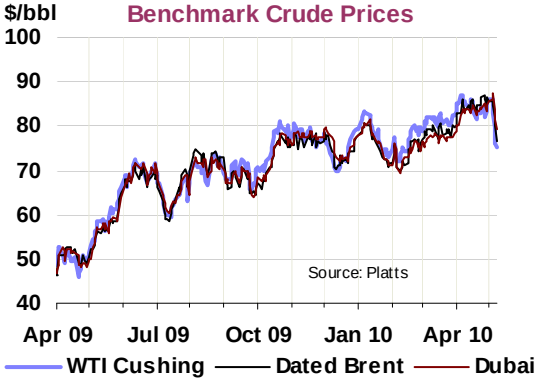
- **Oil prices moved in lock-step with the crash in equity markets**, fuelled by fears that the Greek debt crisis could spread to other European nations. Benchmark prices partly recovered their losses after EU ministers voted to create a €750 billion fund for debt-stricken member countries. WTI futures prices were trading around $76/bbl and ICE Brent at $79.50/bbl at press time.

- **The catastrophic explosion at the *Deepwater Horizon* rig in the Gulf of Mexico has had a minimal impact on actual production** in the region so far but there could be far-reaching implications. Operational safety and regulatory issues have raised the spectre of significantly higher development costs, a possible curbing of offshore leasing and slower growth in offshore production. Combined, these critical issues could lead to a strengthening of the long-term forward price curve.

- **Refining margins decreased across the main refining regions** as product price increases only partially offset crude oil prices. Upgrading margins remained mostly flat as gasoline and jet fuel/kerosene's crack-spread divergent trends offset fuel oil's wider discounts.

- **Crude freight rates continued to recover in April** from recent mid-February lows thanks to further deployment of carriers into floating storage whilst an oversupply of smaller vessels tempered gains for product charters**.**





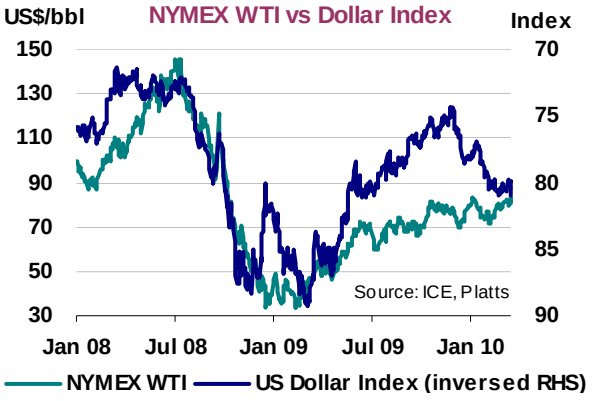
Market Overview

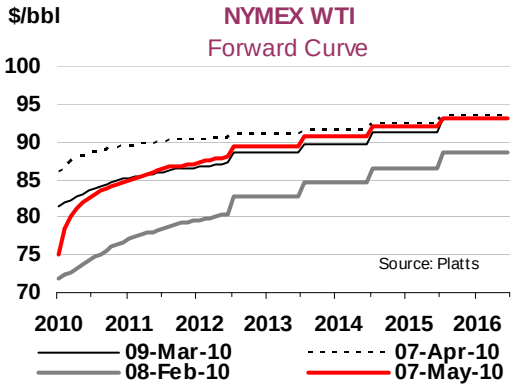
A series of man-made and natural disasters acted as oil market backdrops in recent weeks. Jet fuel demand was curbed by around 1.2 mb/d for eight days in mid-April due to an ash cloud from an Icelandic volcano but the corresponding downward pressures on prices proved to be fleeting. This was followed by the catastrophic rig blow-out in the Gulf of Mexico on 22 April and the extraordinary meltdown in financial markets on 6 May.

Oil prices fell by around $4/bbl in the aftermath of the volcanic eruptions, when European officials took the unprecedented decision to ground flights as a safety measure, but prices recovered relatively quickly as airline traffic gradually returned to normal. Prices for Brent futures in April were hardest hit by the volcanic eruption but posted an equally strong recovery once the clouds had cleared. April Brent futures prices were up on average by a steep $5.82/bbl, to $85.75/bbl for the month. WTI futures prices rose by

a smaller $3.29/bbl, to $84.58/bbl in April, with the month-on-month gains tempered by rising stocks of crude at the pivotal Cushing, Oklahoma storage depots.

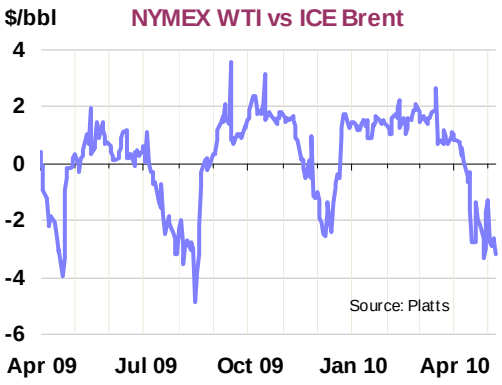
By early May, however, the fallout from the Greece-inspired Eurozone crisis and ensuing sell-off in global stock markets triggered the biggest weekly price decline in nearly 18 months, with benchmark crudes plummeting more than $10/bbl. Oil prices moved in lock-step with the crash in equity markets, fuelled by fears that the Greek debt crisis could spread to other European nations. Benchmark prices recovered their losses after EU ministers voted to create a €750 billion fund for debt-stricken member countries. WTI futures prices were last trading around $76/bbl and ICE Brent at $79.50/bbl.

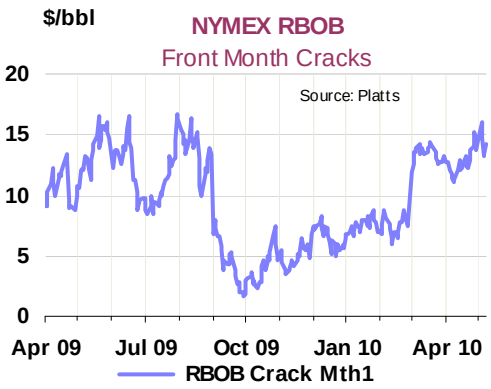




A number of market players, however, are taking the downturn in their stride, arguing that prices were due for a correction. Indeed, even several OPEC ministers attending the OAPEC Conference in Doha, Qatar viewed the latest oil price collapse as largely a correction of overheated markets and dismissed the need for further action on production levels. Despite the near 13% decline in prices by 7 May, benchmark crude prices remained in a $75-$80/bbl range that arguably represents something of a comfort zone for producers. However, Kuwait's Oil Minister said a decline in oil prices to $65/bbl would 'ring a bell' and possibly lead to an extraordinary ministerial meeting.

Against this backdrop, diverging trends emerged between the benchmark crudes. The WTI-Brent front month price spread widened in April, with WTI trading at $1.18/bbl discount to Brent on average for the month compared with a premium of +$1.36/bbl in March and +$1.66/bbl in February. By early May, the spread had deepened further, with WTI trading closer to a $3/bbl discount. Record high levels of crude oil stored at Cushing, Oklahoma and increased flows of Canadian crude into the Mid-continent region pressured prompt WTI prices. At the same time, Brent crude remained relatively firm due to a combination of crude oil stocks in Europe hovering at five-year lows and upcoming maintenance work at the key North Sea Buzzard field.





April's upward price trajectory was fuelled by relatively healthy demand growth in non-OECD countries, as well as in the US. Market expectations for a robust US summer gasoline season also supported prices, with the RBOB futures contract breaking the $100/bbl threshold and crack spreads rising above $15/bbl in early May. The relentless rise in crude oil markets in April continued to confound analysts, given increased supplies of both OPEC and non-OPEC crude, lower refiner demand during turnaround season and weak European demand. Volatile financial markets and a stronger dollar also capped the price gains.

As yet unclear is the market impact from the catastrophic explosion at the *Deepwater Horizon* drilling rig in the Gulf of Mexico. So far, the impact on production in the region has been minimal but once the oil spill is under control, there could be far-reaching implications for operational and regulatory issues during the upcoming months (see Non-OPEC Supply, '*Gulf of Mexico Oil Spill Could Boosts Opposition to Offshore Drilling')*. However, crude oil inventories in the key US market remain at the top of the five-year average range, with stocks at the NYMEX contract delivery point at Cushing reaching record high levels of 36.2 mb.

An armada of tankers storing unsold Iranian crude is also weighing on Asia-Pacific markets. Iran had an estimated 30-38 mb in floating storage in early May. Refiners have curtailed term-contract purchases of Iran's relatively uncompetitively priced crude. Rising competition from Russian ESPO crude into the region has also hit Iranian sales. Less clear is the impact of threatened sanctions on the state oil company's difficulties in selling its crude (see OPEC Supply, '*Iran's Floating Armada'*).

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

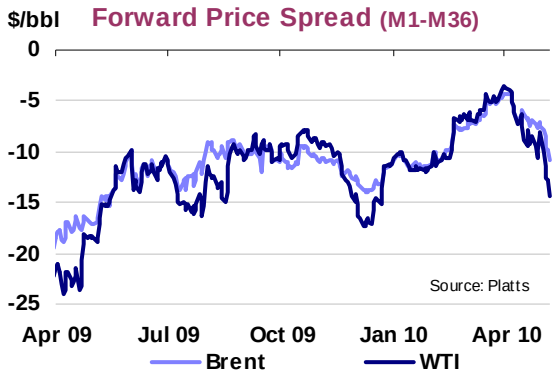
	Feb	Mar	Apr	Apr-Mar Avg Chg	% Chg	Week Commencing: 05 Apr	12 Apr	19 Apr	26 Apr	03 May
NYMEX										
Light Sweet Crude Oil	76.45	81.29	84.58	3.29	3.9	85.93	84.60	83.48	84.24	80.22
RBOB	83.97	94.67	97.38	2.71	2.8	97.45	96.94	96.36	98.72	94.58
No.2 Heating Oil	83.46	87.96	93.68	5.72	6.1	94.36	93.61	92.47	94.38	92.25
No.2 Heating Oil ($/mmbtu)	14.33	15.10	16.08	0.98	6.1	16.20	16.07	15.87	16.20	15.84
Henry Hub Natural Gas ($/mmbtu)	5.21	4.30	4.08	-0.22	-5.3	4.07	4.08	4.05	4.13	3.99
ICE										
Brent	74.79	79.93	85.75	5.82	6.8	85.45	85.76	85.53	86.62	83.06
Gasoil	82.07	89.04	96.23	7.20	7.5	96.27	96.06	95.23	97.72	95.03
Prompt Month Differentials										
NYMEX WTI - ICE Brent	1.66	1.36	-1.18	-2.54		0.48	-1.16	-2.05	-2.39	-2.84
NYMEX No.2 Heating Oil - WTI	7.01	6.67	9.10	2.43		8.43	9.02	8.99	10.15	12.03
NYMEX RBOB - WTI	7.52	13.38	12.80	-0.57		11.52	12.35	12.88	14.48	14.35
NYMEX 3-2-1 Crack (RBOB)	7.35	11.14	11.57	0.43		10.49	11.24	11.58	13.04	13.58
NYMEX No.2 - Natural Gas ($/mmbtu)	9.11	10.80	12.00	1.20		12.13	11.99	11.82	12.07	11.85
ICE Gasoil - ICE Brent	7.28	9.10	10.48	1.37		10.82	10.30	9.70	11.09	11.97

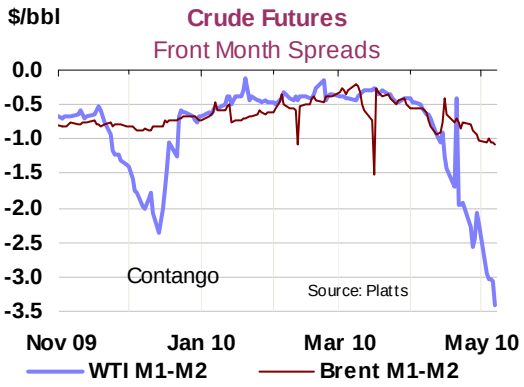
Source: Platts

Futures Markets

Despite solid indications of a recovery in oil demand growth, plentiful prompt barrels were weighing on front-end futures prices even before the collapse in financial markets in the first week of May. The contango between front-month WTI crude prices and forward markets continued to widen in April and into early May, especially for WTI. Market perceptions of near-term oversupply of oil pushed June crude oil to just over $3/bbl below the July-delivery contract. That represents the biggest M1-M2 discount in a year. Again, steadily rising crude stocks at Cushing are behind the widening contango.

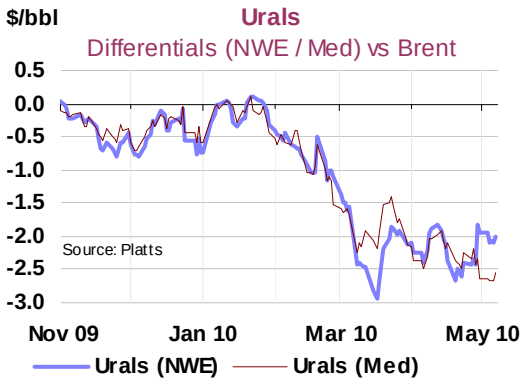
The WTI M1-M2 contract at almost $3/bbl in the first week of May compares with $1.36/bbl on average in April and just 37 cents/bbl in March. The widening in the Brent M1-M2, however, was more muted due to relatively tight inventory levels. The Brent M1-M2 was running about $1/bbl in early May, compared with around 75 cents/bbl in April and 44 cents in March. Further out, after steadily narrowing since the start of the new year, the WTI M1-M36 spread widened markedly over the last five weeks, to $14.38/bbl by 7 May from $3.77/bbl on the 1st of April.

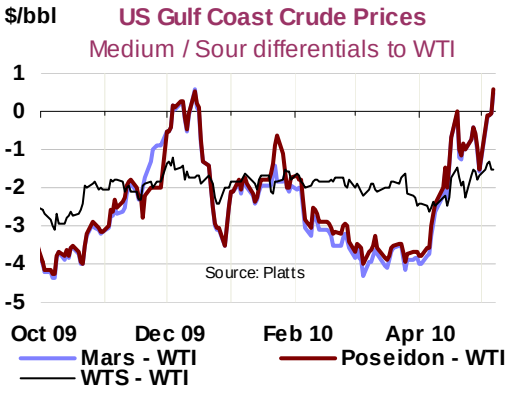




Spot Crude Oil Prices

Spot crude oil markets strengthened across all major regions in April, with prices for benchmark grades up on average by between $3-6/bbl month-on-month. Spot crude prices weakened mid-month after the volcanic ash incident hit demand, recovered by end-month but then spiralled lower in tandem with futures markets by early May. Spot prices for medium-heavy sour grades weakened relative to lighter crudes as higher OPEC production in recent months worked its way into the market and with rising volumes of the new Russian ESPO crude pressuring competing grades. Weaker fuel oil crack spreads are also adding downward pressure on medium heavy crudes.





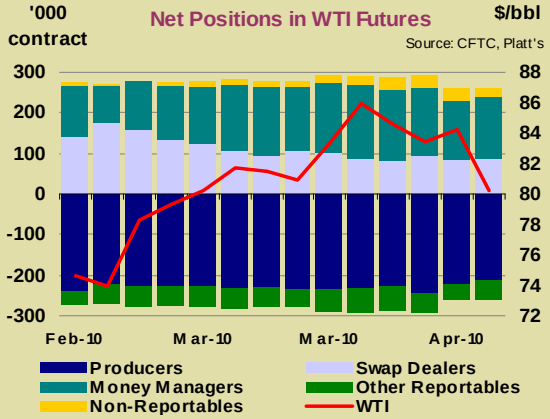
In Europe, the Urals-Brent differential continued to widen on increased exports of the Russian crude and expected lower volumes of North Sea grades due to field maintenance. The Urals-Brent spread in the Mediterranean averaged -$2.27/bbl in April compared with -$1.85/bbl in March, -$0.80/bbl in February and just -$0.10/bbl in January.

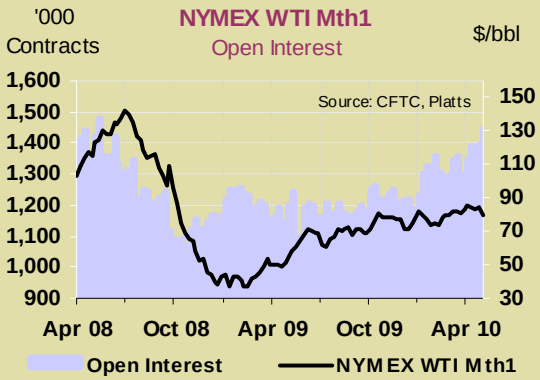
In the US crude market, prices for medium sour grades like Mars and Poseidon strengthened relative to the depressed spot prices for light sweet WTI. Strong crack spreads for gasoline, gasoil, diesel and jet fuel are supporting most US domestic grades while WTI remains weak under the weight of surplus barrels. Should the oil spill in the Gulf of Mexico spread inland to shipping lanes, and disrupt imports into this key refining region, WTI prices could rebound.

CFTC Watching Trading Limits in Wake of Equity Market Sell-off

Open interest in crude oil contracts traded on the New York Mercantile Exchange flirted near record highs in the week ended 4 May. Total open interest jumped to 2,922,000 contracts. The latest reported increase in open interest does not include last week's most volatile trading day, 6 May. The wild price swing in equity and commodity markets has prompted the US Security & Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC) to investigate any unusual trading activity following the plunge in financial markets on 6 May in the wake of the European debt crisis. Regulators are reviewing activity to ensure no position limits were exceeded.

Latest data released by CFTC showed open interest in Light Sweet Crude Oil rose by 49,400 contracts over the week, to 1,445,300 by 4 May. Non-commercials, which includes Money Managers and Other Reportables were net long 109,870 NYMEX crude futures contracts, up just 606 contracts. The CFTC's disaggregated report showed Money Managers increased net long crude positions by 8,052, to 154,982 contracts. By contrast, producers and swap dealers shed 7,323 short positions during the week, ending net short 130,846 crude futures contracts.

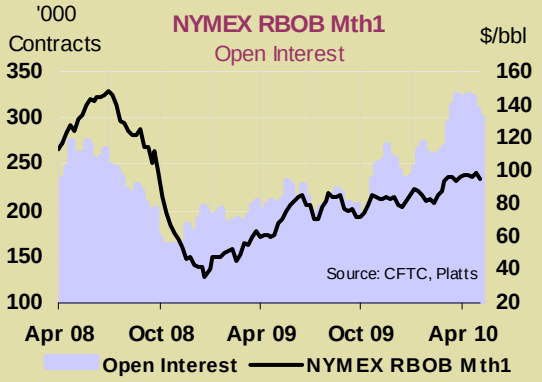




In refined products, open interest in the RBOB contract hit record levels, with non-commercials buying 6,036 contracts, with their net long position at 80,529 contracts. Money Managers were the heaviest buyers, increasing their net long RBOB positions by 7,501 contracts, to 68,922 contracts.

Meanwhile, the CFTC closed out the period for comments on its proposals for setting limits on energy futures positions on 26 April. There were more than 7,500 comments submitted on the proposals and officials report the majority of the responses were from individuals urging regulators to cap the number of futures contracts a trader can hold. CFTC officials are reviewing the comments but there is no fixed time limit when or if the agency will follow through to formally propose new rules.

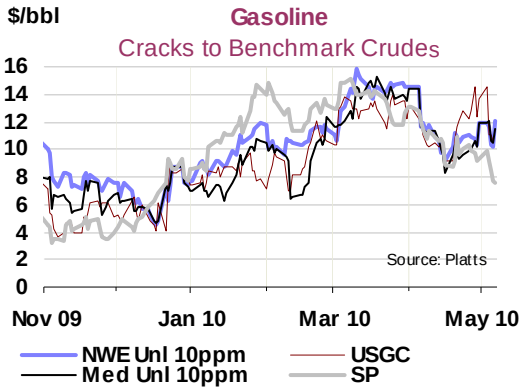
The new position limits, if adopted, will affect the WTI, heating oil, RBOB gasoline and natural gas futures contracts. The new rules would allow exemptions to companies using the futures contracts to hedge their commercial risks. Market participants are concerned that adopting the new position limits would raise the costs for companies engaged in hedging activities, make the market less efficient and prompt the largest traders to move their business overseas to unregulated over-the-counter markets at the expense of liquidity in the established futures markets.

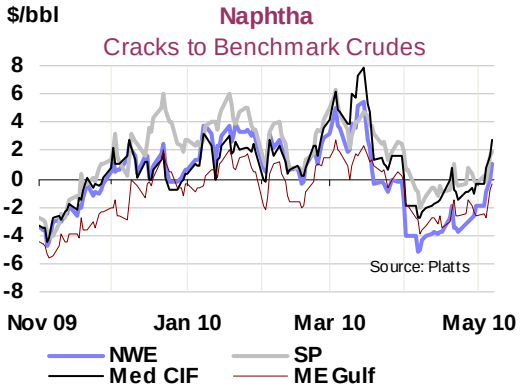


Spot Product Prices

Spot prices for refined products rose across the board in April. However, the increases in spot crude prices largely outpaced the month-on-month gains in products, with only crack spreads for gasoil and diesel posting modest improvement. In the US, gasoline cracks against the relatively weaker WTI were also the exception.

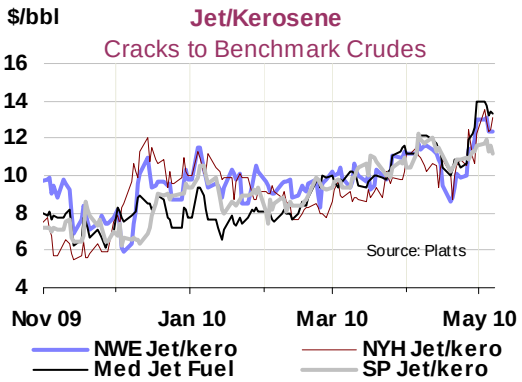
Gasoline crack spreads weakened $1-2/bbl on average in April as refiners cranked up production after turnarounds. In the US, however, cracks rebounded again in early May on expectations of stronger demand going into the peak driving season as well as fears that the Gulf of Mexico oil spill could affect refining operations in the region. Relative to other products, spot prices for naphtha posted modest gains on the month, especially in Europe. As a result, crack spreads in Europe and Asia moved into negative territory in April on limited demand due to the ongoing olefin cracker turnaround season.





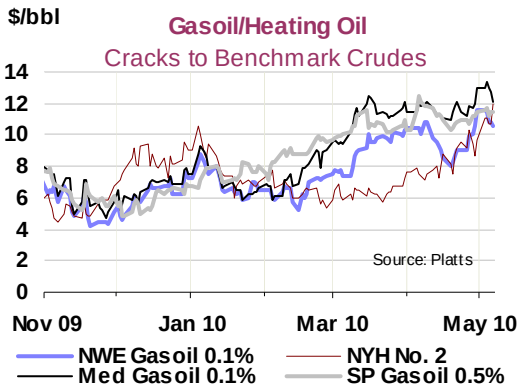
Jet fuel markets briefly dipped in mid-April as fears mounted that stocks would mushroom the longer aircraft were grounded due to the Icelandic volcano, but crack spreads strengthened again once the skies had cleared, rising to just over $13/bbl in Northwest Europe by end April compared with a mid-month low of $9.39/bbl.

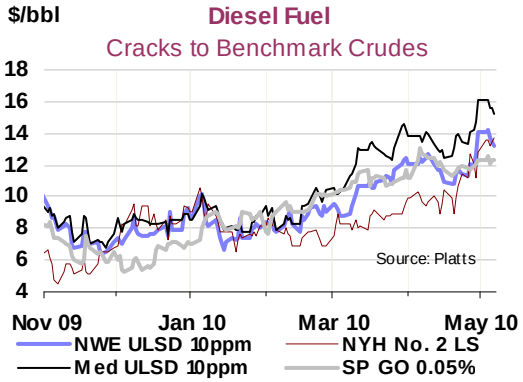
Spot prices for gasoil/diesel posted the sharpest month-on-month increases, up on average by 6-8.5% in April. Crack spreads for both gasoil and diesel strengthened. In Northwest Europe, gas oil differentials to Brent increased on average to $9.64/bbl in April versus $9.03/bbl in March and $6.53/bbl in February. In the Mediterranean, gasoil cracks for Urals firmed to $11.71/bbl in April compared with $10.76/bbl in March.



In Singapore, lower refinery throughput rates continued to support gasoil crack spreads, with differentials for Dubai crude averaging $11.18/bbl in April against $10.47/bbl in March.

Diesel cracks — a key barometer of economic activity — also posted solid increases in April thanks to improved demand, which was up by an estimated 4% year-on-year in OECD countries. In Rotterdam, ULSD cracks in April averaged $11.90/bbl, an increase of $1.38/bbl over March levels. In the Mediterranean, ULSD differentials to Urals rose by a similar $1.26/bbl to $13.66/bbl.





Refining Margins

In April, refining margins decreased across the main refining regions, bar the Maya coking margin in the USGC and Kern coking on the West Coast. Product price increases only partially offset crude oil prices, which rose more than $5/bbl for most of the benchmark grades.

Selected Refining Margins in Major Refining Centres

($/bbl)

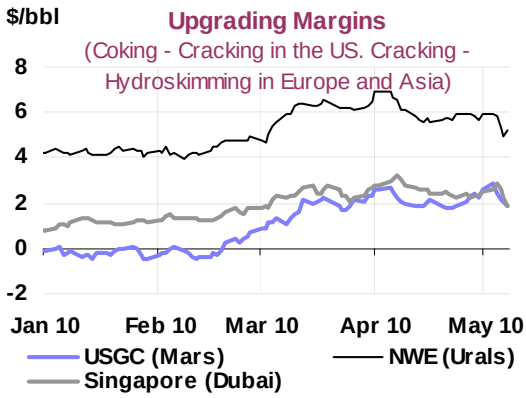
		Monthly Average			Change	Average for week ending:				
		Feb 10	Mar 10	Apr 10	Apr 10-Mar 10	09 Apr	16 Apr	23 Apr	30 Apr	07 May
NW Europe	Brent (Cracking)	2.48	3.44	1.82	-1.61	2.31	1.26	1.19	2.02	3.10
	Urals (Cracking)	3.06	4.99	3.17	-1.82	3.38	2.51	3.04	3.35	4.36
	Brent (Hydroskimming)	0.19	0.22	-1.24	-1.46	-1.00	-1.56	-1.72	-0.97	0.37
	Urals (Hydroskimming)	-1.37	-1.01	-2.84	-1.84	-3.07	-3.16	-2.70	-2.50	-1.08
Mediterranean	Es Sider (Cracking)	0.81	2.28	1.44	-0.84	2.02	0.57	0.86	1.68	3.16
	Urals (Cracking)	1.16	2.61	1.36	-1.25	1.41	0.81	1.10	1.81	3.07
	Es Sider (Hydroskimming)	-3.11	-2.93	-3.56	-0.63	-3.04	-4.18	-3.93	-3.60	-1.65
	Urals (Hydroskimming)	-3.94	-4.28	-5.42	-1.14	-5.99	-5.69	-5.13	-4.77	-3.29
US Gulf Coast	Bonny (Cracking)	-0.55	-0.79	-1.67	-0.88	-1.13	-2.54	-2.16	-1.56	-1.76
	Brent (Cracking)	-0.24	-0.61	-2.36	-1.74	-1.48	-3.03	-3.10	-2.58	-2.13
	LLS (Cracking)	0.25	0.90	-0.29	-1.19	-0.24	-1.47	-0.24	0.21	-0.17
	Mars (Cracking)	1.66	1.59	0.43	-1.16	0.14	-0.56	0.48	1.29	0.97
	Mars (Coking)	1.63	3.31	2.58	-0.73	2.42	1.40	2.31	3.61	3.25
	Maya (Coking)	1.47	4.91	5.94	1.03	5.79	5.15	5.66	6.83	6.81
US West Coast	ANS (Cracking)	-2.49	-0.62	-0.12	0.50	-0.88	-1.20	0.27	1.12	-2.06
	Kern (Cracking)	1.55	1.01	3.36	2.35	0.97	1.88	4.77	5.75	3.03
	Oman (Cracking)	-1.39	-0.41	-3.48	-3.07	-2.94	-5.16	-4.26	-3.03	-5.62
	Kern (Coking)	7.49	9.92	11.68	1.76	9.34	9.98	12.44	15.02	11.04
Singapore	Dubai (Hydroskimming)	-1.88	-2.55	-4.27	-1.72	-4.23	-4.37	-4.40	-4.19	-4.17
	Tapis (Hydroskimming)	-3.32	-4.10	-5.02	-0.93	-5.27	-4.72	-5.18	-4.89	-3.19
	Dubai (Hydrocracking)	-0.43	-0.19	-1.67	-1.48	-1.23	-1.78	-2.03	-1.82	-1.75
	Tapis (Hydrocracking)	-1.79	-1.69	-2.52	-0.83	-2.37	-2.24	-2.88	-2.59	-0.83
China	Cabinda (Hydroskimming)	-5.29	-8.29	-9.21	-0.92	-9.14	-8.84	-9.07	-9.39	-7.07
	Daqing (Hydroskimming)	-3.05	-6.01	-8.62	-2.61	-10.02	-8.69	-7.94	-7.66	-7.10
	Dubai (Hydroskimming)	-1.69	-2.36	-4.09	-1.73	-4.01	-4.21	-4.23	-4.03	-3.99
	Daqing (Hydrocracking)	0.91	-0.93	-3.70	-2.77	-4.50	-3.86	-3.33	-3.12	-2.63
	Dubai (Hydrocracking)	-0.15	0.06	-1.41	-1.47	-0.92	-1.54	-1.79	-1.59	-1.50

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

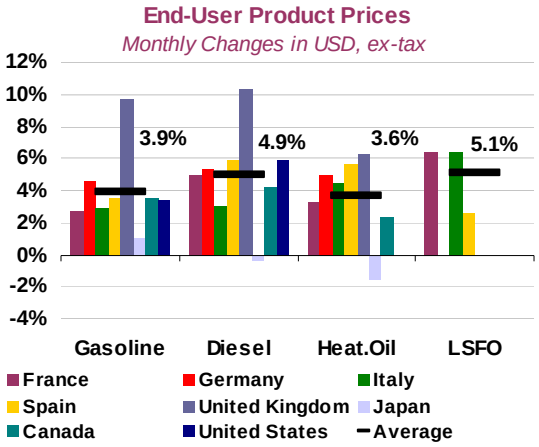
Across the regions, only jet fuel/kerosene and gasoil/diesel premiums to crude increased, while the gasoline differential to crude narrowed and both fuel oil and naphtha discounts to crude widened – bar a marginal improvement for naphtha in the USGC.

Upgrading margins were mostly flat in April as gasoline and jet fuel/kerosene's divergent crack-spread trends offset fuel oil's wider discounts. During the first week of May, the upgrading differential waned as gasoline and middle distillates prices fell more steeply than those of fuel oil.



End-User Product Prices in April

End-user prices in April climbed on average by 4.3% from March levels, in US dollars, ex-tax. Japan apart (-0.3%), all surveyed countries reported average monthly increases in April of over 3%. A notable rise was reported in the UK where a surge in diesel (+10.3%) and gasoline (+9.8%) prices resulted in average growth of +8.8%. More modest transport fuel inflation was experienced in Continental Europe and North America, where prices strengthened by between 2.7-4.6% for gasoline and 3.1-5.9% for diesel. In contrast, Japan reported a 1.0% increase for gasoline and a 0.4% price contraction for diesel.



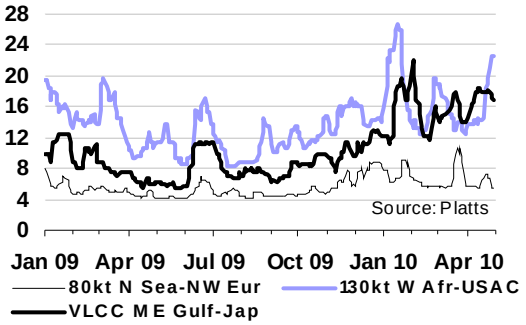
Pump prices rose across all surveyed countries in March. At the forecourt, gasoline was priced at $2.82/gallon ($0.75/litre) in the US, ¥133/litre in Japan and £1.20/litre in the UK. Continental European prices ranged from €1.18/litre in Spain to €1.43/litre in Germany. Led by the strengthening price of crude oil, gasoline pump prices were on average 22% above year ago levels. Following a similar trend to transport fuels, heating oil prices also grew by 27% compared to a year ago. Compared to March, heating oil prices grew proportionally less than transport fuels, prices in US Dollars, ex-tax increased on average by 3.6% with rises in Europe (+4.9%) and Canada (+2.4%) offsetting the -1.6% decrease in Japan.

Freight

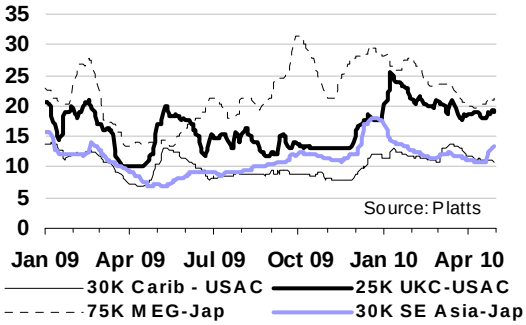
Following tighter tonnage for larger carriers and an oversupply of smaller vessels, dirty and clean freight rates diverged in April. Dirty rates continued their recovery from recent mid-February lows as they firmed during April. VLCC rates on the benchmark Middle East Gulf – Japan route increased from $14/mt to over $18/mt by mid-month on the back of rising demand ahead of the Easter holidays and the further deployment of carriers into floating storage in the Middle East Gulf. Rates then slipped back to below $17/mt at month-end following lower enquiries. Suezmax rates on the West Africa – US Atlantic Coast route surged in the second half of the month from $14/mt to over $22/mt resulting from a shortage of both VLCC and Suezmax vessels in the Atlantic basin to transport Nigerian cargoes. Aframax rates on the short haul UK – North West Europe route peaked mid-month at $7/mt before falling back again to month-start levels of $5/mt by end-April.

Clean charter rates consolidated their positions following March's losses and were little changed for much of the month. A notable increase was reported on the Handymax South East Asia – Japan route where rates lifted from $11/mt to over 13/mt towards month end on higher enquiries and relatively tight tonnage. Rates on the benchmark Aframax Middle East Gulf – Japan and Handymax Caribbean – US Atlantic Coast routes, remained stable at around $20/mt and $11/mt, respectively.

Daily crude oil tanker voyage freight rates (US$/mt)



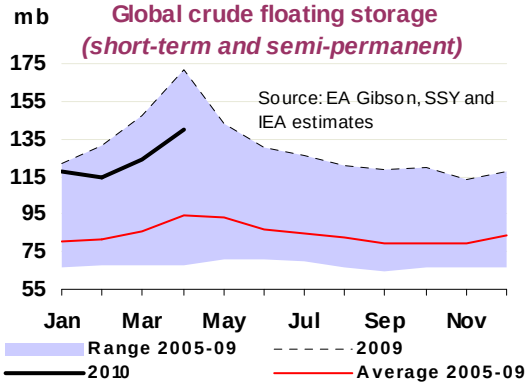
Daily product tanker voyage freight rates (US$/mt)



Oversupply is expected to weigh heavily on rates for the foreseeable future. However, in the short term, support could come from three factors. Firstly, increasing Somali pirate activity, which has forced many operators to divert cargoes away from the East African coast and in some cases to reroute around the Cape of Good Hope, increasing shipping times to Europe by up to 12 days. Secondly, although as yet, the recent oil spill in the Gulf of Mexico has not had an impact on the tanker market, if the slick was to encroach on shipping routes it would likely impede shipping to and from the US Gulf Coast. Finally, the renewed rise in the use of large crude carriers for floating storage could limit their availability, especially on routes from the Middle East Gulf.

Data suggest that short-term floating storage stood at 120.9 mb at end-April, representing a monthly increase of 3.7 mb. Crude oil now accounts for 81 mb, an increase of 16 mb from end-March. The bulk of this increase was located in the Middle East Gulf where, by early May, Iran was estimated to be storing 30-38 mb on a reported 18 VLCCs and one Suezmax. The trend for more oil to be stored on larger carriers is highlighted by a net decrease in the number of vessels being deployed for storage from 100 to 92. The total number of VLCCs deployed for storage now stands at 44, a month-on-month increase of 4. Product floating storage fell by 12.3 mb across all regions, with decreases concentrated in Northwest Europe (-4.6 mb) and the Mediterranean (-3.3 mb). In the coming months, it is conceivable that crude floating storage could increase further if a widening price contango encourages arbitrage front month buying.

Global crude floating storage *(short-term and semi-permanent)*



REFINING

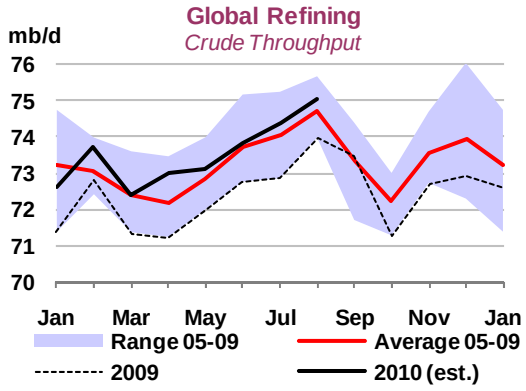
Summary

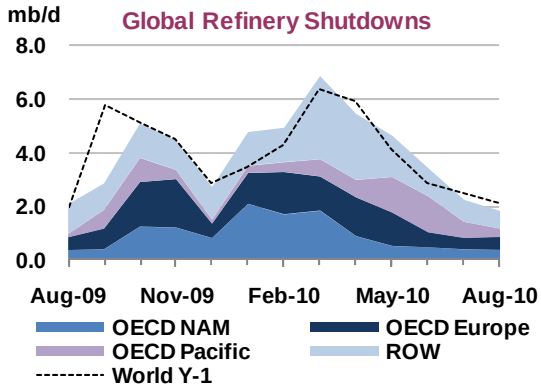
- **Global refinery crude throughputs were 72.9 mb/d in 1Q10**, 330 kb/d above our previous assessment. The increase from last month's report stems in part from the inclusion of annual historical data for a number of non-OECD countries, as well as higher than previously assumed runs in Europe, North America and Singapore in February and March.

- **2Q10 global crude runs are similarly revised higher by 370 kb/d, to average 73.3 mb/d.** Sharply higher US runs in April, on the back of improved margins for complex refineries and a sharp exit from turnarounds, lift North American throughputs by 930 kb/d compared to 1Q10. Stronger expected Chinese runs for the quarter add to product supplies, while heavy Pacific maintenance and continued shutdowns in Latin America limit the global quarter-on-quarter increase.

- **OECD crude throughputs averaged 35.9 mb/d in March**, essentially flat from February and 240 kb/d lower than March 2009. Runs rose in both the US and Europe, while Pacific throughputs fell in line with seasonal trends. Weekly data brought US, and with them total OECD, runs sharply higher in April, given more favourable refining economics. A downward correction in Atlantic basin margins is expected however, as more capacity comes out of maintenance in the coming months, unless refiners pre-emptively curb runs or global oil product demand exceeds expectations.

- **February OECD refinery yields increased only for naphtha and the 'other product' category.** Total product gross output was 4.0% below levels of a year ago at 41.9 mb/d. European output contracted by 6.4%, while in North America and the Pacific output fell by 2.8% and 2.7%, respectively. Naphtha and other products output increased by 8.1% and 1.4%, whereas gasoil/diesel and fuel oil output shrank the most, by 9.7% and 8.6%. Gasoline and jet/fuel output declines were less pronounced, at 2.1% and 2.4% respectively.





Global Refinery Throughput

Global refinery crude throughputs averaged 72.9 mb/d in 1Q10, 330 kb/d higher than our previous assessment, and 1.1 mb/d above runs of a year ago. Since last month's report, we have started to incorporate consolidated annual data for a number of non-OECD countries up to 2008, to be published in the upcoming edition of the IEA's *Energy Statistics of Non-OECD Countries*. We will continue to update historical data in the months to come, as they become available and are evaluated. Updated data for February and March runs reflect the trend of generally stronger margins seen at that time. Gasoline cracks to benchmark crudes rose steadily over the first quarter, peaking in mid-March, on tighter supplies and expectations of stronger demand in the months ahead. The steep fuel oil discounts and widening light-heavy differentials propped up upgrading margins and supported runs at complex refineries.

US refiners increased runs sharply in April, as seasonal maintenance ended, to take advantage of more favourable economics. In April, refinery margins generally trended lower, but were supported by strong jet/kerosene and diesel cracks. Albeit lower than those of March, margins could still support relatively high US run rates into May. However, as more capacity comes out of maintenance (on both sides of the Atlantic) however, increased product supply will likely pressure margins lower again, unless refiners pre-emptively cut utilisation rates to keep a floor under prices or if demand is stronger than anticipated.

Chinese refinery runs are equally now seen higher for 2Q10, after newswire reports of increased runs at the country's largest refineries for April and May. Prolonged outages in Latin America, at PDVSA's Isla refinery and Chile's earthquake-hit Bio Bio refinery, are expected to keep regional run rates at exceptionally low levels until the start of 3Q10. In all, global 2Q10 refinery run rates are now estimated at 73.3 mb/d, an increase of 450 kb/d over 1Q10 and 1.3 mb/d higher than 2Q09. The global total is also 370 kb/d higher than our previous estimate.

Global Refinery Crude Throughput[1]

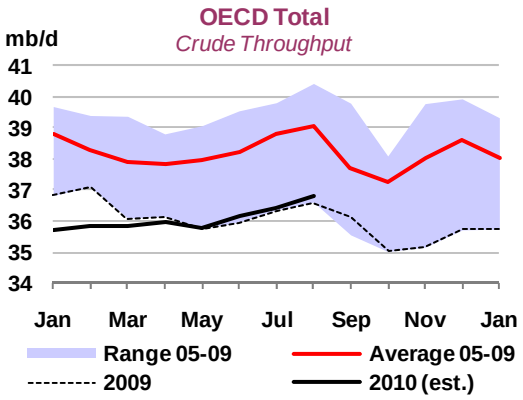
(million barrels per day)

	Jan 10	Feb 10	Mar 10	**1Q2010**	Apr 10	May 10	Jun 10	**2Q2010**	Jul 10	Aug 10
OECD										
North America	16.8	16.9	17.1	16.9	17.7	17.9	18.0	17.9	18.0	18.0
Europe	12.1	12.0	12.2	12.1	11.8	12.0	12.2	12.0	12.3	12.4
Pacific	6.9	6.9	6.6	6.8	6.4	5.9	5.9	6.1	6.1	6.5
Total OECD	35.7	35.8	35.9	35.8	36.0	35.8	36.1	36.0	36.4	36.8
NON-OECD										
FSU	6.1	6.4	6.3	6.2	6.0	6.3	6.4	6.2	6.4	6.4
Non-OECD Europe	0.6	0.6	0.6	0.6	0.7	0.8	0.8	0.7	0.8	0.8
China	8.0	8.3	8.1	8.1	8.4	8.3	8.5	8.4	8.5	8.5
Other Asia	8.7	8.9	8.5	8.7	8.8	8.6	8.6	8.7	8.8	8.9
Latin America	5.2	5.4	5.0	5.2	5.0	5.1	5.2	5.1	5.1	5.4
Middle East	5.9	5.9	5.8	5.9	6.0	6.0	6.0	6.0	6.1	6.1
Africa	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2
Total Non-OECD	36.9	37.9	36.5	37.1	37.0	37.3	37.7	37.3	37.9	38.3
Total	72.6	73.7	72.4	72.9	73.0	73.1	73.8	73.3	74.4	75.1

Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD refinery crude throughputs averaged 35.9 mb/d in March, essentially flat from February and 240 kb/d lower than in March 2009. OECD North American runs rose by 170 kb/d month-on-month, following stronger runs in the US. OECD European rates also increased by some 230 kb/d in the month with higher runs in both France and Spain. The Pacific, on the other hand, saw sharply lower runs on both a monthly and an annual basis, as regional maintenance and permanently shut capacity reduced runs. Final data for February leave total OECD largely unchanged from preliminary estimates, as higher than initially estimated runs in Europe were offset by lower final Japanese data.



2Q10 OECD throughputs are expected to return to levels of a year ago, at 36 mb/d, as a significant improvement in the US from April onwards is offset by continued year-on-year deficits in Europe and the Pacific. Runs are slightly higher than in 1Q10 (+160 kb/d), as seasonal patterns and maintenance schedules diverge across regions. It must be noted that the 2Q10 OECD estimate has been significantly raised since last month's report, by 450 kb/d in total, in large part due to the sharp increase in US runs recorded in April, and following a reassessment of runs based on updated information on shutdowns and oil product demand.

Refinery Crude Throughput and Utilisation in OECD Countries

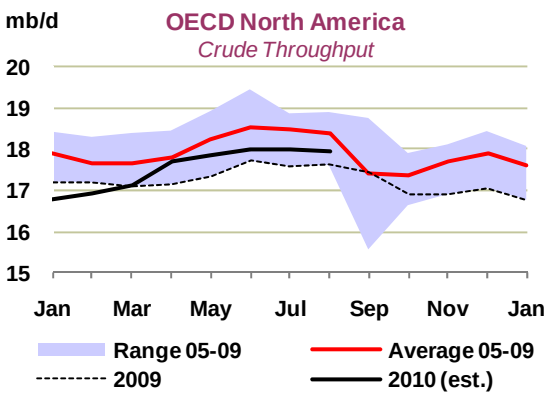
(million barrels per day)

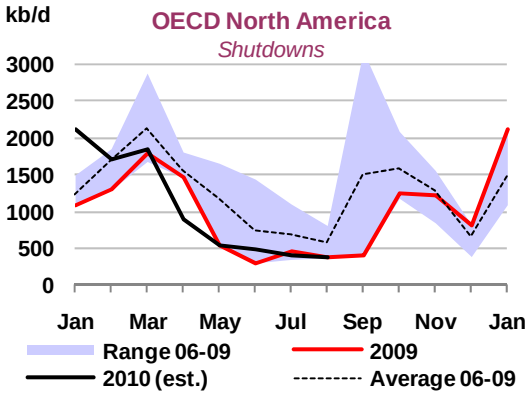
							Change from		Utilisation rate[1]	
	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Feb 10	Mar 09	Mar 10	Mar 09
OECD North America										
US[2]	14.05	13.86	13.98	13.67	13.97	14.16	0.19	0.06	79.3%	80.0%
Canada	1.58	1.72	1.76	1.79	1.72	1.69	-0.02	-0.11	83.8%	89.3%
Mexico	1.29	1.32	1.33	1.32	1.24	1.25	0.01	0.03	81.4%	79.4%
Total	16.92	16.91	17.07	16.78	16.93	17.10	0.17	-0.02	79.9%	80.8%
OECD Europe										
France	1.36	1.34	1.34	1.24	1.30	1.45	0.14	0.00	73.9%	74.0%
Germany	1.99	1.95	1.88	1.92	1.83	1.76	-0.08	-0.39	72.7%	89.0%
Italy	1.62	1.58	1.56	1.60	1.59	1.57	-0.02	-0.04	67.1%	68.9%
Netherlands	0.96	0.90	1.04	1.05	1.08	1.08	0.00	0.12	89.1%	79.1%
Spain	1.01	0.91	1.01	1.06	0.85	1.03	0.17	-0.01	80.6%	81.0%
UK	1.38	1.45	1.49	1.39	1.38	1.39	0.02	-0.10	73.8%	79.0%
Other OECD Europe	3.77	3.75	3.62	3.80	3.92	3.92	0.00	0.37	83.6%	75.7%
Total	12.08	11.87	11.94	12.05	11.96	12.19	0.23	-0.05	77.3%	77.6%
OECD Pacific										
Japan	3.13	3.44	3.68	3.78	3.79	3.66	-0.14	-0.03	78.2%	78.7%
Korea	2.33	2.26	2.28	2.38	2.40	2.21	-0.19	-0.21	80.9%	88.6%
Other OECD Pacific	0.56	0.68	0.74	0.75	0.74	0.70	-0.05	0.07	86.3%	78.2%
Total	6.02	6.38	6.71	6.91	6.93	6.57	-0.37	-0.17	79.9%	82.0%
OECD Total	35.02	35.16	35.72	35.74	35.82	35.86	0.04	-0.24	79.0%	79.9%

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

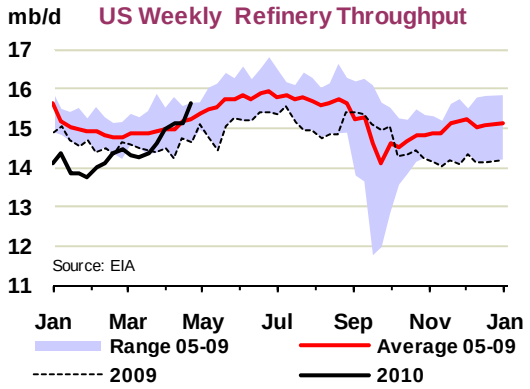
OECD North American runs averaged 17.1 mb/d in March, an increase of 170 kb/d from a month earlier and on par with March 2009. US runs, in particular, rose, despite a heavy maintenance schedule. The commissioning of Marathon's expanded Garyville Louisiana refinery and a sharp ramp-up of rates in early March supported the increase. The Garyville refinery added 180 kb/d of crude distillation capacity and reportedly reached its full 436 kb/d capacity in early March after the completion of a planned turnaround to integrate the new units.

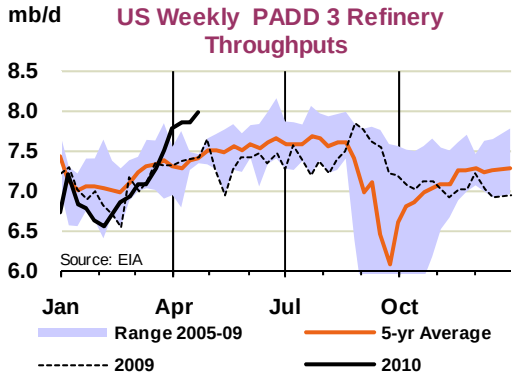




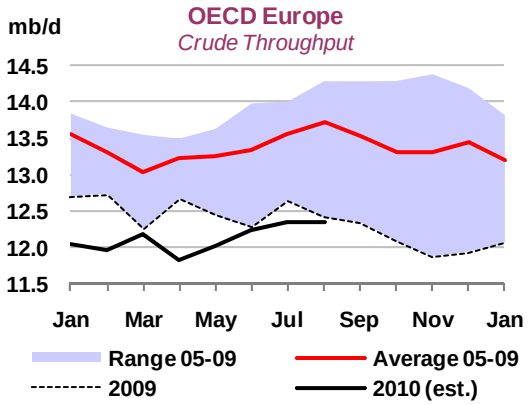
In April, US crude runs again rose sharply, supported by a steep decline in maintenance activity (reported outages falling by almost 1 mb/d from March levels) and significantly improved refining margins. Total US capacity utilisation (including non-crude inputs such as NGLs) reached its highest since July 2008, at 90% at the end of April, up from only 83% a month earlier. Regionally, runs rose in all PADDs bar the Midwest (PADD 2), further adding to stock builds at Cushing and elsewhere in the region. The Gulf Coast saw the strongest gains, as refineries there are generally more complex and benefitted from stronger upgrading margins, and recorded a month-on-month increase of 490 kb/d. The East Coast followed with an increase of 125 kb/d, while the West Coast and the Rocky Mountains added 115 kb/d and 50 kb/d month-on-month, respectively.

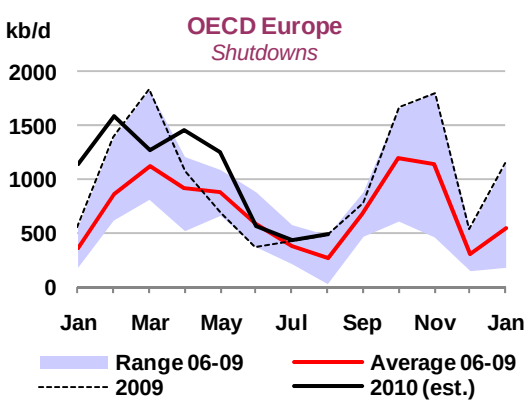
It is worth noting in addition to the 720 kb/d monthly increase in US crude runs in April, a further 165 kb/d increase was reported for blending components and non-crude refinery inputs (unfinished oil and gas plant liquids/NGLs). The non-crude inputs to crude distillation units reached their highest volume since the weekly EIA series started in 1990, adding to product supplies at the expense of crude throughputs.



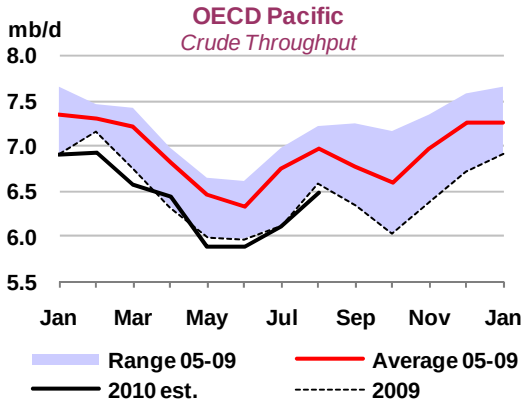


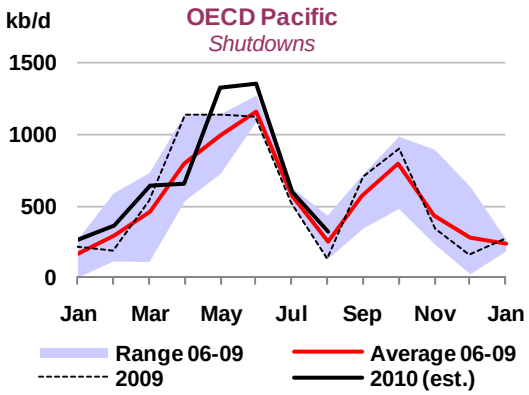
European throughputs were stronger than expected for both February and March, but remain well below levels of a year ago. Relatively healthy cracking margins in both Northwest Europe and in the Mediterranean supported runs. Finnish refiner Neste Oil reported on 29 April 1Q10 profits of €64 million, an increase of 4.9% compared to 1Q09, due to a 'positive surprise' of rapidly improving refining margins early this year. April European runs likely dipped again, as the shutdown of Neste's Porvoo refinery in early-month added to an already heavy maintenance schedule. From May onwards, runs are expected to increase. ConocoPhillips restarted its 260 kb/d Wilhelmshaven refinery at the tail-end of April, after having been shut for six months due to poor economic conditions. The return of Wilhelmshaven and additional capacity coming back from maintenance, will likely pressure margins lower again however, potentially bringing about another round of discretionary run cuts at less profitable units.





OECD Pacific throughputs averaged 6.6 mb/d in March, 370 kb/d lower than the previous month and 170 kb/d below levels of a year ago. Weekly data from the Petroleum Association of Japan (PAJ) for the first three weeks of April suggest the seasonal decline in run rates flattened slightly, in line with reported and scheduled outages data for the region. The big increase in turnarounds, and corresponding fall in utilisation rates, is expected for May. As regional refiners still have ample spare capacity, we expect the decline in run rates to be less pronounced than planned shutdowns, as other refiners will most likely compensate for part of the shut capacity with increased runs.

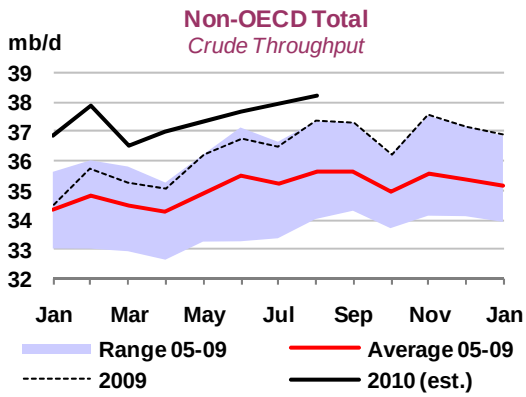


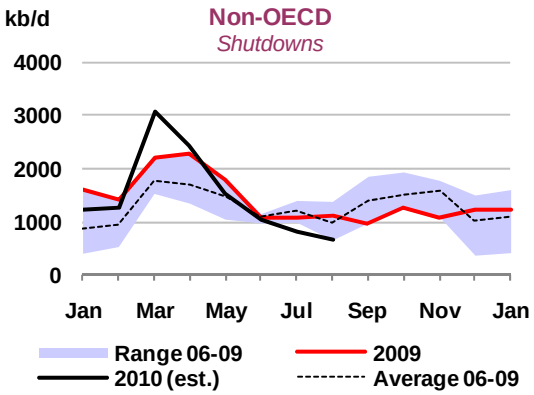


Idemitsu Kosan joined the list of Japanese refiners to slash refining capacity at the end of April, announcing it will cut crude distillation capacity by 100 kb/d over the next three to four years. Idemitsu currently operates a nameplate capacity of 640 kb/d, spread across four refineries. It is unclear where, and in what form the capacity cuts will take place. Previously, Nippon Oil/Japan Energy, Cosmo Oil and Showa Shell have already announced capacity cuts of a combined 710 kb/d before 2014, now one year earlier than originally announced.

Non-OECD Refinery Throughput

Non-OECD throughputs averaged 37.1 mb/d in 1Q10, 1.9 mb/d higher than a year earlier, and 200 kb/d higher than last month's estimate. The upward revisions stem in large part from higher runs in Singapore, as maintenance thought to take place in February and March, only started in early May. A higher estimate of historical Belarusian runs, and a new assessment of current Russian crude deliveries to the country, further raised the baseline and forecast for the FSU region. The incorporation of revised monthly data for Brazil going back to January 2000 also entails a higher baseline. The inclusion of lower annual data for a number of non-OECD countries, for 2008 and prior years offset some of these changes.

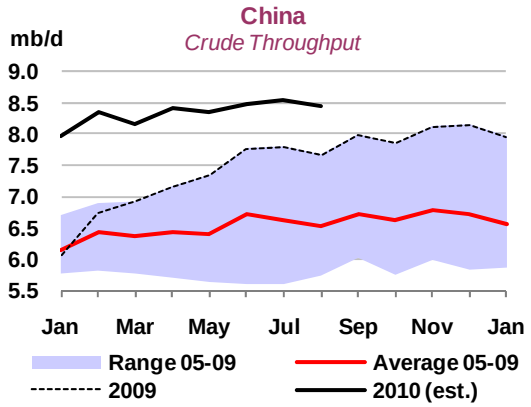


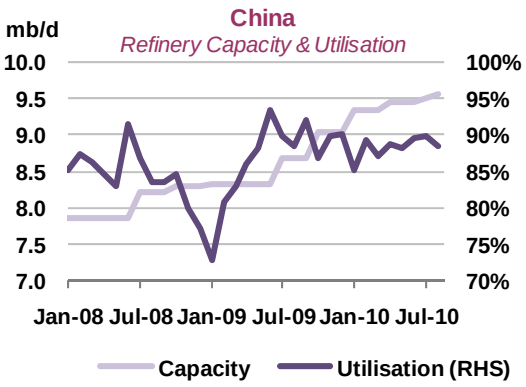


The 2Q10 forecast has been lowered by 80 kb/d since last month's report, following a lower assessment for Latin America, partly offset by higher Chinese runs. PDVSA's 320 kb/d Curacao refinery, in the

Netherlands Antilles, did not come back on line at the end of April, as previously assumed, and is now expected to remain shut also for most of May. Heavier maintenance schedules at Brazilian refineries further cut regional runs, these only averaging 5.1 mb/d in 2Q10, down 290 kb/d from a year earlier. Total non-OECD 2Q10 throughputs are nonetheless estimated at 37.3 mb/d, 290 kb/d up from 1Q10.

Chinese refinery runs were 8.14 mb/d in March, 200 kb/d lower than February's record high, and 55 kb/d lower than our previous estimate. Maintenance at China's largest refinery, CNPC's Zhenhai, reportedly cut runs there from 420 kb/d in February to 320 kb/d in March, while Sinopec's Guangzhou refinery in southern China's Guangdong province had to shut a 160 kb/d CDU for several weeks after a fire on 18 March. Lower runs were also seen at Sinopec's Qilu refinery, as a 70 kb/d crude distillation unit (CDU) was closed in March. The refinery reportedly started up a new 160 kb/d CDU at the same time (or in early April), two months ahead of schedule. The new unit allows the refinery to process more local heavy/sour, acidic crude from the onshore Shengli field, and frees up imported crudes for plants closer to import terminals. The refinery is mothballing another 40 kb/d CDU, due to a lack of upgrading units, resulting in only a net 50 kb/d increase of distillation capacity.





Further capacity increases are expected in the coming months. Dongming Petrochemical will commission a new 60 kb/d CDU in May, raising nameplate capacity to 120 kb/d. A further 120 kb/d increase is planned, potentially making it China's largest independent refiner. The commissioning of CNPC's 200 kb/d Qinzhou refinery (in Guanxi province) is not expected until 3Q10.

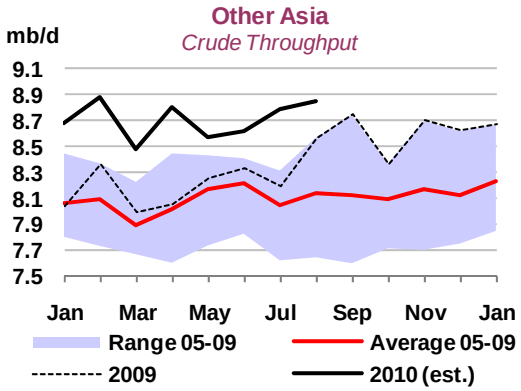
Despite the slightly lower than expected runs in March, we have adjusted China's 2Q10 runs higher since last month's report. According to newswire surveys of the largest refineries, runs rebounded in April and increased further in May to new highs. Independent refiners are also thought to have raised runs in April.

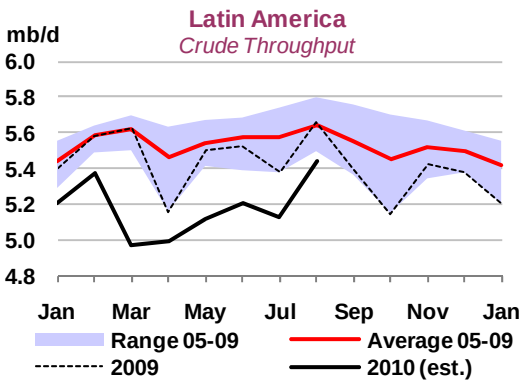
The 14 April announcement of an increase in prices of gasoline and gasoil will also have supported refinery margins, and a subsequent increase in runs at independent refiners. The National Development and Reform Commission (NDRC) announced on 13 April that it would raise retail prices of gasoline and diesel by RMB 320 ($46.87) per tonne from 14 April.

Elsewhere in Asia, refinery activity dipped sharply in March, for the most part on account of lower throughputs in India, Pakistan and Taiwan. Indian refiners recorded runs averaging 3.8 mb/d, 100 kb/d lower than a month earlier as almost all refineries saw runs dip slightly. Maintenance at HPCL's Vizag refinery and MRPL's Mangalore refinery further reduced runs. India's Finance Ministry agreed in early May to give Rs 140 billion ($3.14 billion) to Indian state refiners for the fiscal year ending March 2010, partially compensating them for selling four oil products in the domestic market at prices below international values. Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) will receive proportional shares of the total subsidy. This Rs 140 billion compensation is the additional payment for this fiscal year, adding to an earlier

payment of Rs 120 billion, but fall short of the annual loss of Rs 460 billion for the three companies, estimated by the Ministry of Petroleum and Natural Gas, resulting from government capped prices.

Elsewhere in the region, maintenance at Formosa's 400 kb/d Mai Liao refinery and CPC's Kaohsiung refinery cut **Taiwanese** runs by an estimated 230 kb/d in March. **Pakistan's** Pak Arab Multan refinery cut runs by another 100 kb/d. Regional throughputs are expected to rebound in April, before again falling in May and June as a new round of maintenance hits. An estimated 0.5 mb/d is expected off line for these two months, with the closure of ExxonMobil's Jurong refinery in **Singapore** in May followed by **Indonesia's** Calicap refinery in June among the most notable contributors.





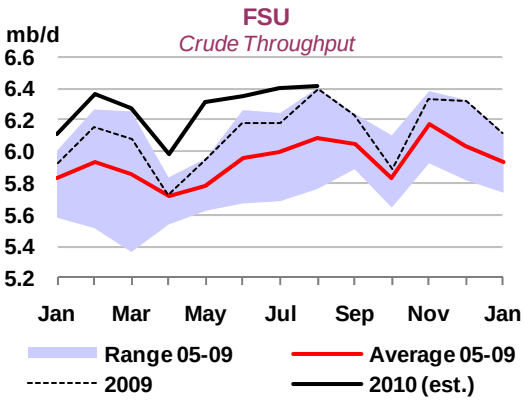
Latin American runs remained low in March and April, at an estimated 5.0 mb/d and 5.1 mb/d respectively. PDVSA's 320 kb/d Isla refinery has remained shut since 1 March due to a power outage that caused serious damage to the refinery's air compressors. We had previously assumed the refinery to come back at the end of April, but this is now only expected at the end of May. **Venezuela's** Cardon refinery had to shut after a fire at end April (but is again operational), while Amuay was partly closed for a scheduled 45 day maintenance programme. The Amuay refinery was already running at reduced rates in February and March due to unplanned outages, thus reducing product exports.

Our assumptions for the restart of **Chile's** 116 kb/d Bio Bio refinery, which has remained shut since the 28 February earthquake, remain largely unchanged despite some conflicting reports on its possible restart. ENAP's Chief Executive Rodrigo Azocar announced in early May that the refinery could restart in late May. Chilean mining minister Laurence Golborne had said at the end of April that the refinery would only resume operations in June and not reach capacity before the third quarter. We assume the refinery to start operation, albeit at reduced rates, at end May, but note the risk of further delays.

Brazilian historical refinery runs have been revised upward to include oil processed at the Guamare complex, previously excluded from data reported by the National Petroleum Agency (ANP). The Guamare complex is currently being extended and new units are being installed after which it will be renamed the Potigar Clara Camarao refinery (RPCC). The project will boost installed capacity by 30 kb/d and deploy a gasoline production unit. RPCC is one of five refining units designed by Petrobras to increase domestic refining capacity by 1.2 mb/d by 2015 in its 2009-2013 Strategic Plan. The company is currently in the process of updating its investment programme, and is widely expected to delay, reduce or shelve some of the refinery projects due to the worsening outlook for refining since its previous plan, from January 2009. The revisions entail 30 kb/d higher runs in 2009, and a 10 kb/d increase to prior years. February runs were also revised higher by about 50 kb/d, although the data show a monthly drop in runs of 180 kb/d in March. The decrease was more or less in line with expectations, as several large refineries, including Petrobras's largest refinery, the 360 kb/d REPLAN refinery, entered an extensive turnaround period.

Elsewhere in the region, members of **Argentina's** Federation of Oil, Gas and Biofuel Workers threatened to block several refineries and fuel depots at the end of April, demanding a 32% salary increase. The strike was called off however, as an agreement with energy companies was reached in last-minute negotiations. We have also revised runs at Valero's Aruba refinery since 2007. Based on company information, runs averaged only 196 kb/d in 2007 and 167 kb/d in 2008, down from 244 kb/d in 2006.

Russian throughputs averaged 4.9 mb/d in March, 70 kb/d lower than in February but 120 kb/d higher than our previous estimate. Runs are expected to dip in April, as significant capacity is taken offline due to maintenance, before rebounding in May and into summer.

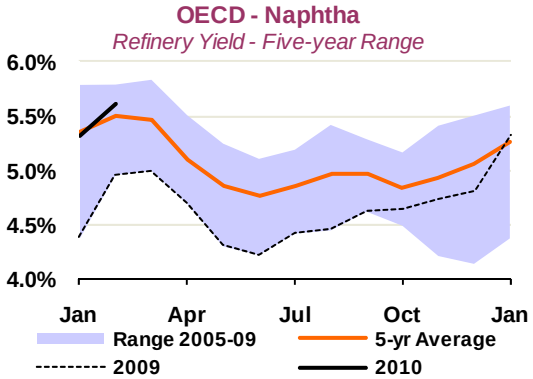


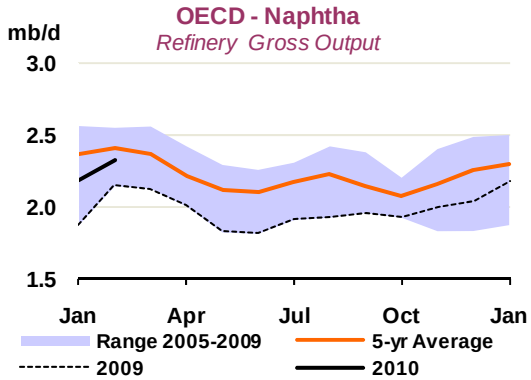
Since last month's report, we have reassessed **Belarusian** refinery activity for historical and forecast periods. Including revised annual data for the 2004-2008 period, we have lifted the baseline by 50 kb/d. Further, incorporating Russian crude deliveries data to the ex-Soviet republic, we have reassessed current trends, raising 2010 estimates. Judging from Russian crude delivery schedules for 2Q10, it seems that the disruption to supplies and resulting drop in refinery runs earlier this year were short lived. Russian deliveries rebounded to 370 kb/d in February, up from only 166 kb/d a month earlier, as an agreement between the country and Russia, allowing it to import duty-free oil, was reached. 2Q10 Russian crude delivery schedules include volumes to the two Belarusian refineries of 4 500 mt, equating to daily volumes of 365 kb/d for the quarter. Furthermore, the first batch of Venezuelan crude arrived at the Mozyr refinery on 2 May. A total of 30 kb was delivered by rail to the refinery, after a deal had been made by the two countries for delivery of up to 80 kb/d of Venezuelan crude to Belarus refiners. As uncertainty over the profitability of such a trade remains, we have refrained from raising run rates to reflect a more permanent transatlantic trade yet.

Elsewhere in the region, the 56 kb/d Odessa refinery in the **Ukraine** restarted its operations in April after shutting 27 January for a 30-day maintenance programme. The company had delayed the restart due to a dispute with the government over value-added tax refund and possibly poor economics. March **Kazakh** refinery runs were unchanged from February, at 290 kb/d.

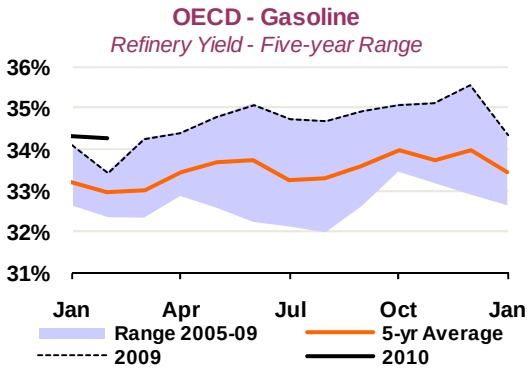
OECD Refinery Yields

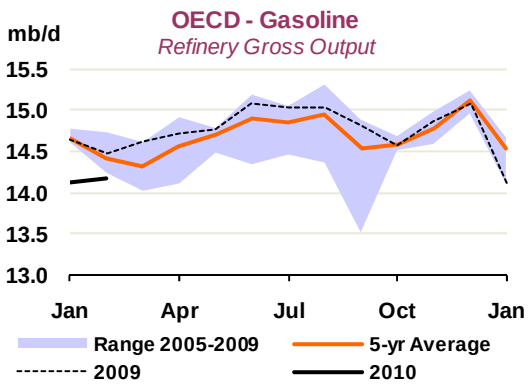
February OECD refinery yields increased only for naphtha and for the 'other product' category. Total product gross output was 4.0% below levels of a year ago at 41.9 mb/d. European output contracted by 6.4%, while in North America and the Pacific output fell by 2.8% and 2.7%, respectively. Regarding products, naphtha and other products output increased by 8.1% and 1.4%, respectively, whereas gasoil/diesel and fuel oil output shrank the most, by 9.7% and 8.6%. Gasoline and jet/fuel output contracted as well, but these declines were less pronounced, at 2.1% and 2.4%, respectively.



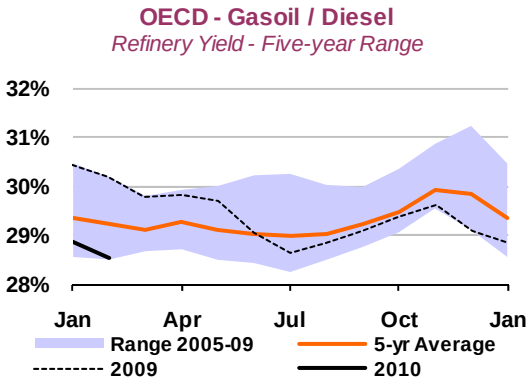


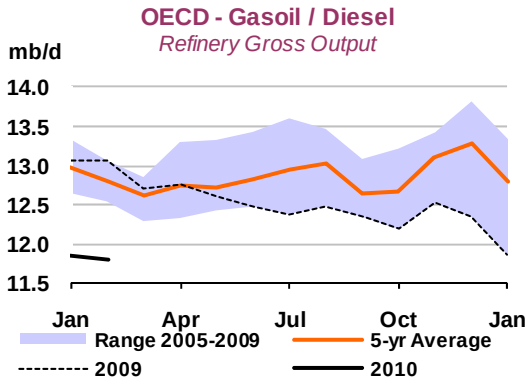
OECD naphtha yields continued their upward trend and surpassed their five-year average level. Naphtha and 'other products' gross output hovers within the five-year range level, while output for the rest of the products remained below historical levels. Interestingly, OECD naphtha net imports are above their five-year range, mainly the result of higher petrochemical feedstock imports in the Pacific.





Gasoline yields fell slightly, in line with seasonal patterns. European refiners continued restraining yields, which fell below their five-year range in February. However, yields in North America and the Pacific rose and continued above their five-year range, supported by wider premia to crude prices. This translated to higher output month-on-month while in Europe February gross output was 325 kb/d below its 2009 level (-10.2%) and 522 kb/d (-15.5%) below the five-year average.





Gasoil/diesel yields fell slightly month-on-month and approached the bottom end of the five-year range. Yields fell strongly in Europe, from 38.5% to 37.4%, but still remained above the five-year average, while yields in North America were unchanged, below their five-year average. Both regions' output remained well below seasonal norms, with European output at 5.1 mb/d (-518 kb/d year-on-year) and North American output at 4.7 mb/d (-677 kb/d year-on-year).

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

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.2	23.5	23.3	23.5	23.3	23.6	23.4	23.5
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.4	14.5	14.1	14.2	14.6	14.5	14.4
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	8.0	7.7	8.2	7.2	7.2	7.9	7.6
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.6	44.4	45.0	45.9	45.5	45.8	44.7	45.3	45.9	45.4
NON-OECD DEMAND																	
FSU	4.0	4.1	4.1	4.0	4.3	4.1	4.1	3.9	3.8	4.0	3.9	3.9	4.1	3.9	4.1	4.1	4.1
Europe	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.9	8.5	9.1	9.3	9.1	9.1	9.2
Other Asia	9.0	9.5	9.9	9.9	9.3	9.3	9.6	9.9	10.0	9.8	10.1	9.9	10.0	10.2	10.0	10.3	10.1
Latin America	5.4	5.7	5.8	6.1	6.2	6.0	6.0	5.8	6.0	6.1	6.2	6.0	6.0	6.2	6.3	6.3	6.2
Middle East	6.3	6.5	6.5	6.9	7.4	6.7	6.9	6.5	7.1	7.6	7.0	7.1	6.9	7.4	7.9	7.2	7.4
Africa	2.9	3.1	3.2	3.1	3.1	3.2	3.1	3.2	3.2	3.1	3.1	3.2	3.2	3.3	3.2	3.3	3.3
Total Non-OECD	35.6	37.2	38.1	38.9	39.1	37.7	38.4	37.7	39.5	40.2	39.8	39.3	40.1	41.1	41.4	41.2	40.9
Total Demand[1]	85.1	86.4	87.1	86.2	85.7	85.0	86.0	84.3	83.9	85.1	85.7	84.8	85.9	85.9	86.7	87.0	86.4
OECD SUPPLY																	
North America[4]	14.2	14.3	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.7	14.5	14.1	14.4	14.4
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.1	4.1	4.3	4.2
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.7
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.1	19.2	19.7	19.4	19.8	19.3	18.9	19.4	19.4
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.8	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.8	13.6
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	4.0	4.0	4.0	4.0	4.0
Other Asia[2]	3.7	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7
Latin America[2,4]	3.9	4.0	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.4	4.3	4.5	4.5	4.7	4.8	4.6
Middle East	1.8	1.6	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5
Total Non-OECD	28.1	28.6	28.9	28.9	28.8	28.8	28.8	29.0	29.3	29.5	29.7	29.4	30.0	30.1	30.2	30.5	30.2
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.5	50.9	51.2	50.9	50.2	50.8	50.8	51.3	51.1	51.4	52.1	51.5	52.4	52.1	51.8	52.7	52.2
Non-OPEC: Historical Composition[2]	51.4	50.4	50.2	49.9	49.2	49.8	49.8	51.3	51.1	51.4	52.1	51.5	52.4	52.1	51.8	52.7	52.2
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.6	28.5	28.8	29.0	28.7	29.1				
NGLs	4.3	4.3	4.3	4.4	4.4	4.5	4.4	4.6	4.5	4.7	4.8	4.7	5.1	5.2	5.5	5.8	5.4
Total OPEC[2]	35.0	34.6	35.9	35.7	35.9	35.0	35.6	33.1	33.0	33.5	33.8	33.3	34.2				
OPEC: Historical Composition[2]	34.1	35.1	36.9	36.7	36.9	36.0	36.6	33.1	33.0	33.5	33.8	33.3	34.2				
Total Supply[6]	85.5	85.5	87.0	86.7	86.2	85.9	86.4	84.5	84.1	84.9	85.9	84.8	86.6				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.0	0.3	0.6	0.4	0.4	0.5	0.1	0.2	-1.2	-0.1	0.5				
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1	0.0				
Total	0.3	-0.2	0.1	0.3	0.6	0.4	0.4	0.7	0.3	0.3	-1.2	0.0	0.5				
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.0	0.5	0.3	-0.2				
Miscellaneous to balance[7]	0.2	-0.7	-0.5	0.2	0.2	0.3	0.0	-1.1	-0.3	-0.6	0.8	-0.3	0.4				
Total Stock Ch. & Misc	0.3	-0.8	-0.1	0.4	0.5	0.8	0.4	0.2	0.2	-0.3	0.2	0.1	0.7				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.4	31.2	31.6	30.9	31.0	29.7	30.8	28.3	28.3	29.1	28.8	28.6	28.4	28.5	29.4	28.6	28.7
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.2	30.0	30.9	27.3	28.0	28.5	29.6	28.4	28.8	28.5	29.4	28.6	28.8

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	-	0.1	0.1
NON-OECD DEMAND																	
FSU	-	-	-0.2	-	-	-	-0.1	-	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Other Asia	-0.1	-0.1	0.1	0.1	-0.1	-0.2	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Latin America	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1
Middle East	-	-	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-0.1	-0.1	-0.3	-	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.4	-0.3	-0.3	-0.2	-0.3
Total Demand	-0.1	-0.1	-0.3	-	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.1	-0.3	-0.1	-0.2
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.2	0.2	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.2	0.2	0.3	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	-	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.1	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-	0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	0.1	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	0.1	0.1	0.2	0.4	0.2
Non-OPEC: historical composition	0.1	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	0.1	0.1	0.2	0.4	0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-				
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-				
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total Supply	0.1	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	0.1				
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	0.2	0.2	0.3	0.1	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2					
Total Stock Ch. & Misc	0.2	0.2	0.3	0.1	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.4				
Memo items:																	
Call on OPEC crude + Stock ch.	-0.2	-0.2	-0.3	-0.1	-0.3	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.4	-0.2	-0.4	-0.5	-0.4
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.1	-0.1	-0.1	0.1

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.25	23.48	23.29	23.53	23.33	23.57	23.45	23.47
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.90	14.24	14.46	14.39	14.50	14.11	14.19	14.57	14.55	14.36
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	8.01	7.68	8.19	7.22	7.17	7.88	7.61
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.56	44.45	44.98	45.88	45.46	45.83	44.74	45.31	45.88	45.44
Asia	17.06	17.82	17.93	17.44	16.93	17.53	17.53	18.65	18.62	18.99	18.45	19.10	19.54	19.11	19.47	19.31
Middle East	6.52	6.48	6.92	7.36	6.73	6.87	6.54	7.12	7.59	6.96	7.06	6.91	7.40	7.86	7.23	7.35
Latin America	5.68	5.82	6.08	6.15	6.03	6.02	5.81	5.99	6.11	6.17	6.02	6.05	6.22	6.29	6.34	6.23
FSU	4.11	4.06	4.02	4.26	4.06	4.10	3.85	3.75	3.97	3.92	3.87	4.11	3.91	4.13	4.09	4.06
Africa	3.06	3.15	3.15	3.09	3.17	3.14	3.22	3.19	3.14	3.09	3.16	3.20	3.29	3.25	3.31	3.26
Europe	0.76	0.80	0.77	0.75	0.78	0.77	0.76	0.76	0.74	0.73	0.75	0.73	0.75	0.74	0.73	0.74
Total Non-OECD	37.19	38.14	38.87	39.05	37.70	38.44	37.71	39.47	40.16	39.84	39.30	40.10	41.12	41.38	41.16	40.94
World	86.37	87.11	86.23	85.69	85.04	86.01	84.27	83.92	85.14	85.72	84.77	85.92	85.86	86.69	87.04	86.38
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.86	18.77	18.91	18.90	18.90	18.77	18.87
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.41	8.85	8.92	8.88	9.01	8.78	8.72	8.90	8.92	8.83
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.84	8.92	8.51	9.09	9.31	9.12	9.12	9.16
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.59	4.36	4.77	3.92	3.98	4.44	4.28
India	2.97	3.20	3.13	2.92	3.09	3.09	3.36	3.30	3.09	3.30	3.26	3.36	3.37	3.17	3.42	3.33
Russia	2.89	2.90	2.82	3.02	2.78	2.88	2.64	2.60	2.80	2.73	2.69	2.87	2.73	2.94	2.88	2.86
Brazil	2.36	2.43	2.53	2.60	2.57	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.65	2.71	2.77	2.68
Saudi Arabia	2.17	2.13	2.38	2.61	2.18	2.33	2.15	2.70	2.92	2.41	2.54	2.42	2.83	3.05	2.55	2.71
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.16	2.16	2.15	2.16	2.11	2.25	2.22	2.19
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.29	2.22	2.34	2.18	2.07	2.30	2.22
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.14	2.08	2.14	2.05	2.13	2.15	2.12
Iran	1.71	1.76	1.80	1.77	1.73	1.77	1.68	1.64	1.63	1.66	1.65	1.66	1.67	1.69	1.70	1.68
Total	61.54	62.07	60.81	60.24	60.04	60.79	59.59	59.05	59.94	60.63	59.81	61.09	60.44	60.91	61.23	60.92
% of World	71.3%	71.3%	70.5%	70.3%	70.6%	70.7%	70.7%	70.4%	70.4%	70.7%	70.6%	71.1%	70.4%	70.3%	70.3%	70.5%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.4	-1.9	-3.7	0.0	1.8	1.4	-0.1	0.8
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.5	-5.6	-6.8	-6.8	-5.4	-5.3	-0.3	0.7	1.1	-1.0
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	0.5	-4.8	0.6	-1.1	-1.3	-1.6	-0.9
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.1	-3.5	-3.1	-4.4	-1.6	0.7	0.7	0.0	-0.1
Asia	5.1	6.5	3.9	3.2	-2.3	2.8	-1.6	4.0	6.7	12.1	5.3	9.0	4.8	2.7	2.5	4.6
Middle East	3.1	2.3	6.6	9.2	3.3	5.4	0.9	2.9	3.1	3.4	2.6	5.6	3.9	3.7	3.9	4.2
Latin America	5.5	7.1	7.5	6.2	3.7	6.1	-0.3	-1.4	-0.7	2.3	0.0	4.2	3.9	3.0	2.9	3.5
FSU	2.3	-0.8	2.6	2.2	-4.8	-0.3	-5.2	-6.7	-6.8	-3.6	-5.6	6.6	4.2	4.0	4.6	4.8
Africa	4.9	2.1	4.4	3.0	1.6	2.8	2.1	1.5	1.3	-2.6	0.5	-0.4	3.0	3.6	7.0	3.3
Europe	3.5	4.6	3.9	-3.2	-1.0	1.0	-4.5	-1.1	-0.9	-6.4	-3.2	-4.4	-1.3	-0.3	0.2	-1.5
Total Non-OECD	4.4	4.6	4.8	4.5	-0.4	3.4	-1.1	1.5	2.8	5.7	2.2	6.3	4.2	3.0	3.3	4.2
World	1.5	1.1	1.1	-0.7	-3.1	-0.4	-3.3	-2.7	-0.6	0.8	-1.4	2.0	2.3	1.8	1.5	1.9
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.33	-0.46	-0.88	0.01	0.42	0.32	-0.03	0.18
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.39	-0.84	-1.06	-1.05	-0.83	-0.79	-0.04	0.11	0.16	-0.14
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	0.04	-0.39	0.05	-0.08	-0.10	-0.13	-0.07
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.40	-2.91	-1.65	-1.46	-2.11	-0.73	0.30	0.33	0.00	-0.02
Asia	0.83	1.10	0.67	0.54	-0.40	0.47	-0.29	0.72	1.18	2.06	0.92	1.57	0.90	0.49	0.48	0.86
Middle East	0.19	0.15	0.43	0.62	0.21	0.35	0.06	0.20	0.23	0.23	0.18	0.37	0.28	0.28	0.27	0.30
Latin America	0.30	0.38	0.43	0.36	0.22	0.35	-0.02	-0.09	-0.04	0.14	0.00	0.24	0.23	0.18	0.18	0.21
FSU	0.09	-0.03	0.10	0.09	-0.21	-0.01	-0.21	-0.27	-0.29	-0.15	-0.23	0.25	0.16	0.16	0.18	0.19
Africa	0.14	0.06	0.13	0.09	0.05	0.08	0.07	0.05	0.04	-0.08	0.02	-0.01	0.09	0.11	0.22	0.10
Europe	0.03	0.04	0.03	-0.02	-0.01	0.01	-0.04	-0.01	-0.01	-0.05	-0.03	-0.03	-0.01	0.00	0.00	-0.01
Total Non-OECD	1.58	1.69	1.78	1.67	-0.14	1.25	-0.43	0.60	1.11	2.14	0.86	2.39	1.64	1.22	1.32	1.64
World	1.25	0.91	0.92	-0.58	-2.68	-0.36	-2.84	-2.31	-0.55	0.68	-1.24	1.66	1.94	1.56	1.32	1.62
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.01	0.04	0.24	-0.02	0.01	0.07
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.07	-0.01	-0.02	-0.04
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.05	0.04	0.08	0.05
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.01	0.02	0.22	0.01	0.06	0.08
Asia	-0.06	0.08	0.12	-0.07	-0.20	-0.02	-0.01	-0.01	-0.01	-0.02	-0.01	-0.11	-0.10	-0.11	0.03	-0.07
Middle East	-0.01	-0.25	-0.20	-0.22	-0.21	-0.22	-0.18	-0.18	-0.18	-0.18	-0.18	-0.29	-0.24	-0.21	-0.22	-0.24
Latin America	-0.01	0.11	0.12	0.12	0.11	0.11	0.06	0.06	0.06	0.06	0.06	0.09	0.05	0.04	0.06	0.06
FSU	-0.04	-0.17	-0.04	0.00	0.00	-0.05	-0.04	-0.03	-0.04	-0.03	-0.04	-0.05	-0.05	-0.04	-0.04	-0.04
Africa	-0.01	-0.05	-0.04	-0.04	-0.05	-0.04	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.01	-0.01	-0.02	-0.01
Europe	0.00	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.01	0.01	0.01	0.02	0.01
Total Non-OECD	-0.13	-0.25	-0.02	-0.20	-0.33	-0.20	-0.15	-0.16	-0.16	-0.16	-0.16	-0.37	-0.33	-0.32	-0.18	-0.30
World	-0.13	-0.25	-0.02	-0.20	-0.33	-0.20	-0.15	-0.16	-0.16	-0.19	-0.16	-0.35	-0.11	-0.31	-0.11	-0.22
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.01	-0.23	0.01	-0.18	-0.32	-0.07	0.10	-0.14	0.04	0.14	0.04	-0.19	0.05	-0.15	0.07	-0.05

* France, Germany, Italy, Spain and UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	4Q09	1Q10	2Q10	3Q10	4Q10	Feb 10	Mar 10	Apr 10
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.92		7.94	7.95				7.90	8.00	7.97
Iran	3.90	3.74		3.69	3.71				3.74	3.68	3.75
Iraq	2.38	2.43		2.45	2.39				2.47	2.27	2.24
UAE	2.59	2.27		2.28	2.28				2.28	2.28	2.29
Kuwait	2.31	2.01		2.02	2.03				2.03	2.03	2.01
Neutral Zone	0.57	0.54		0.53	0.51				0.52	0.50	0.56
Qatar	0.85	0.77		0.78	0.81				0.82	0.82	0.82
Angola	1.85	1.77		1.88	1.92				1.95	1.91	1.89
Nigeria	1.95	1.82		1.96	2.00				1.98	2.01	2.00
Libya	1.72	1.55		1.52	1.53				1.53	1.53	1.54
Algeria	1.36	1.25		1.24	1.25				1.25	1.24	1.24
Ecuador	0.50	0.47		0.46	0.47				0.47	0.47	0.47
Venezuela	2.35	2.16		2.20	2.23				2.23	2.25	2.25
Total Crude Oil[6]	31.23	28.69		28.96	29.06				29.17	28.99	29.03
Total NGLs[1,6]	4.40	4.65	5.40	4.82	5.09	5.21	5.53	5.76	5.09	5.09	5.21
Total OPEC[6]	35.63	33.34		33.77	34.15				34.26	34.08	34.25
OPEC: Historical Composition[6]	36.63	33.34		33.77	34.15				34.26	34.08	34.25
NON-OPEC[2]											
OECD											
North America	13.94	14.26	14.40	14.51	14.66	14.48	14.08	14.40	14.79	14.70	14.66
United States[5]	7.52	8.07	8.18	8.32	8.39	8.24	7.99	8.12	8.45	8.40	8.39
Mexico	3.16	2.97	2.93	2.95	2.99	2.96	2.90	2.87	2.99	2.98	2.98
Canada	3.25	3.22	3.29	3.24	3.28	3.28	3.20	3.41	3.35	3.32	3.30
Europe	4.75	4.52	4.23	4.52	4.45	4.12	4.10	4.26	4.47	4.37	4.29
UK	1.56	1.47	1.39	1.46	1.46	1.41	1.31	1.40	1.45	1.43	1.47
Norway	2.46	2.39	2.19	2.42	2.35	2.07	2.14	2.22	2.39	2.29	2.18
Others	0.72	0.66	0.64	0.64	0.64	0.64	0.65	0.64	0.63	0.65	0.65
Pacific	0.65	0.65	0.72	0.65	0.65	0.74	0.75	0.76	0.64	0.67	0.74
Australia	0.55	0.55	0.60	0.55	0.55	0.61	0.62	0.64	0.53	0.57	0.61
Others	0.10	0.10	0.12	0.10	0.10	0.13	0.13	0.13	0.11	0.11	0.13
Total OECD	19.33	19.43	19.36	19.68	19.76	19.34	18.93	19.42	19.90	19.75	19.69
NON-OECD											
Former USSR	12.82	13.28	13.58	13.47	13.50	13.62	13.46	13.75	13.51	13.58	13.56
Russia	10.01	10.21	10.42	10.36	10.39	10.43	10.39	10.45	10.39	10.44	10.42
Others	2.81	3.07	3.16	3.11	3.10	3.19	3.07	3.30	3.13	3.14	3.14
Asia	7.43	7.37	7.62	7.41	7.61	7.60	7.66	7.62	7.58	7.63	7.60
China	3.79	3.79	3.97	3.81	3.97	3.97	3.98	3.96	3.95	3.99	4.00
Malaysia	0.77	0.74	0.71	0.72	0.74	0.70	0.69	0.69	0.73	0.73	0.71
India	0.81	0.80	0.87	0.81	0.83	0.86	0.90	0.90	0.83	0.83	0.84
Indonesia	1.00	0.98	0.99	0.98	0.99	0.99	0.98	0.99	0.99	0.99	1.00
Others	1.06	1.06	1.08	1.08	1.08	1.08	1.09	1.09	1.08	1.09	1.06
Europe	0.14	0.14	0.13	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Latin America	4.17	4.34	4.63	4.44	4.53	4.55	4.66	4.78	4.54	4.55	4.53
Brazil[5]	2.37	2.49	2.67	2.53	2.60	2.60	2.70	2.80	2.60	2.62	2.59
Argentina	0.77	0.72	0.71	0.72	0.71	0.72	0.71	0.70	0.71	0.71	0.72
Colombia	0.59	0.67	0.79	0.73	0.76	0.77	0.80	0.83	0.76	0.76	0.77
Others	0.44	0.45	0.46	0.46	0.46	0.46	0.46	0.45	0.47	0.46	0.46
Middle East[3]	1.65	1.69	1.70	1.70	1.70	1.70	1.71	1.71	1.70	1.70	1.69
Oman	0.75	0.81	0.87	0.83	0.86	0.86	0.88	0.89	0.86	0.86	0.85
Syria	0.40	0.38	0.37	0.38	0.37	0.37	0.37	0.36	0.37	0.37	0.37
Yemen	0.30	0.30	0.27	0.29	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.60	2.55	2.54	2.54	2.56	2.53	2.53	2.54	2.56	2.55	2.50
Egypt	0.70	0.69	0.68	0.67	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Gabon	0.24	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.25	0.20
Others	1.66	1.62	1.62	1.62	1.63	1.62	1.61	1.62	1.63	1.63	1.63
Total Non-OECD	28.82	29.37	30.21	29.69	30.02	30.12	30.15	30.54	30.03	30.15	30.02
Processing Gains[4]	2.24	2.29	2.20	2.29	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Other Biofuels[5]	0.39	0.41	0.48	0.45	0.44	0.45	0.50	0.52	0.45	0.44	0.45
TOTAL NON-OPEC[6]	50.79	51.49	52.25	52.10	52.43	52.12	51.77	52.68	52.58	52.54	52.37
Non-OPEC: Historical Composition[6]	49.79	51.49	52.25	52.10	52.43	52.12	51.77	52.68	52.58	52.54	52.37
TOTAL SUPPLY	86.42	84.84		85.88	86.58				86.84	86.62	86.62

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Nov2009	Dec2009	Jan2010	Feb2010	Mar2010*	Mar2007	Mar2008	Mar2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	485.2	470.1	480.4	488.3	501.6	464.7	455.4	510.3	-0.15	-0.21	-0.08	0.35
Motor Gasoline	251.2	252.8	265.8	265.0	258.3	230.3	250.2	248.5	-0.05	-0.03	0.13	0.06
Middle Distillate	244.1	238.5	237.7	228.0	220.9	191.0	179.3	217.0	0.19	0.16	-0.12	-0.19
Residual Fuel Oil	43.6	45.0	48.1	49.6	50.7	47.8	47.8	47.3	-0.03	-0.01	0.01	0.06
Total Products[3]	715.4	695.4	698.8	686.0	675.3	632.5	622.6	686.0	0.42	0.20	-0.51	-0.22
Total[4]	1356.1	1308.9	1319.5	1315.8	1319.6	1237.7	1216.4	1347.6	0.39	0.04	-0.84	0.12
Europe												
Crude	345.8	336.1	339.5	340.9	347.5	325.4	334.0	355.4	-0.14	-0.14	0.07	0.13
Motor Gasoline	102.7	107.4	110.2	108.2	105.8	108.4	119.2	102.0	-0.03	0.01	0.08	0.05
Middle Distillate	294.8	287.2	303.2	290.0	284.3	259.7	246.3	276.1	0.06	0.10	-0.04	-0.03
Residual Fuel Oil	68.8	71.8	71.9	72.2	71.6	72.6	81.7	73.6	0.01	-0.05	0.03	0.00
Total Products[3]	571.4	573.0	599.3	583.8	575.0	542.7	554.6	558.8	-0.01	0.13	0.04	0.02
Total[4]	983.1	974.0	1007.7	992.2	991.7	941.8	960.6	985.0	-0.19	-0.01	0.07	0.19
Pacific												
Crude	167.2	160.5	163.5	160.5	173.3	174.9	158.2	170.1	0.00	-0.05	-0.06	0.14
Motor Gasoline	25.1	22.9	27.0	28.4	26.4	24.5	26.7	26.4	0.00	-0.01	-0.02	0.04
Middle Distillate	69.2	62.2	65.3	65.3	60.2	61.1	57.3	56.8	0.06	0.11	-0.11	-0.02
Residual Fuel Oil	19.2	18.6	18.9	19.4	20.3	22.1	20.1	20.2	-0.01	0.03	-0.03	0.02
Total Products[3]	177.4	160.9	169.6	170.4	161.5	172.1	165.8	168.0	-0.04	0.22	-0.26	0.01
Total[4]	407.3	383.2	396.9	394.0	398.0	419.9	394.4	407.5	-0.07	0.20	-0.39	0.16
Total OECD												
Crude	998.2	966.8	983.3	989.7	1022.3	965.1	947.6	1035.7	-0.28	-0.40	-0.08	0.62
Motor Gasoline	379.0	383.0	403.0	401.7	390.6	363.3	396.0	376.9	-0.09	-0.03	0.18	0.16
Middle Distillate	608.2	587.9	606.2	583.3	565.4	511.8	482.9	549.9	0.31	0.37	-0.26	-0.25
Residual Fuel Oil	131.5	135.4	138.9	141.2	142.6	142.5	149.6	141.1	-0.03	-0.03	0.01	0.08
Total Products[3]	1464.2	1429.2	1467.7	1440.3	1411.8	1347.3	1343.0	1412.9	0.37	0.54	-0.73	-0.20
Total[4]	2746.5	2666.0	2724.2	2702.0	2709.2	2599.3	2571.4	2740.2	0.13	0.23	-1.16	0.48

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Nov2009	Dec2009	Jan2010	Feb2010	Mar2010*	Mar2007	Mar2008	Mar2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	726.1	726.6	726.6	726.6	726.6	688.6	700.4	712.8	0.12	0.01	0.02	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	183.7	184.2	184.4	184.9	184.9	174.3	185.0	188.1	-0.01	0.00	-0.02	0.01
Products	241.0	240.8	240.9	240.7	240.7	239.9	237.0	234.2	0.05	0.03	-0.01	0.00
Pacific												
Crude	388.8	389.0	389.0	388.9	388.9	385.1	385.0	389.2	0.00	-0.01	0.01	0.00
Products	20.0	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.00	0.01	0.00
Total OECD												
Crude	1298.5	1299.8	1300.0	1300.4	1300.4	1248.0	1270.4	1290.0	0.11	0.00	0.00	0.01
Products	263.0	262.8	262.9	262.7	262.7	258.3	257.8	255.4	0.05	0.03	0.00	0.00
Total[4]	1563.0	1564.1	1564.3	1564.5	1564.5	1507.2	1529.2	1547.0	0.15	0.03	0.00	0.00

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2009		End June 2009		End September 2009		End December 2009		End March 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.7	95	197.9	92	194.5	90	192.6	-	-	-
Mexico	45.6	23	48.1	23	50.4	23	44.7	-	-	-
United States[4]	1797.0	97	1841.0	99	1846.5	98	1778.1	-	-	-
Total[4]	2062.4	90	2109.1	91	2113.5	90	2037.5	87	2048.2	88
Pacific										
Australia	39.9	42	40.5	43	44.9	46	40.3	-	-	-
Japan	611.3	152	611.2	149	607.3	132	588.8	-	-	-
Korea	155.2	72	149.1	72	167.0	73	155.0	-	-	-
New Zealand	9.5	61	8.5	56	7.5	49	8.1	-	-	-
Total	815.9	112	809.3	111	826.8	103	792.2	97	806.9	112
Europe[5]										
Austria	19.9	74	19.8	71	20.8	78	21.2	-	-	-
Belgium	34.3	62	33.6	56	34.2	52	34.4	-	-	-
Czech Republic	22.7	111	22.0	98	21.8	103	21.5	-	-	-
Denmark	25.1	152	26.4	161	25.0	153	25.5	-	-	-
Finland	33.5	167	26.6	128	29.3	141	33.1	-	-	-
France	177.6	98	172.9	95	174.0	93	174.9	-	-	-
Germany	277.7	116	280.2	117	276.7	116	284.1	-	-	-
Greece	36.7	93	35.9	94	35.5	89	35.1	-	-	-
Hungary	15.7	100	15.1	93	14.4	88	14.3	-	-	-
Ireland	11.5	74	11.7	78	12.4	72	11.4	-	-	-
Italy	131.0	86	129.1	82	129.0	82	125.6	-	-	-
Luxembourg	0.7	14	0.8	16	0.8	15	0.8	-	-	-
Netherlands	129.8	134	136.8	141	136.6	137	137.5	-	-	-
Norway	24.0	108	23.6	122	24.7	138	21.9	-	-	-
Poland	58.9	111	63.1	106	64.8	114	64.0	-	-	-
Portugal	25.0	90	24.8	91	24.5	91	26.2	-	-	-
Slovak Republic	9.8	123	8.4	99	8.3	102	8.3	-	-	-
Spain	137.8	94	135.6	92	135.0	93	132.6	-	-	-
Sweden	40.8	125	39.5	122	38.5	122	39.0	-	-	-
Switzerland	36.8	133	38.0	148	38.2	133	37.0	-	-	-
Turkey	59.2	97	58.8	93	57.8	111	57.6	-	-	-
United Kingdom	100.4	60	91.7	55	94.2	59	94.5	-	-	-
Total	1408.8	98	1394.5	96	1396.7	97	1400.4	99	1418.7	100
Total OECD	4287.1	96	4312.9	96	4337.1	95	4230.1	92	4273.7	96
DAYS OF IEA Net Imports[6]	-	133	-	134	-	135	-	144	-	-

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End March 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand*[2]		
1Q2007	4107	1507	2599	85	31	54
2Q2007	4165	1506	2659	85	31	54
3Q2007	4171	1520	2651	83	30	53
4Q2007	4091	1524	2567	83	31	52
1Q2008	4101	1529	2571	86	32	54
2Q2008	4128	1526	2602	88	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4223	1527	2696	91	33	58
1Q2009	4287	1547	2740	96	35	62
2Q2009	4313	1561	2752	96	35	61
3Q2009	4337	1564	2773	95	34	60
4Q2009	4230	1564	2666	92	34	58
1Q2010	4274	1565	2709	96	35	61

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 1Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec 09	Jan 10	Feb 10	Year Earlier Feb 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.58	0.51	0.44	0.54	0.51	0.63	0.92	0.71	0.22
Europe	0.70	0.70	0.59	0.57	0.60	0.57	0.61	0.55	0.56	0.47	0.58	-0.11
Pacific	1.19	1.22	1.28	1.40	1.16	1.23	1.32	1.37	1.24	1.20	1.51	-0.31
Saudi Medium												
North America	0.56	0.64	0.40	0.42	0.45	0.41	0.34	0.37	0.32	0.40	0.30	0.10
Europe	0.05	0.05	0.02	0.03	0.02	0.01	0.02	0.04	-	-	0.04	-
Pacific	0.34	0.39	0.34	0.34	0.33	0.35	0.33	0.31	0.41	0.30	0.34	-0.04
Saudi Heavy												
North America	0.09	0.07	0.03	0.04	0.02	0.02	0.03	0.02	0.02	0.02	0.04	-0.02
Europe	0.11	0.09	0.02	0.03	0.03	0.01	0.01	0.00	-	-	0.00	-
Pacific	0.20	0.24	0.15	0.22	0.15	0.12	0.12	0.14	0.21	0.20	0.22	-0.02
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.44	0.31	0.45	0.40	0.46	0.35	0.50	0.31	0.19
Europe	0.30	0.21	0.12	0.13	0.12	0.19	0.06	0.01	0.09	0.04	0.08	-0.04
Pacific	0.17	0.15	0.24	0.26	0.20	0.24	0.27	0.39	0.42	0.34	0.31	0.03
Iraqi Kirkuk												
North America	-	0.08	0.06	0.07	0.02	0.11	0.04	0.06	0.02	-	0.09	-
Europe	0.11	0.23	0.31	0.26	0.34	0.34	0.29	0.27	0.31	0.35	0.24	0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.15	0.16	0.13	0.16	0.16	0.17	0.22	0.09	0.13
Pacific	0.09	0.08	0.07	0.11	0.06	0.06	0.06	0.10	0.08	0.04	0.09	-0.05
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.33	0.41	0.48	0.37	0.29	0.29	0.27	0.33	-0.07
Pacific	0.64	0.61	0.57	0.65	0.51	0.57	0.56	0.58	0.60	0.59	0.74	-0.16
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.51	0.63	0.33	0.09	-	-	0.19	0.39	-0.20
Europe	0.08	0.06	0.07	0.07	0.13	0.04	0.02	0.03	0.03	-	0.10	-
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.74	0.62	0.87	0.75	0.82	0.85	0.88	0.60	0.28
Europe	0.07	0.07	0.07	0.07	0.06	0.06	0.08	0.06	0.09	0.07	0.06	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	1.06	0.96	0.87	0.82	0.83	0.81	0.78	1.02	-0.24
Europe	0.14	0.14	0.10	0.08	0.09	0.09	0.12	0.16	0.10	0.11	0.13	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.01	0.00	0.01	0.00	0.01	0.06	0.01	0.01	0.00
Europe	0.02	0.01	0.01	0.01	-	0.02	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.09	0.27	0.17	0.06	0.14	0.07	0.05	0.10	-0.05
Europe	1.86	1.81	1.72	1.58	1.76	1.76	1.80	1.83	1.77	1.53	1.59	-0.06
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.47	0.40	0.63	0.67	0.77	0.54	0.56	0.42	0.14
Europe	0.24	0.29	0.32	0.25	0.39	0.30	0.34	0.33	0.17	0.26	0.23	0.02
Pacific	0.01	-	0.00	-	0.01	-	0.01	0.02	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.14	0.30	0.19	0.21	0.31	0.26	0.29	0.09	0.21
Europe	0.07	0.14	0.13	0.12	0.12	0.12	0.15	0.31	0.11	0.09	0.07	0.02
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	1Q09	2Q09	3Q09	4Q09	Dec-09	Jan-10	Feb-10	Year Earlier Feb-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7743	7541	7316	6717	6405	6730	7037	6891	2%
Europe	9685	9779	8905	9001	9128	8793	8700	8616	8441	8500	9051	-6%
Pacific	6718	6605	6081	6560	5706	5960	6104	6358	6659	6450	6885	-6%
Total OECD	24616	24429	22312	23305	22375	22069	21522	21378	21831	21987	23173	-5%
LPG												
North America	28	29	13	28	11	9	5	8	25	5	15	-66%
Europe	276	268	252	251	250	249	256	267	256	301	227	33%
Pacific	557	589	529	504	518	566	529	483	597	477	524	-9%
Total OECD	861	885	794	784	779	823	790	757	878	783	765	2%
Naphtha												
North America	40	55	22	40	19	18	12	23	28	24	13	91%
Europe	265	260	292	319	232	282	334	317	411	384	270	42%
Pacific	794	776	841	746	814	907	896	898	996	988	774	28%
Total OECD	1099	1091	1155	1105	1066	1207	1241	1238	1434	1396	1057	32%
Gasoline[3]												
North America	1128	1078	877	996	889	843	785	738	686	737	964	-24%
Europe	203	218	235	239	280	247	176	313	305	85	300	-72%
Pacific	73	90	97	121	71	97	98	94	69	69	129	-47%
Total OECD	1404	1386	1209	1355	1239	1187	1059	1144	1060	891	1393	-36%
Jet & Kerosene												
North America	183	63	61	80	45	67	55	36	84	82	77	5%
Europe	372	402	450	454	464	453	431	410	400	395	381	4%
Pacific	43	34	53	79	49	37	48	68	48	58	130	-55%
Total OECD	598	500	565	613	558	556	534	514	532	535	588	-9%
Gasoil/Diesel												
North America	132	72	56	106	39	36	44	46	188	121	114	6%
Europe	781	869	1044	1224	964	970	1022	933	1146	960	1360	-29%
Pacific	91	119	88	82	81	73	115	109	54	81	108	-25%
Total OECD	1004	1060	1188	1411	1084	1078	1182	1087	1388	1161	1582	-27%
Heavy Fuel Oil												
North America	323	286	270	326	326	205	226	257	252	317	270	17%
Europe	433	447	553	474	567	643	526	529	593	502	515	-3%
Pacific	95	125	113	144	128	103	79	113	117	147	165	-11%
Total OECD	851	858	936	943	1021	951	831	900	962	966	950	2%
Other Products												
North America	1050	1075	870	935	896	896	756	669	788	625	887	-29%
Europe	854	792	771	738	777	830	738	719	692	668	792	-16%
Pacific	254	298	323	279	324	337	353	381	288	305	241	27%
Total OECD	2158	2166	1964	1952	1997	2063	1847	1769	1767	1599	1919	-17%
Total Products												
North America	2883	2658	2171	2509	2226	2073	1882	1777	2050	1910	2339	-18%
Europe	3184	3255	3597	3698	3534	3673	3484	3487	3802	3296	3844	-14%
Pacific	1906	2032	2045	1955	1985	2119	2119	2145	2169	2125	2070	3%
Total OECD	7974	7946	7813	8162	7745	7866	7484	7409	8021	7331	8253	-11%
Total Oil												
North America	11097	10704	9497	10253	9767	9390	8599	8181	8780	8947	9576	-7%
Europe	12870	13034	12501	12699	12662	12466	12184	12103	12244	11796	12895	-9%
Pacific	8623	8637	8126	8515	7691	8079	8223	8504	8828	8575	8955	-4%
Total OECD	32590	32375	30125	31467	30120	29935	29006	28788	29852	29318	31426	-7%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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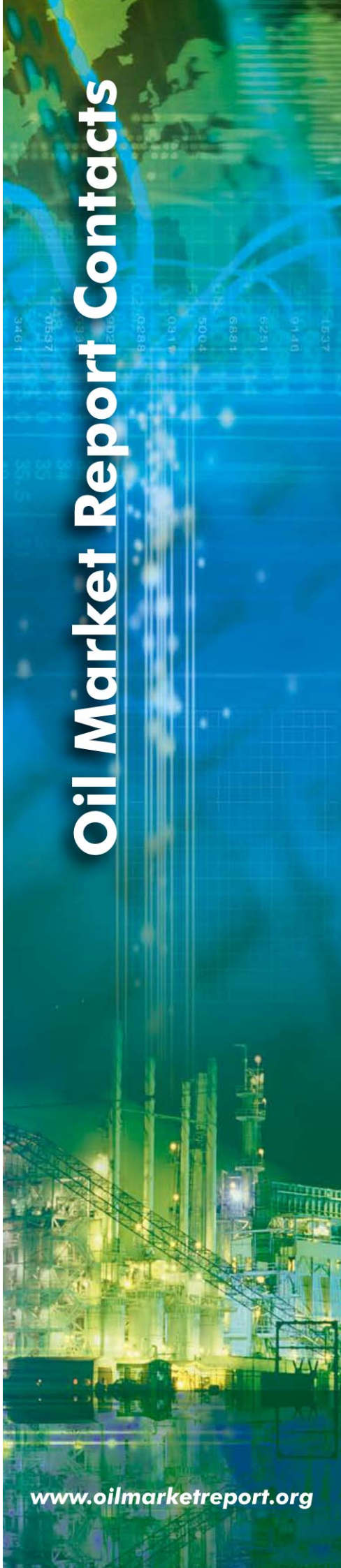

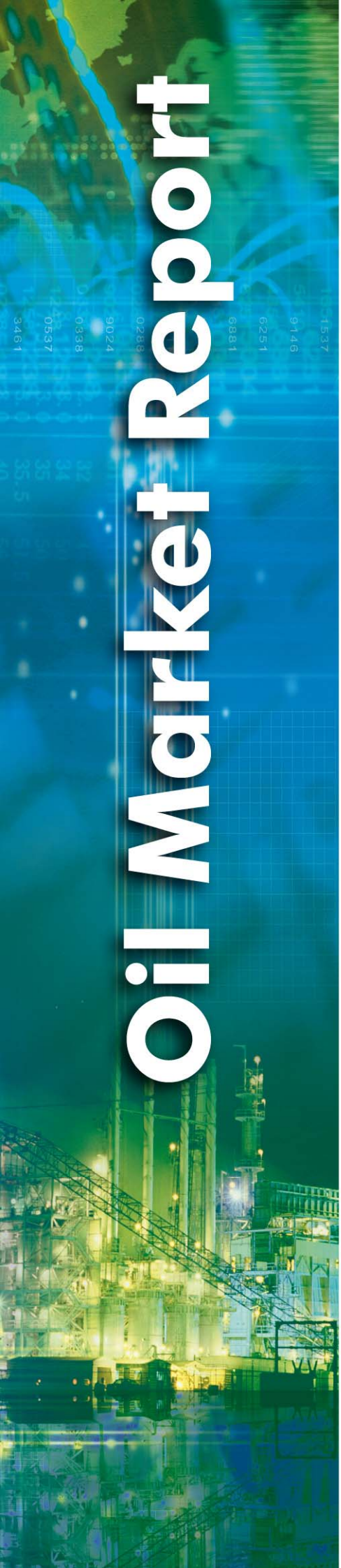

International Energy Agency

10 June 2010

HIGHLIGHTS

- **Crude oil prices tumbled $18/bbl in the first three weeks of May** amid deepening concerns over Eurozone debt issues, before partially recovering by end-month. By early June, benchmark crudes were trading in a lower range of around $72-73/bbl.

- **Global oil demand is revised up by 60 kb/d to 86.4 mb/d in 2010** on stronger-than-expected preliminary OECD data, albeit downside risks remain. With 2009 readings largely unchanged, yearly global demand growth in 2010 is now seen at +1.7 mb/d (+2.0%), deriving almost entirely from the non-OECD.

- **Total oil supply fell by an estimated 575 kb/d to 86.3 mb/d in May**, with lower non-OPEC output due to seasonal maintenance. However, 2010 non-OPEC output is revised up by 0.1 mb/d to 52.3 mb/d amid slower expected North Sea decline. This year's growth of 0.8 mb/d from non-OPEC comes on top of 0.8 mb/d from OPEC NGLs.

- **OPEC crude oil supply was down slightly versus April,** with higher Iraqi production offset by supply outages in Nigeria and Angola. In all, May crude oil output fell by 30 kb/d, to 29.02 mb/d, leaving spare capacity around 5.4 mb/d. The underlying 2010 'call on OPEC crude and stock change' remains 28.7 mb/d, peaking at 29.1 mb/d in 3Q10.

- **April OECD industry stocks rose by 47.9 mb to 2 726 mb** as both crude and refinery supply came in stronger. Forward demand cover is assessed at 60.5 days, up by more than a day from downward revised end-March readings. Preliminary May data indicate OECD inventories and floating storage rose by 19.0 mb and 6.5 mb, respectively.

- **Forecast global 2Q10 refinery crude throughput is raised to 73.5 mb/d**, representing an annual increase of 1.5 mb/d. In 3Q10, crude runs are forecast to rise further to 74.4 mb/d as seasonal maintenance activity falls back significantly.

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International Energy Agency

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The IEA is Seeking to Recruit a Senior Oil Market Analyst

The International Energy Agency (IEA), an intergovernmental body committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation, is seeking to recruit a Senior Market Analyst to examine **oil price formation** in both the physical and paper markets, and inter-linkages between the two. The successful applicant will work under the guidance of the Head of the Oil Industry and Markets Division of the IEA.

The ideal candidate will possess:

- A university degree(s) in relevant, numerate disciplines, such as economics/econometrics, finance, statistics, physical sciences or engineering.
- In-depth knowledge of, and eight to ten years' experience in, oil and commodity markets analysis, with a focus on trends in physical and futures market prices, hedging and risk management techniques, financial instruments, commodity trading strategies and the relative influence of physical and financial price drivers. International experience desirable.
- Policy experience with a good knowledge of the international regulation of commodity markets. Demonstrated experience in quantitative data analysis and statistics and in developing analytical methodologies. Proven skills in working with databases, spreadsheets and word-processing software.
- Ability to work well under extremely demanding deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of French would be an advantage.

The IEA operates as an autonomous agency within the Organisation for Economic Co-operation and Development (OECD), a forum within which the governments of 31 market democracies work together to address the economic, social and governance challenges of the globalising world economy, as well as to exploit its opportunities.

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Please note that only candidates selected for interview will be contacted.

The OECD is an equal opportunity employer offering an attractive remuneration package and encourages applications from all qualified candidates.

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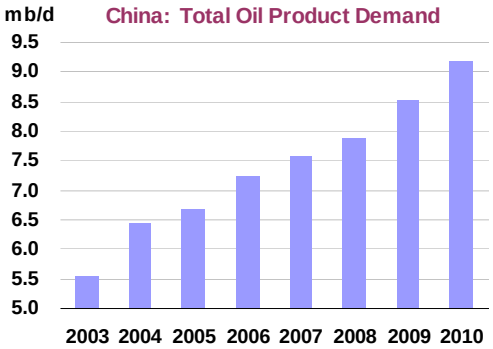
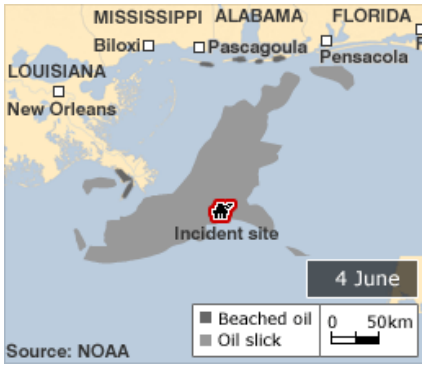
GAME CHANGERS

Unforeseen events and market trends repeatedly arise to recalibrate the way we look at the oil market. Conventional wisdom (assuming that market drivers will be the same in future as in the past) repeatedly gets overturned. The problem lies in distinguishing real 'game-changers' from isolated, albeit momentous, events which may subsequently prove to have more limited impact.

Today, short/medium term market trends appear to hinge on two main 'game changers' – the threat to global economic recovery from OECD sovereign debt issues, and the sustainability of Chinese oil demand growth. Our imminent medium-term outlook will again run two GDP scenarios which, although not specific to sovereign debt issues, acknowledge uncertainties over the path of future growth. Two very different oil market balances arise, depending on assumed GDP growth and offsetting differences in the impetus to improve oil use efficiency. But a common thread is the strength of non-OECD demand and the predominance of China. Price subsidies partly underpin non-OECD demand strength, something also touched upon in those projections and to be more fully presented in the 2010 *World Energy Outlook*. Markets are inter-related, so any slow-down in the OECD could curb export-driven Chinese oil demand growth in future. Nonetheless, China is currently seen generating 40% of 2010 incremental demand (now +1.7 mb/d) and nearly 45% of 2010-2015 growth. The implications of China's attempts to secure oil supplies via overseas investment are highlighted this month, and will be further examined in IEA research this autumn.





April's sinking of the *Deepwater Horizon* drilling rig and the ongoing oil spill might also prove to be a supply-side game changer. It is unquestionably a human tragedy and a major blow to the ecosystem and local economy in the US Gulf. Whether it ultimately turns out to be a defining moment for broader US energy policy and for offshore oil and gas development worldwide remains to be seen. True, analysts and journalists have rushed to provide estimates of how much deepwater supply is at risk, even before exact causes and proposed remedies are clear (our own tentative view is up to 300 kb/d by 2015). Emotion is understandably running high, and the way deepwater hydrocarbon developments are approved, operated and regulated will of course be thoroughly examined and potentially amended.

Procedures are already under review in the US, but also in the UK, Norway, Brazil, Canada and China. However, mandated changes to US operations may not automatically be transferable to other countries, nor necessarily imply a swansong for offshore expansion. The UK, for example, implemented over 100 new maintenance and safety procedures after 1988's *Piper Alpha* disaster and separated the regulatory functions of field licensing and operational safety, an example the US is now belatedly following. Many other authorities outside the US amended procedures in light of *Piper Alpha* too. And despite major operational changes in the UK sector after *Piper Alpha*, the considered response nonetheless allowed scores of new offshore fields to be developed in the subsequent decade, generating over 300 kb/d of incremental offshore supply. The longer-lasting impact of *Deepwater Horizon* on US oil supplies may depend on whether operational negligence on the part of companies or regulators, or rather shortcomings in current operating procedures and regulatory structures, were the key cause. The former might suggest a less profound impact on future oil supply than the latter.

DEMAND

Summary

- **Global oil demand is revised up by 60 kb/d to 86.4 mb/d in 2010**, but remains largely unchanged at 84.8 mb/d in 2009. This adjustment results largely from stronger-than-expected preliminary data in the OECD, while non-OECD demand looks slightly weaker. Global oil demand is now expected to expand by +2.0% or +1.7 mb/d year-on-year, following a sharp contraction in 2009 (-1.5% or -1.3 mb/d versus 2008).

- **OECD oil product demand is revised up by 80 kb/d to 45.5 mb/d in 2010** (+0.2% or +70 kb/d year-on-year). By contrast, the 2009 estimate is untouched at 45.5 mb/d (-4.5% or -2.2 mb/d versus 2008). This revision stems from stronger preliminary readings, notably in North America, where distillate demand appears to have surged in May as the economic recovery gained traction. However, the high weekly data could underestimate exports and may subsequently be revised down. Meanwhile, downward adjustments in Europe, partly related to April's air travel disruptions but also to prevailing economic woes, exceeded higher readings in the Pacific.

Global Oil Demand (2008-2010)

(million barrels per day)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Africa	3.2	3.1	3.1	3.2	3.1	3.2	3.2	3.1	3.1	3.2	3.1	3.3	3.2	3.3	3.2
Americas	30.6	30.5	29.7	30.0	30.2	29.3	28.9	29.4	29.6	29.3	29.7	30.0	29.9	29.9	29.9
Asia/Pacific	26.7	25.8	25.0	24.9	25.6	25.7	25.9	25.9	27.0	26.1	27.4	27.0	26.3	27.3	27.0
Europe	16.1	15.8	16.3	16.2	16.1	15.6	15.0	15.2	15.1	15.2	14.9	14.7	15.2	15.1	15.0
FSU	4.1	4.0	4.3	4.1	4.1	3.9	3.7	4.0	3.9	3.9	4.1	3.9	4.1	4.1	4.1
Middle East	6.5	6.9	7.4	6.7	6.9	6.5	7.1	7.6	7.0	7.1	6.9	7.4	7.9	7.2	7.3
World	**87.1**	**86.2**	**85.7**	**85.0**	**86.0**	**84.3**	**83.9**	**85.1**	**85.7**	**84.8**	**86.0**	**86.2**	**86.5**	**87.0**	**86.4**
Annual Chg (%)	1.1	1.1	-0.7	-3.1	-0.4	-3.3	-2.7	-0.6	0.8	-1.5	2.1	2.8	1.6	1.5	2.0
Annual Chg (mb/d)	0.9	0.9	-0.6	-2.7	-0.4	-2.9	-2.3	-0.5	0.7	-1.3	1.8	2.3	1.4	1.3	1.7
Changes from last OMR (mb/d)	0.01	0.01	0.00	0.00	0.00	-0.01	-0.02	0.01	-0.01	-0.01	0.10	0.35	-0.15	-0.07	0.06

- **Non-OECD oil demand is nudged down by 30 kb/d to 40.9 mb/d in 2010** (+4.1% or +1.6 mb/d year-on-year), but remains broadly intact at 39.3 mb/d in 2009 (+2.2% or +0.9 mb/d versus 2008). These changes are related to cross-regional adjustments, with weaker demand in Africa and the Middle East offsetting higher readings in Asia and Latin America. Downward revisions are partly due to data quality issues, with submissions to the Joint Oil Data Initiative (JODI) database becoming more erratic for some countries such as Malaysia, South Africa and Chile. Meanwhile, Iran continues to post weak demand figures.

OECD

OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 1.1% year-on-year in April, according to preliminary data. Growth continues to be driven primarily by **OECD North America** (which includes US Territories) and **OECD Pacific** (+3.6% and +2.3%, respectively). Virtually all products bar residual fuel oil posted gains. By contrast, demand in **OECD Europe** remained very weak (-3.5%), partly as a result of the volcano-related flight disruptions that hit jet fuel/kerosene demand. Yet all product categories bar diesel either stagnated or receded, suggesting that other factors – such as the tepid economic recovery – are also at work.

March revisions, concentrated in North America and Europe, were sizeable (+400 kb/d). In North America, adjustments (+180 kb/d) were mostly ascribed to the 'other products' category; in Europe (+160 kb/d), they pertained essentially to distillates. As such, March demand rose almost three times as fast as previously estimated (+1.3% year-on-year versus +0.4%).

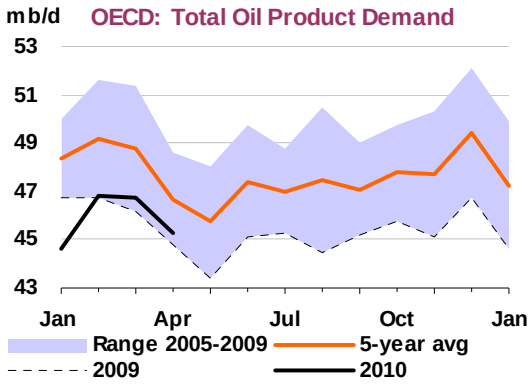
OECD Demand based on Adjusted Preliminary Submissions - April 2010

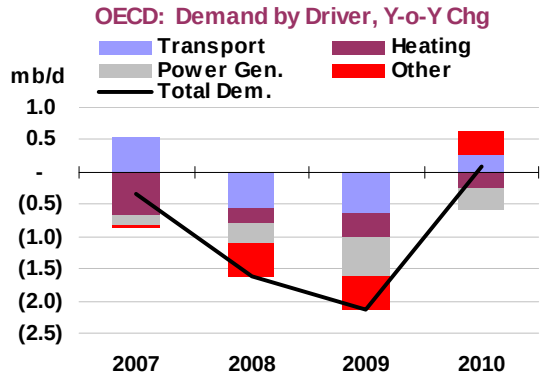
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.75**	**2.5**	**1.64**	**-0.2**	**3.85**	**4.5**	**0.77**	**14.4**	**0.81**	**-22.3**	**5.82**	**10.14**	**23.63**	**3.6**
US50	9.23	2.8	1.44	-0.3	3.33	4.7	0.38	34.5	0.42	-37.8	4.36	9.5	19.16	3.3
Canada	0.73	0.9	0.11	2.2	0.20	2.5	0.24	-2.3	0.10	6.8	0.75	9.3	2.13	3.8
Mexico	0.75	0.8	0.06	-3.3	0.29	3.4	0.12	3.4	0.23	6.7	0.66	16.4	2.12	6.3
OECD Europe	**2.32**	**-3.9**	**1.12**	**-12.1**	**4.37**	**3.3**	**1.52**	**-13.2**	**1.25**	**-9.5**	**3.33**	**-1.0**	**13.90**	**-3.5**
Germany	0.47	-4.6	0.15	-16.3	0.66	-0.8	0.26	-40.2	0.14	-14.5	0.54	-2.0	2.21	-10.7
United Kingdom	0.37	-6.1	0.30	-16.3	0.40	1.6	0.14	13.4	0.09	-4.0	0.32	-7.6	1.62	-5.3
France	0.21	-5.5	0.12	-17.8	0.71	3.0	0.27	-5.8	0.06	-34.2	0.40	-2.4	1.77	-4.1
Italy	0.25	-6.9	0.08	-10.1	0.55	0.5	0.09	8.5	0.12	-37.9	0.36	4.2	1.44	-5.0
Spain	0.14	-8.0	0.10	-1.5	0.47	-3.2	0.20	-6.2	0.20	0.9	0.34	-7.2	1.45	-4.4
OECD Pacific	**1.56**	**3.3**	**0.93**	**23.0**	**1.14**	**4.0**	**0.49**	**4.0**	**0.68**	**-12.1**	**2.91**	**-0.8**	**7.72**	**2.3**
Japan	1.00	3.9	0.63	32.5	0.49	5.2	0.37	1.8	0.34	-12.0	1.55	-2.1	4.37	3.4
Korea	0.18	4.0	0.17	15.6	0.29	1.8	0.12	12.1	0.32	-10.2	1.19	0.7	2.26	0.9
Australia	0.32	0.9	0.12	5.1	0.32	2.3	0.00	-2.9	0.03	-17.2	0.16	-0.7	0.94	1.0
OECD Total	**14.64**	**1.5**	**3.69**	**0.4**	**9.35**	**3.9**	**2.78**	**-4.0**	**2.74**	**-14.3**	**12.06**	**4.1**	**45.26**	**1.1**

* Including US territories

Even though estimated 2009 OECD oil demand remains untouched at 45.5 mb/d (-4.5% or -2.1 mb/d year-on-year), the 2010 prognosis is raised by 80 kb/d (+0.2% or +70 kb/d versus 2009). This revision stems from stronger preliminary readings, notably in North America, where distillate demand appears to have surged in May as the economic recovery gained traction. However, the high weekly data could underestimate exports and may eventually be revised down. Meanwhile, downward adjustments in Europe, partly related to April's air travel disruptions but also to prevailing economic woes, exceeded improved readings in the Pacific. Interestingly, if North America's strong preliminary estimates are confirmed, total OECD oil demand could briefly buck the decline observed in the previous four years.



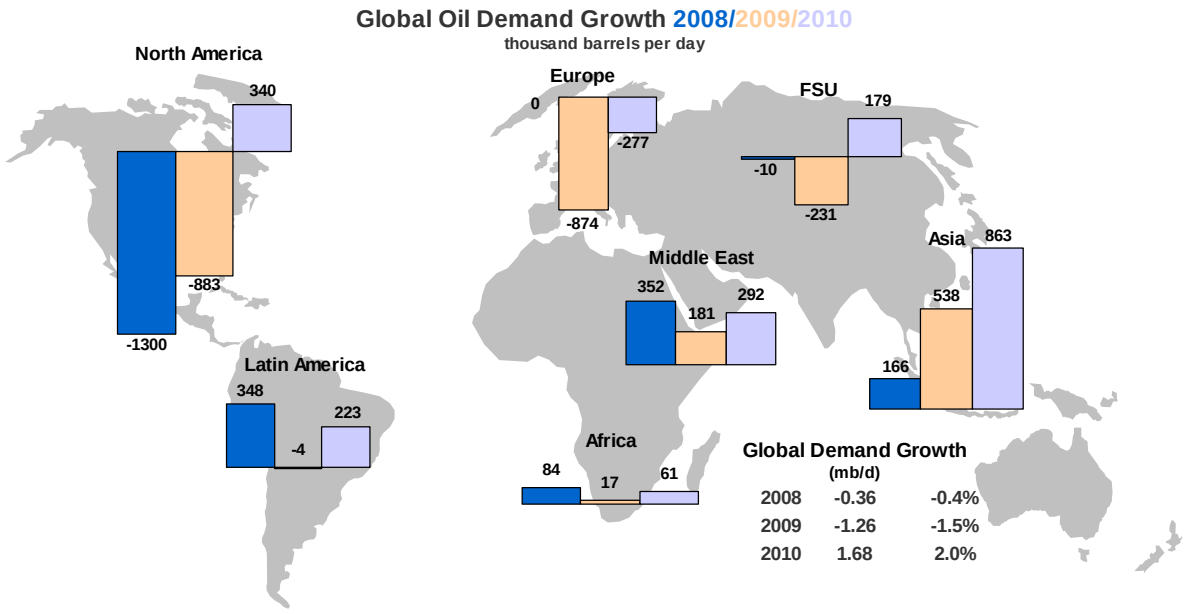


Total OECD Demand by Product

(million barrels per day)

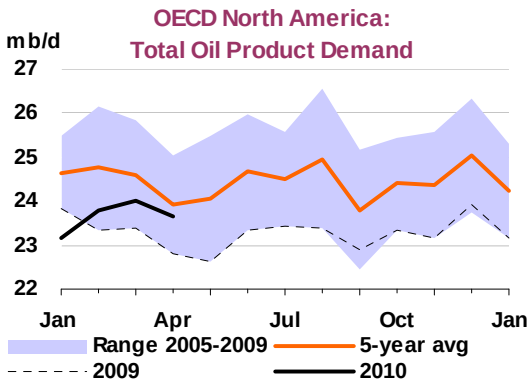
	2008	2009	1Q09	2Q09	3Q09	4Q09	Jan 10	Feb 10	Mar 10*	Latest month vs. Feb 10	Latest month vs. Mar 09
LPG & Ethane	4.66	4.64	4.83	4.36	4.37	5.01	5.26	5.34	4.98	-0.36	0.28
Naphtha	3.06	2.97	2.96	2.86	2.96	3.09	3.30	3.42	3.20	-0.22	0.18
Motor Gasoline	14.41	14.40	14.00	14.55	14.75	14.28	13.38	13.82	14.16	0.34	-0.02
Jet Fuel & Kerosene	3.97	3.74	3.99	3.53	3.63	3.79	3.97	4.08	3.92	-0.16	0.09
Gas/Diesel Oil	13.02	12.29	13.08	11.79	11.73	12.56	11.77	13.11	13.02	-0.08	0.11
Residual Fuel Oil	3.66	3.16	3.61	3.07	2.90	3.07	3.25	3.09	3.06	-0.03	-0.37
Other Products	4.78	4.26	4.07	4.28	4.63	4.06	3.66	3.93	4.40	0.47	0.32
Total Products	**47.57**	**45.45**	**46.54**	**44.44**	**44.97**	**45.86**	**44.59**	**46.79**	**46.75**	**-0.05**	**0.58**

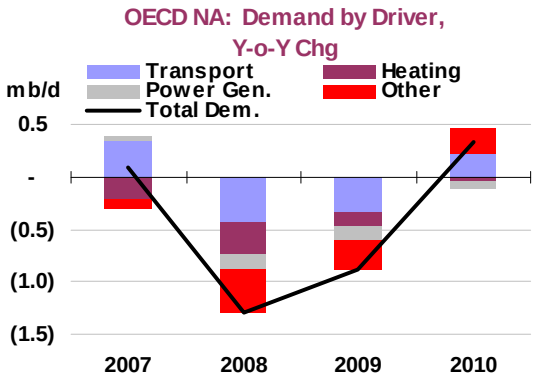
* Latest official OECD submissions (MOS)



North America

Preliminary data show oil product demand in North America (including US territories) rising by 3.6% year-on-year in April, following a 2.7% increase in March. While petrochemical feedstock demand growth persisted, transportation readings continued to improve. Regional diesel demand grew by an estimated 4.5% year-on-year in April, while motor gasoline increased by 2.5%. Jet fuel/kerosene declined slightly in April, by 0.2% year-on-year, but this reading came in stronger than the average 3.7% annual decline witnessed from last September through February. Regional trade has rebounded sharply and industrial output continues to improve. Strong economic indicators seem consistent with higher oil demand in May, yet uncertainty surrounding US weekly readings, particularly in middle distillate, suggests actual growth may not be as high as our current 6.3% year-on-year estimate.





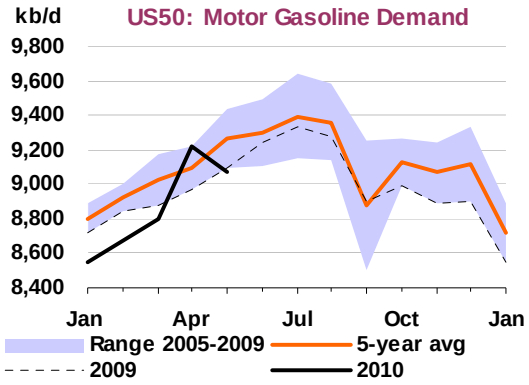
March preliminary data were revised up by 180 kb/d, stemming mostly from higher readings in jet fuel/kerosene, heating oil and the 'other products' category in the US. Gasoline in Canada was also revised up over 1Q10, with January-March higher by 75 kb/d on average. As such, North American demand increased by 2.7% in March, versus 1.9% in last month's report. North American oil demand for 2009 remained unchanged at 23.3 mb/d (-3.7% or -0.9 mb/d versus 2008). In 2010, demand is seen rising to 23.6 mb/d (+1.5% or +340 kb/d year-on-year and +160 kb/d versus our last report), with increases in petrochemical feedstocks and transportation fuels outweighing structural declines in heating oil and residual fuel oil.

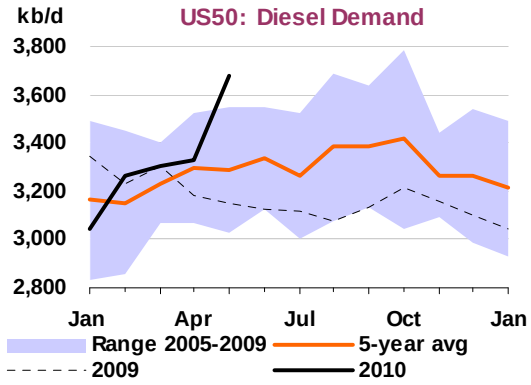
OECD North America Demand by Product
(million barrels per day)

	2008	2009	1Q09	2Q09	3Q09	4Q09	Jan 10	Feb 10	Mar 10*	Latest month vs. Feb 10	Latest month vs. Mar 09
LPG & Ethane	2.72	2.79	2.88	2.51	2.62	3.16	3.39	3.32	3.00	-0.32	0.16
Naphtha	0.36	0.31	0.29	0.33	0.31	0.30	0.35	0.42	0.42	0.00	0.12
Motor Gasoline	10.51	10.54	10.30	10.63	10.74	10.49	10.02	10.19	10.37	0.19	0.00
Jet Fuel & Kerosene	1.77	1.63	1.66	1.62	1.68	1.57	1.59	1.63	1.69	0.07	0.00
Gas/Diesel Oil	5.01	4.62	4.94	4.41	4.40	4.73	4.64	4.93	4.87	-0.07	0.14
Residual Fuel Oil	1.10	0.97	1.08	0.98	0.87	0.95	1.04	0.99	1.01	0.02	-0.09
Other Products	2.69	2.43	2.38	2.43	2.63	2.28	2.12	2.31	2.62	0.32	0.28
Total Products	**24.17**	**23.29**	**23.52**	**22.91**	**23.25**	**23.48**	**23.15**	**23.79**	**23.99**	**0.20**	**0.62**

* Latest official OECD submissions (MOS)

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by 6.7% year-on-year in May, following a 3.3% rise in April. May data showed annual growth across all product categories, except motor gasoline, with total product demand increasing by 1.2 mb/d versus the previous year. Almost 90% of the growth stemmed from three product categories – middle distillates, jet/kerosene and 'other products' – which increased strongly on both a yearly and monthly basis. By contrast, gasoline, including data up to the Friday of Memorial Day weekend (the start of the summer driving season), posted a year-on-year decline of 20 kb/d. But annual comparisons are relative to an abnormally low baseline; excluding hurricane-affected September 2008, May 2009 marked the low point in US total product demand during the recession.





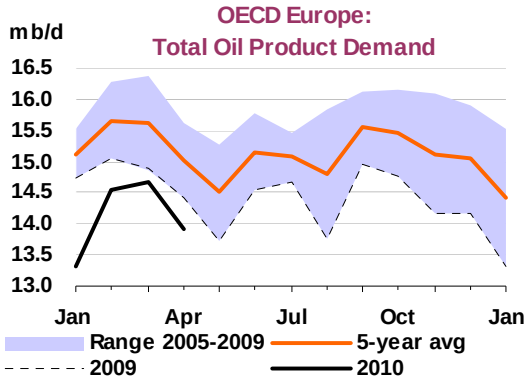
Demand gains in May seemingly offer further indication of a US economic recovery led by increased industrial output and restocking amid a lagging consumer sector. Strong distillate demand growth has indeed coincided with rising trucking, rail and shipping activity and may also reflect some economic catch-up as firms restock. Gasoline demand has remained relatively weak, stymied by high unemployment (9.7% in May) and a more elevated retail price environment in the first half of the month. Nevertheless, the May distillate spike may stem from factors beyond consumption. Weekly apparent demand data reflect deliveries to the domestic market as well as exports. Our own methodology attempts to anticipate revisions from weekly to monthly data based on historical averages. For May, however, we have left distillate demand unadjusted rather than applying the upward adjustment suggested by our model, which would increase an already sharp rise in consumption. While it is near impossible to accurately predict revisions to weekly data, market reports of stronger diesel exports in May suggest that the eventual change to the unadjusted reading may be a downward one.

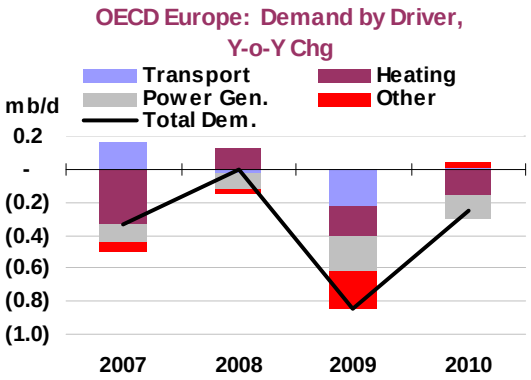
Mexican oil demand increased strongly, rising 6.3% year-on-year in April as manufacturing activity has continued to improve. Most of the demand strength stemmed from diesel and residual fuel oil while motor gasoline growth was relatively weaker and jet/kerosene posted a decline.

Meanwhile, estimated April growth for **Canada** was boosted to 3.8% from 0.6% on upward revisions to baseline demand from January-March. Diesel, residual fuel oil and petrochemical feedstocks were the fastest growing categories while jet/kerosene registered a second consecutive month of positive growth.

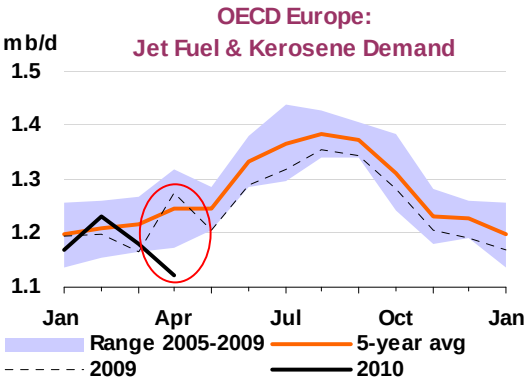
Europe

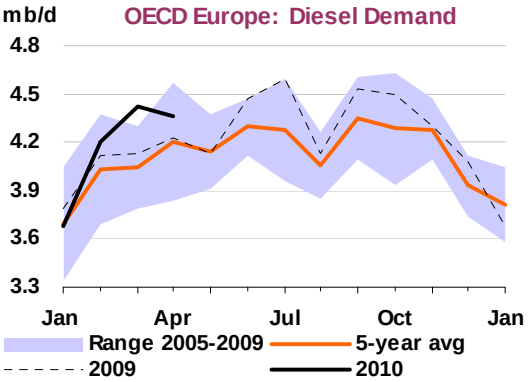
According to preliminary inland data, oil product demand in Europe contracted by 3.5% year-on-year in April, largely on plummeting jet fuel/kerosene deliveries following the eruption of the Icelandic volcano. Demand for heating oil and residual was also subdued, despite relatively cold temperatures (with HDDs higher versus both the ten-year average and April 2009), being displaced by relatively abundant and cheap natural gas supplies. This offset relatively strong diesel deliveries in most countries.





As widely anticipated, total European demand in 1Q10 turned out to be inordinately weak (-4.8% year-on-year), following two quarters that featured falls of 6.9% each on a yearly basis. This is all the more striking when considering last year's depressed baseline (1Q09 itself had shrunk by 2.6%), and despite hefty revisions to March preliminary demand data (+160 kb/d). These revisions were mostly due to stronger than expected distillates, notably diesel, and naphtha, thus tempering that month's anticipated weakness (-1.4% year-on-year versus -2.6%).





Putting aside the volcano-induced air travel disruption (jet fuel/kerosene plunged by 12.1% in April, according to preliminary data), the overall oil demand picture is mixed. The improving and continued strength in diesel demand – the mainstay of industrial activity, freight, construction and farming – would suggest that the region's economic recovery is ongoing, but stagnant naphtha deliveries point to slowing activity. As such, even though estimated oil product demand remains largely unchanged at 14.5 mb/d in 2009 (-5.5% or -850 kb/d versus 2008), we now expect it to decline in 2010 slightly more than previously thought to 14.2 mb/d (-1.7% or -250 kb/d compared with the previous year and 130 kb/d less than previously forecast). Should the economic outlook worsen, this forecast may be further revised down.

Whether Europe sees consolidated economic recovery, and assuages worries about the Eurozone's long-term viability, will arguably depend on the largest economies – most notably Germany and France, which account for half of the area's GDP – being able to boost domestic demand in order to support weaker members. However, an increasing number of European governments appear more focused on balancing their budgets in order to engender greater financial stability, hoping that external demand will provide the necessary impetus. Admittedly, the euro's depreciation may provide some support to exports, but it is unlikely to restore competitiveness among southern countries. Fiscal retrenchment underway could lead to a more subdued economic recovery, stagnation or even another recession, and thus weigh on the few bright spots of oil demand (naphtha and distillates). And if economic prospects worsen, the effects are also likely to be felt outside the region – more notably in China, as Europe has become its main trading partner.

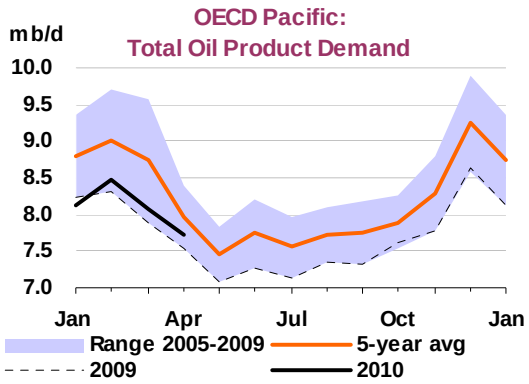
OECD Europe Demand by Product
(million barrels per day)

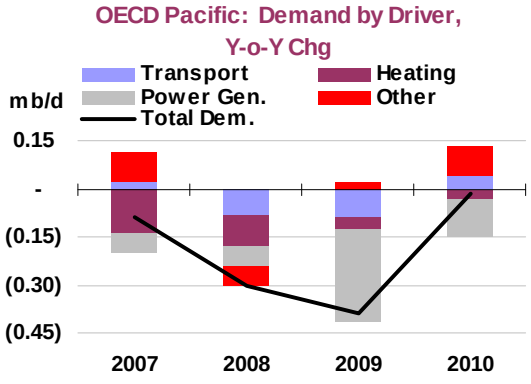
	2008	2009	1Q09	2Q09	3Q09	4Q09	Jan 10	Feb 10	Mar 10*	Latest month vs. Feb 10	Latest month vs. Mar 09
LPG & Ethane	1.03	0.97	1.05	0.99	0.89	0.96	0.97	1.08	1.08	0.00	0.07
Naphtha	1.06	0.99	1.03	0.89	0.99	1.04	1.07	1.12	1.12	0.00	0.01
Motor Gasoline	2.36	2.30	2.19	2.39	2.41	2.22	1.93	2.08	2.22	0.14	-0.05
Jet Fuel & Kerosene	1.31	1.25	1.19	1.26	1.34	1.23	1.17	1.23	1.18	-0.05	0.01
Gas/Diesel Oil	6.33	6.07	6.51	5.82	5.84	6.14	5.60	6.49	6.44	-0.05	-0.05
Residual Fuel Oil	1.65	1.44	1.61	1.36	1.38	1.41	1.40	1.34	1.29	-0.05	-0.18
Other Products	1.58	1.45	1.32	1.51	1.61	1.37	1.17	1.19	1.36	0.16	-0.03
Total Products	**15.33**	**14.48**	**14.88**	**14.22**	**14.45**	**14.37**	**13.31**	**14.53**	**14.69**	**0.15**	**-0.21**

* Latest official OECD submissions (MOS)

Pacific

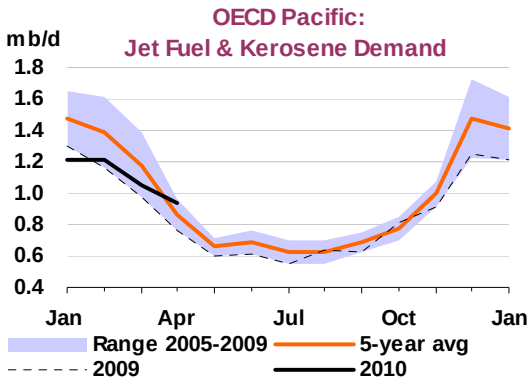
Preliminary data show that oil product demand in the Pacific rose by 2.3% year-on-year in April, with all product categories bar naphtha and residual fuel oil posting gains. Demand was largely supported by jet fuel/kerosene and distillates, which surged by 23.0% and 4.0%, respectively. The rise in kerosene deliveries, which is used for heating in both Japan and Korea, was due to unseasonably cold temperatures (HDDs were higher than both the ten-year average and the same month in the previous year). The increase in distillate demand, driven by diesel, was within seasonal trends but contrasted with a weak baseline. Meanwhile, the petrochemical recovery remains resilient, with LPG demand increasing by 2.0% year-on-year. And even though naphtha deliveries contracted by 2.7% on a yearly basis, they still rose month-on-month by 0.8%. This suggests that the much-dreaded slowdown of the Chinese economy, the region's main market for petrochemical goods, has yet to materialise. Finally, the decline in residual fuel oil deliveries (-12.1%) continued as cheaper natural gas and rising utilisation rates in nuclear power plants satisfied most electricity needs.

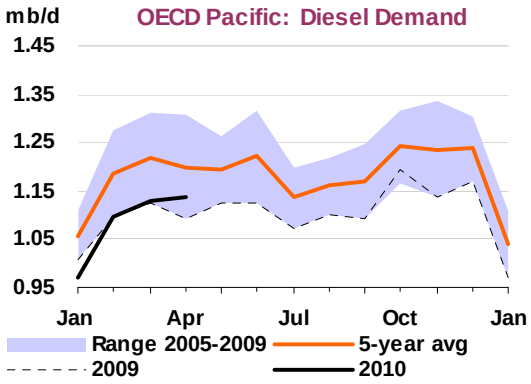




March data revisions were relatively small (+70 kb/d), mostly centred on middle distillates (jet fuel/kerosene and gasoil) and residual fuel oil. As such, OECD Pacific oil demand increased slightly more

than anticipated in that month (+2.2% vs. +1.4% year-on-year). Although estimated oil product demand for 2009 remains unchanged at 7.7 mb/d (-4.8% or -390 kb/d versus 2008), the outlook for 2010 is raised slightly to 7.7 mb/d (-0.2% or -20 kb/d compared with the previous year and 50 kb/d more than previously forecast).





OECD Pacific Demand by Product
(million barrels per day)

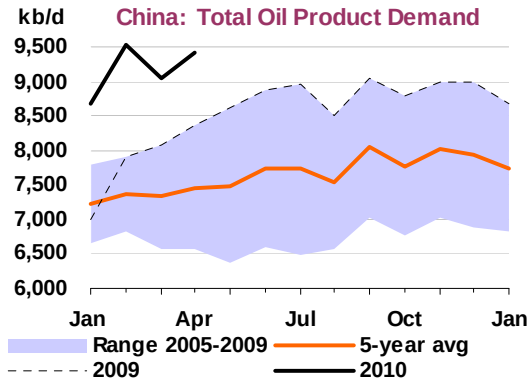
	2008	2009	1Q09	2Q09	3Q09	4Q09	Jan 10	Feb 10	Mar 10*	Latest month vs. Feb 10	Latest month vs. Mar 09
LPG & Ethane	0.90	0.88	0.90	0.85	0.86	0.89	0.90	0.95	0.90	-0.05	0.05
Naphtha	1.64	1.68	1.64	1.64	1.66	1.76	1.88	1.88	1.66	-0.22	0.05
Motor Gasoline	1.54	1.55	1.51	1.52	1.60	1.57	1.43	1.55	1.57	0.01	0.02
Jet Fuel & Kerosene	0.89	0.85	1.15	0.66	0.60	0.99	1.21	1.22	1.05	-0.17	0.07
Gas/Diesel Oil	1.68	1.59	1.64	1.56	1.49	1.68	1.52	1.69	1.72	0.03	0.02
Residual Fuel Oil	0.91	0.75	0.92	0.73	0.65	0.72	0.80	0.76	0.76	0.00	-0.11
Other Products	0.50	0.38	0.38	0.33	0.39	0.40	0.37	0.42	0.42	-0.01	0.07
Total Products	**8.07**	**7.68**	**8.14**	**7.30**	**7.27**	**8.01**	**8.12**	**8.47**	**8.07**	**-0.40**	**0.18**

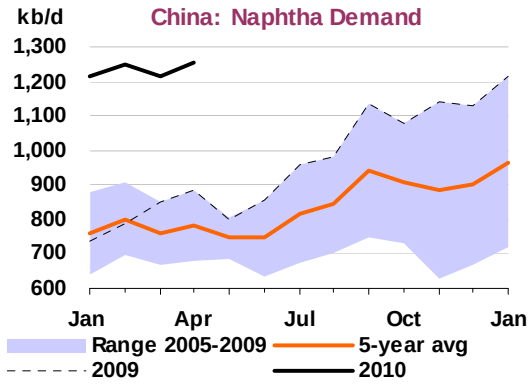
* Latest official OECD submissions (MOS)

Non-OECD

China

Preliminary data indicate that China's apparent demand (refinery output plus net oil product imports) surged by 12.7% year-on-year in April, similar to the pace of growth recorded in March (+12.0%). Strong demand for naphtha (+41.5%), jet fuel/kerosene (+30.1%), gasoil (+16.1%) and 'other products' (22.5%) continued to offset somewhat weaker demand for gasoline (-2.7%) and what appears to be structurally declining residual fuel oil use (-3.7%). The boost in naphtha demand is particularly noteworthy, as it highlights China's aggressive petrochemical capacity expansion. In 2H09, the country added three naphtha crackers totalling almost 2.3 million tonnes per year (mt/y); in 2010, three more – each with a capacity of 1 mt/y – are due to come on line.





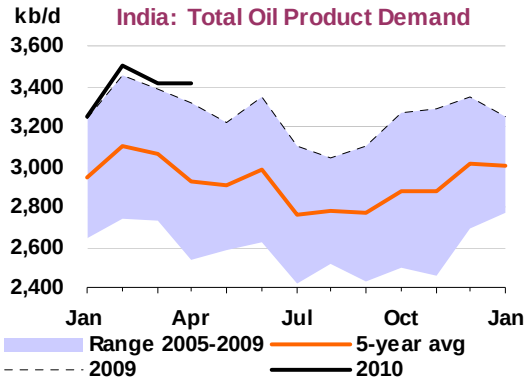
On 1 June, China's National Development and Reform Commission (NDRC) implemented a cut to 'guideline' prices for gasoline and gasoil of roughly 3% on average, barely a month and a half after increasing both by 5%. Although the cut is broadly in line with the recent evolution of international oil prices, it highlights that the NDRC is, unsurprisingly, much more reactive to falling, rather than mounting, prices – indeed, April's belated rise had been expected since the beginning of the year. Moreover, despite reports of potential changes to the country's oil product price mechanism, no official announcements have yet emerged.

China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	653	738	703	86	-35	13.1	-4.8
Naphtha	768	946	1,210	178	264	23.1	27.9
Motor Gasoline	1,493	1,539	1,597	46	57	3.1	3.7
Jet Fuel & Kerosene	292	343	383	51	40	17.3	11.8
Gas/Diesel Oil	2,837	2,759	3,001	-77	241	-2.7	8.7
Residual Fuel Oil	603	582	485	-22	-96	-3.6	-16.6
Other Products	1,246	1,604	1,801	358	198	28.7	12.3
Total Products	**7,892**	**8,511**	**9,179**	**618**	**669**	**7.8**	**7.9**

Other Non-OECD

India's oil product sales – a proxy of demand – rose by 2.9% year-on-year in April, with strong gasoil, gasoline and LPG readings offsetting the structural decline of naphtha and residual fuel oil, displaced by natural gas. Gasoil sales surged by 13.5%, largely on higher agricultural demand as high temperatures led to early harvesting, and increased use of gasoil-generated electricity. Gasoline consumption jumped by 9.8%, with vehicle sales rising at their fastest yearly pace in a decade, (+39.5% in April). Meanwhile, natural gas supplies should continue to rise, although some observers wonder whether the Supreme Court's decision to grant the government the final say on natural gas prices might deter investment.



India: Demand by Product
(thousand barrels per day)

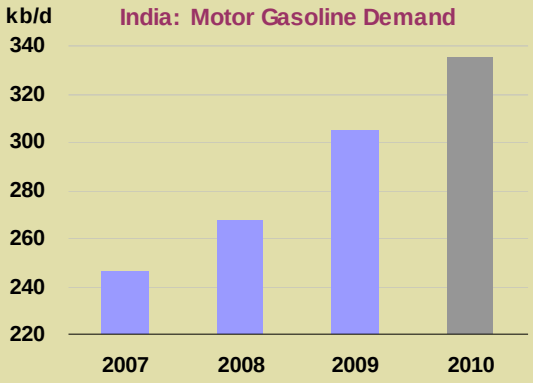
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	386	407	443	20	36	5.3	8.9
Naphtha	300	318	256	18	-62	6.0	-19.5
Motor Gasoline	267	305	335	38	30	14.1	9.9
Jet Fuel & Kerosene	293	294	299	1	5	0.2	1.7
Gas/Diesel Oil	1,083	1,167	1,264	84	97	7.8	8.3
Residual Fuel Oil	408	407	366	-1	-41	-0.2	-10.0
Other Products	348	361	359	13	-2	3.7	-0.6
Total Products	**3,086**	**3,259**	**3,322**	**173**	**63**	**5.6**	**1.9**

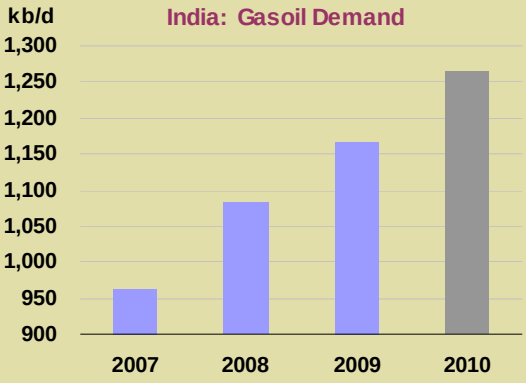
Towards Subsidy Reform in India?

Even though previous attempts have stalled – most recently on 7 June – some observers still expect the Indian government, through its Empowered Group of Ministers, to modify the country's controlled prices for gasoline, diesel, kerosene and LPG over the next few weeks. Ostensibly designed to protect the poor, the price regime is in fact highly distorting. Indeed, state-owned oil companies bear huge losses as domestic prices are much lower than international prices, while private players become increasingly oriented towards exporting products rather than supplying the domestic market. Central and local governments, meanwhile, impose taxes on crude and petroleum products that are often significantly higher than subsidies, and well-off motorists are encouraged to switch to diesel-powered cars as this fuel is less expensive than gasoline. Finally, the adulteration of transportation fuels (mostly gasoil) with cheap kerosene is extensive, as well as environmentally harmful.

Momentum for reform indeed appears to be gathering. Three government-appointed committees over the past few years have all generated virtually the same conclusion: fuel prices should follow market forces rather than government guidelines. The last committee, which submitted its report in February 2010, was boldest, plainly stating that gasoline and diesel prices should be fully deregulated. Moreover, state-owned oil companies, which import approximately three-quarters of their crude requirements, are facing an unsustainable financial situation. The so-called 'under-recoveries' (losses) for the 2010-11 fiscal year are expected to exceed some $23 billion – and if past years serve as a guide, only slightly more than half are likely to be absorbed by the government through the issuance of the so-called 'oil bonds'.

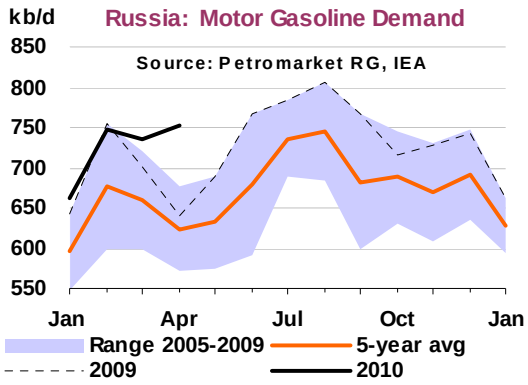
Finally, the largest private players – Reliance Industries, Essar Oil and Shell India – have petitioned the sector's regulatory agency, the Petroleum and Natural Gas Regulatory Board (PNGRB), against the three state-owned companies – Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL). The plaintiffs argue that subsidies amount to 'predatory pricing' and have asked the PNGRB to levy a penalty on state-owned companies. They also seek government compensation for eventual losses in order to be effectively able to compete in the domestic retail market. State-owned companies, in turn, contend that fuel pricing is a government policy prerogative upon which they have no control.





In the end, the potential outcomes for the country's fuel price reforms are essentially three. A prolonged *status quo*, whereby the government would continue to control prices for gasoline, diesel, kerosene and LPG, would arguably imply ever-rising fiscal deficits, and would impose a rising financial burden to state-owned companies, which would bear at least a third, if not more, of the total losses. A *partial liberalisation* could target gasoline, the so-called 'rich man's fuel', coupled with a gradual reform of diesel prices in order to tame inflationary expectations and revamping subsidies on kerosene and LPG to better shield the poor. As much as this would help both the public purse and state-owned companies' finances, it could also foster even more diesel adulteration if kerosene prices were left untouched. Finally, a *full liberalisation* would probably entail a sharp rise of fuel prices and inflation, as well as hit the poor in absence of targeted subsidies. The first option is arguably unsustainable, but full liberalisation is unlikely, given its political repercussions. Therefore, reform – if any – may turn out to be partial. But whether it would successfully address the distortions currently plaguing India's domestic oil product market would remain to be seen.

Russian gasoline demand surged by +17.6% year-on-year in April, following an increase of +5.0% in the previous month. This was largely due to the vehicle scrappage scheme introduced by the government in early March. As a result, sales of passenger cars and light utility vehicles rose by 20% year-on-year in April to roughly 163,000 units – the first yearly increase since October 2008. Assuming that the scheme is maintained and that the economic recovery continues, gasoline demand should rise by 3.1% to 750 kb/d in 2010. However, the country's vehicle market, poised to become the largest in Europe, still remains depressed overall. In 2009, sales plummeted by almost half to some 1.5 million units as the global recession, which hit Russia particularly hard, unfolded. So far this year, January-April sales were still down by 13% when compared to the same period in 2009, with gasoline demand essentially flat in 1Q10.

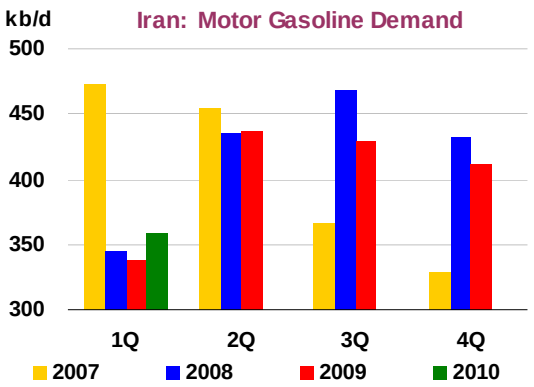


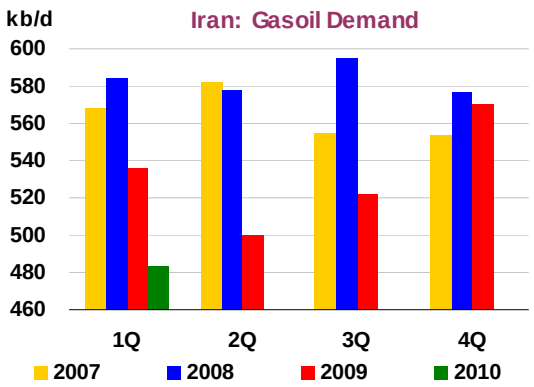
Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	320	299	326	-21	27	-6.6	9.1
Naphtha	254	235	250	-19	15	-7.4	6.2
Motor Gasoline	721	728	750	7	23	1.0	3.1
Jet Fuel & Kerosene	248	217	234	-31	17	-12.4	7.6
Gas/Diesel Oil	626	578	603	-48	26	-7.7	4.5
Residual Fuel Oil	284	215	242	-70	27	-24.5	12.7
Other Products	430	417	438	-14	22	-3.2	5.2
Total Products	**2,883**	**2,688**	**2,843**	**-195**	**155**	**-6.8**	**5.8**

Source: Petromarket RG, IEA

Having plummeted by 6.4% year-on-year in 2009, **Iran's** oil product demand is expected to rise by only 0.6% in 2010, in sharp contrast to the strong growth posted in recent years. The main culprit appears to be gasoil demand, which fell sharply in 1Q10 (-9.8%), thus offsetting continuous growth in gasoline use (+6.2%). Given that gasoil is a good proxy of overall economic activity, these poor readings could indicate that the country's recovery is much less buoyant than currently expected (GDP should expand by +3.0% this year, according to the IMF's latest projections). International sanctions, Iran's increasing difficulties in selling crude given its uncompetitive pricing policy, domestic political uncertainty and a degree of economic mismanagement appear to be weighing on economic growth.





Meanwhile, the strength of gasoline demand not only casts doubts on the government's repeated statements that the rationing scheme put in place since 2007 is an unqualified success, but also forces the country to maintain high and costly imports (around 30-40% of total gasoline demand). Indeed, despite rationing, Iran imported an average 130 kb/d of gasoline in 2009. The country is also reportedly building gasoline stocks in anticipation of another round of international sanctions over its nuclear programme and amid dwindling gasoline suppliers (believed to be now restricted to a handful of Chinese companies). Moreover, the government claims – implausibly, given the lack of adequate refining investment – that the country will become self-sufficient in gasoline over the next three years.

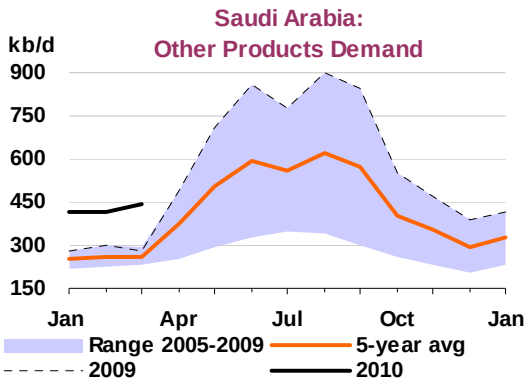
In addition, a plan to gradually remove subsidies to energy (liquid fuels, natural gas and electricity) and other goods and services (water and food), which was approved by the Majlis (Parliament) last January, is due to be implemented from the second half of the current Iranian year (which starts in September). Subsidies are to be replaced with targeted cash handouts, ostensibly to reduce waste and raise efficiency. Regarding oil products, end-user prices would increase over five years to the equivalent of 90% of FOB prices in the Middle East – entailing at least a five-fold increase based on current international prices, which would arguably help curb demand growth. Nowadays, Iranian motorists are entitled to purchase 60 litres of subsidised gasoline per month at 1,000 rials/litre ($0.10/litre) for regular unleaded and 1,500 rials/litre for premium gasoline; above that volume, gasoline can be purchased at 'market' prices (about $0.40/litre). Many observers, however, argue that removing subsidies will be operationally and politically difficult to achieve.

Iran: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	99	90	88	-9	-2	-8.8	-2.3
Naphtha	55	55	53	0	-2	0.0	-2.9
Motor Gasoline	421	403	415	-17	11	-4.2	2.8
Jet Fuel & Kerosene	141	118	117	-23	-2	-16.2	-1.5
Gas/Diesel Oil	583	532	525	-51	-7	-8.8	-1.4
Residual Fuel Oil	329	311	325	-17	13	-5.3	4.3
Other Products	138	142	141	5	-1	3.4	-0.9
Total Products	**1,765**	**1,652**	**1,663**	**-113**	**11**	**-6.4**	**0.6**

Highly subsidised energy prices have also become a contentious issue of late in **Saudi Arabia**. In April, the CEO of Saudi Aramco warned that Saudi Arabia's crude export capacity would fall by over 40% during the next two decades if the kingdom's energy demand growth were left unchecked. In early June, a senior official in charge of the kingdom's Electricity and Co-Generation Regulatory Authority publicly stated that about 11% of the country's crude output is currently burned to meet surging domestic power consumption and that his agency was preparing a plan to rein in subsidies and curb waste, only shielding lower-income sectors.

The widely quoted direct-crude figure of 880 kb/d looks high, unless it refers to peak summer demand. JODI estimates put direct-crude burning at no more than 440 kb/d on a yearly average (2009) or about 76% of 'other products' demand. Alternatively, the higher estimate may also have included natural gas, which accounts for roughly 50% of the kingdom's total power generation. Yet, aside from the figures, the fact that subsidies are being publicly discussed suggests a realisation that runaway fuel and power demand is bound to pose serious financial, logistical, environmental and even strategic challenges over the medium term.

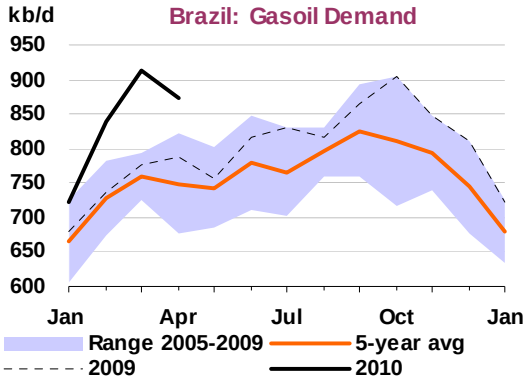


Saudi Arabia: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	479	538	592	59	55	12.3	10.1
Naphtha	107	104	112	-2	7	-2.2	6.9
Motor Gasoline	374	398	424	24	26	6.4	6.7
Jet Fuel & Kerosene	59	58	63	0	5	-0.5	8.3
Gas/Diesel Oil	578	599	650	21	52	3.6	8.6
Residual Fuel Oil	364	274	258	-89	-16	-24.6	-5.9
Other Products	367	573	622	206	49	56.2	8.5
Total Products	**2,326**	**2,544**	**2,721**	**218**	**177**	**9.4**	**7.0**

In **Brazil**, gasoil and jet/kerosene demand continued to surge, increasing by 11.0% and 14.7% year-on-year, respectively in April. Brazilian economic indicators have been strong recently, with 1Q10 GDP rising at an annualised 9%. Still, concerns have surfaced among market analysts that the economy may be overheating, with inflation rises exceeding the government's target and the labour market tightening. The Brazilian central bank has started a monetary tightening cycle, which is likely to continue in the months ahead. Nonetheless, our forecast retains strong oil demand growth for 2010, with consumption rising 125 kb/d (4.8%) versus 2009.



Brazil: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2008	2009	2010	2009	2010	2009	2010
LPG & Ethane	214	212	217	-3	6	-1.2	2.6
Naphtha	155	165	159	11	-6	6.8	-3.5
Motor Gasoline	690	749	789	59	40	8.5	5.4
Jet Fuel & Kerosene	94	96	106	2	10	2.6	10.6
Gas/Diesel Oil	813	802	868	-10	66	-1.3	8.2
Residual Fuel Oil	204	192	194	-13	3	-6.2	1.4
Other Products	361	351	356	-10	5	-2.9	1.5
Total Products	**2,531**	**2,566**	**2,690**	**36**	**124**	**1.4**	**4.8**

SUPPLY

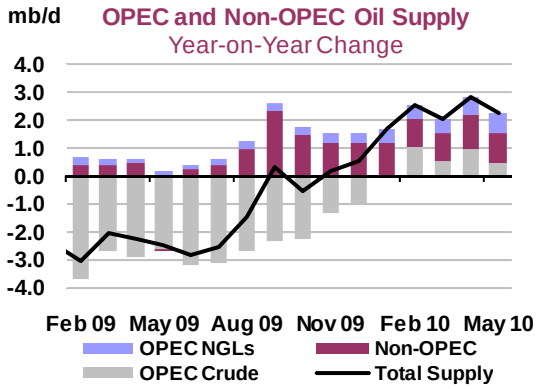
Summary

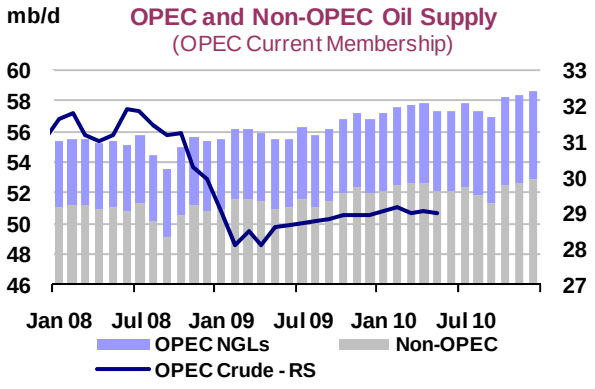
- **Global oil supply fell by an estimated 575 kb/d to 86.3 mb/d in May**, largely on lower non-OPEC output due to seasonal maintenance. Year-on-year, global production was up by 2.2 mb/d, with non-OPEC oil, OPEC crude and OPEC NGLs respectively higher by 1.1 mb/d, 0.4 mb/d and 0.7 mb/d.

- **2009 non-OPEC supply is seen unchanged at 51.5 mb/d**, while 2010 output is revised 65 kb/d higher to 52.3 mb/d, implying annual growth of 0.8 mb/d. The upward adjustment stems largely from stronger OECD Europe production on more robust performance in the North Sea, while higher NGL production in the US is partly offset by lower NGL output in Canada.

- **BP has not yet managed to fully halt the leak at its Macondo well** in the US Gulf of Mexico, which has been spilling crude oil at a rate of 12-19 kb/d since late April. At the time of writing, BP had however succeeded in finding a method to siphon off as much as 15 kb/d and was hoping to raise this volume further while it drills relief wells that should eventually allow the well to be plugged by August. A six-month moratorium on most deepwater drilling put in place by the US administration in late May, could, if extended, shave as much as 100-300 kb/d off forecast US GoM crude output by 2015.

- **OPEC crude oil supply was down slightly in May**, with higher production in Iraq partially offset by supply outages in Nigeria and Angola. May crude oil output fell by a modest 30 kb/d, to 29.02 mb/d versus 29.05 mb/d in April. Excluding Iraq, production by the 11 OPEC members with output targets fell by 160 kb/d to 26.61 mb/d. OPEC-11 production is running about 1.77 mb/d above the group's 24.845 mb/d collective quota. The 2010 'call on OPEC crude and stock change' remains at 28.7 mb/d, flat versus 2009, albeit revised slightly lower in 2H 2010.





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

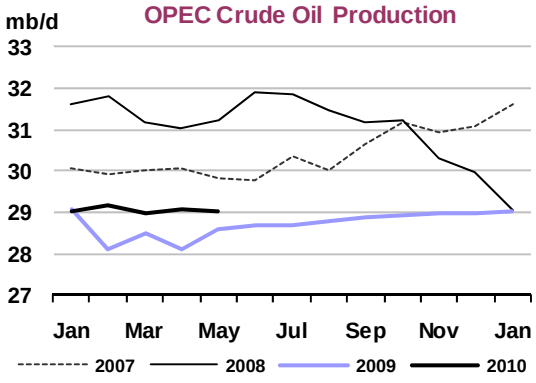
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

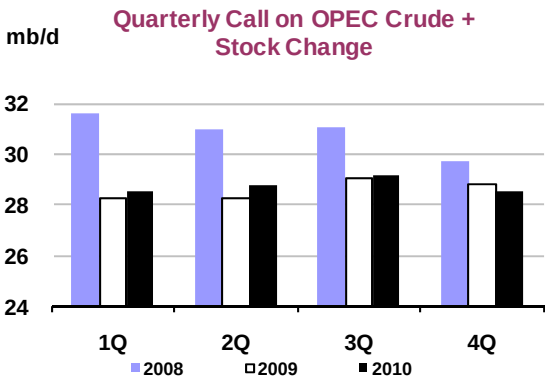
OPEC crude oil supply was marginally lower in May, with increased output in Iraq partially offset by outages in Nigeria and Angola. May crude oil output fell by a modest 30 kb/d, to 29.02 mb/d versus 29.05 mb/d in April. Excluding Iraq, production by the 11 OPEC members with output targets fell by 160 kb/d to 26.61 mb/d, with compliance holding around 58% in May. OPEC-11 production is running about 1.77 mb/d above the group's 24.845 mb/d collective quota.

However, OPEC output looks set to increase over the next two months based on announced customer allocations for June and July. Saudi Arabia, UAE and Qatar have all offered more crude to buyers in Asia. In addition, OPEC's Gulf producers typically ramp up wellhead production, if not market supply, during the summer to meet increased power needs.

The 'call on OPEC crude and stock change' for 3Q10 is pegged close to current output at 29.1 mb/d and for 2010 at 28.7 mb/d. OPEC's limited room for manoeuvre is highlighted by high OECD stock levels and a renewed rise in floating storage, with unsold Iranian crude accounting for around half of the oil stored at sea.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

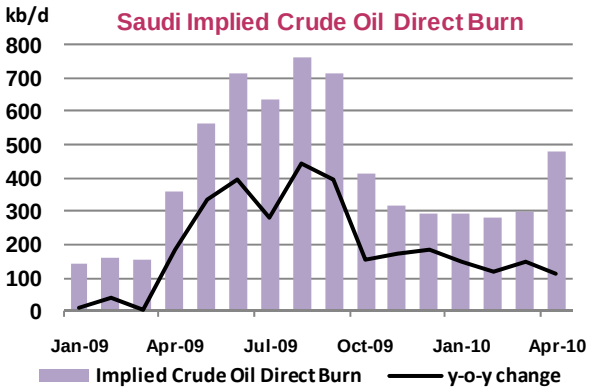
Iranian production was assessed at 3.72 mb/d in May, down 30 kb/d from April levels. The modest output decline was more than eclipsed by the swelling armada of unsold Iranian crude held in floating storage. Estimates for Iranian oil held on ships vary, with current volumes of crude and condensate ranging from 48-50 mb by end-May compared with between 30-38 mb at end-April. Unattractive price formulas relative to competing grades and limited demand for the country's high-metal content heavy sour Soroush and Nowruz crudes have combined to reduce buying interest and forced state-run NIOC to place unsold barrels on tankers.

Meanwhile, an explosion and fire triggered by a natural gas leak on 29 May at the Naftshahr field near the border with Iraq shut in 10 kb/d. Officials estimate it could take up to six months to control and plug the damaged wells.

I**raq's** production rebounded last month, with exports from both the north and south slightly higher. Production rose about 125 kb/d, to 2.41 mb/d in May. Total crude exports averaged 1.89 mb/d, an increase of 125 kb/d over April levels. Exports from Basrah rose around 60 kb/d, to 1.48 mb/d while northern shipments increased by 68 kb/d, to 410 kb/d. Operational problems in the south at the end of May, however, prompted SOMO to cut crude allocations to Asian buyers for June.

Crude oil production in **Saudi Arabia** held at a steady 8.25 mb/d for the third month in a row in May. Output is 200 kb/d above the country's target level but it appears much of the extra production is earmarked for domestic use as crude oil direct burn at power and desalination plants. There are

conflicting reports on the volume of crude burned for domestic needs, with Saudi officials reporting a range as high as 877 kb/d and a low of 274 kb/d. What is clear is that the country's use of crude for power generation will continue to grow in line with stronger domestic demand. Based on data submitted by Saudi Arabia to JODI, we calculate a crude burn rate of around 435 kb/d on average in 2009, with a low of 141 kb/d in January and a high of 764 kb/d in August. In 2010 we assume direct burn would be around 150 kb/d higher on average at 685 kb/d.



Crude production in both **Kuwait** and the **UAE** edged up by 20 kb/d each, to 2.30 mb/d and 2.31 mb/d, respectively. The UAE are on track to post further increases this summer. ADNOC eased allocated cuts to Asia in July, to the smallest amount since it started trimming exports in October 2008. Light sour Murban will be reduced by just 3% and Lower Zakum and Umm Shaif by 5% versus contract volumes. June allocations were cut by 10-20%. Allocations for heavy sour Upper Zakum will be reduced by 10% in July compared with a sharper 15% cut in June.

Angolan crude production in May was down by 70 kb/d at 1.79 mb/d on scheduled and unplanned outages. A fire at a compressor at the NEMBA South Platform on Cabinda Block 0 on 11 May (costing around 35 kb/d) could see the facility closed for several months while new equipment is procured and repairs to all electrical system affected by the fire are completed. Maintenance at the Palanca fields started in mid-May affecting about 50-60 kb/d and the work is expected to continue for a month. Meanwhile, Greater Plutonio is also operating below capacity at 170 kb/d due to problems with the water injection system. As a result, Angolan production and exports could decline by a further 30-40 kb/d in June.

Algerian output in May was unchanged at 1.24 mb/d. However, a new era for the country's oil sector was ushered in at end-May following the replacement of long-serving oil minister Chekib Khelil in a cabinet reshuffle. Algeria's oil industry has largely been paralysed by the corruption scandal that engulfed top executives at state-run Sonatrach since the beginning of the year and the removal of Khelil, though not implicated in the scandal, was not unexpected. Khelil's replacement, Youssef Yousfi, held the energy minister portfolio from 1997-1999 and was also a director general at Sonatrach in the mid-1980s. A chemical engineer and an economist by training, he was briefly Minister of Foreign Affairs in 1999 and then ambassador successively to Canada, the United Nations, and Tunisia.

Algeria's production capacity has stagnated at around 1.4 mb/d since 2006 and is on course to decline this year and next, largely due to unattractive contract terms for foreign companies. Yousfi therefore inherits a national oil industry in decline, beset by chronic bureaucracy and infighting for political control over setting the country's energy strategy.

Nigerian production suffered a relapse this month following unplanned outages by companies due to infrastructure damaged by militants in the Niger Delta. Production was down on average by 100 kb/d to 1.9 mb/d in May. Output of Qua Iboe has been cut by an estimated 150 kb/d due to a pipeline leak, with operator ExxonMobil declaring *force majeure* on liftings on 12 May. Approximately 285 kb/d of the 440 kb/d scheduled to be exported in June has been delayed until July.

Royal Dutch Shell declared *force majeure* on Bonny Light crude exports for about two weeks in May due to pipeline leaks and a fire on the key Trans-Niger pipeline that feeds into the Bonny export terminal.

Production of an estimated 60 kb/d of Brass River crude, shut in on 25 April, resumed on 13 May. Shell's 100 kb/d EA field, shut in mid-April, remains closed for maintenance and repair work.

Progress on the ceasefire agreement with rebels has been slow, not unexpected given the recent appointment of a new president and cabinet last month. Kick starting the ceasefire negotiations remains near the top of the government's agenda while the proposed Petroleum Industry Bill (PIB) appears delayed indefinitely. In early June the new political leadership apparently decided to halt efforts to push through the legislation as it stands while lawmakers review government and foreign oil company comments. It is unclear now if the review process of the PIB will be completed before the country's presidential elections scheduled for April next year, leaving the operating environment for IOCs highly uncertain.

Based on our forthcoming medium-term review, OPEC's sustainable production capacity was adjusted lower by 70 kb/d to 35.08 mb/d, reflecting minor changes ranging from -10 kb/d to +10 kb/d for six OPEC members.

OPEC Crude Production

(million barrels per day)

	Mar 2010 Supply	Apr 2010 Supply	May 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs May 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.24	1.24	1.24	1.40	0.16	0.200	65%
Angola	1.91	1.86	1.79	2.00	0.21	0.244	0%
Ecuador	0.47	0.47	0.46	0.50	0.04	0.067	57%
Iran	3.68	3.75	3.72	4.00	0.28	0.562	16%
Kuwait[2]	2.28	2.30	2.30	2.60	0.30	0.374	83%
Libya	1.53	1.54	1.55	1.70	0.15	0.252	60%
Nigeria[3]	2.01	2.00	1.90	2.25	0.35	0.319	25%
Qatar	0.82	0.82	0.84	0.98	0.14	0.122	16%
Saudi Arabia[2]	8.25	8.25	8.25	12.00	3.75	1.318	91%
UAE	2.28	2.29	2.31	2.70	0.39	0.379	90%
Venezuela[4]	2.25	2.25	2.25	2.45	0.20	0.364	33%
OPEC-11	**26.72**	**26.77**	**26.61**	**32.58**	**5.97**	**4.201**	**58%**
Iraq	2.27	2.28	2.41	2.50	0.09		
Total OPEC	**28.99**	**29.05**	**29.02**	**35.08**	**6.06**		
(excluding Iraq, Nigeria, Venezuela					*5.42)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 480 kb/d in May.

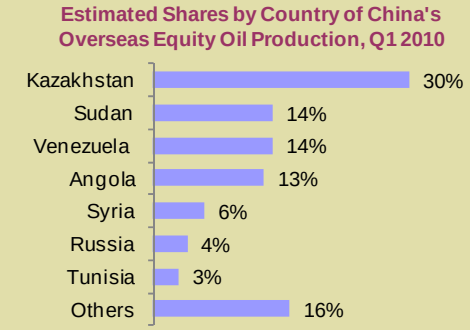
Non-OPEC Overview

In May, non-OPEC supply fell by 540 kb/d to 52.1 mb/d, as seasonal maintenance in the North Sea and elsewhere slowed output, albeit year-on-year, production was up by 1.1 mb/d. While average 2009 non-OPEC supply is seen unchanged at 51.5 mb/d, 2010 output is now estimated 65 kb/d higher than previously, at 52.3 mb/d, implying annual growth of 0.8 mb/d. The upward adjustment stems largely from stronger OECD Europe production on robust performance in the North Sea, while higher NGL production in the US is partly offset by lower NGL output in Canada. In terms of contributors to anticipated 2010 growth, trends remain unchanged. Major increments will stem from global biofuels, Russia, Brazil, the US, China, Colombia, India and the Caspian. These will be partly offset by decline in Norway, Mexico and the UK.

Chinese NOCs Active Abroad

Throughout the past decade, the three major Chinese national oil companies (NOCs) – CNPC, Sinopec and CNOOC, along with other Chinese players – have ramped up their upstream investment activities overseas. From January 2009 to April 2010 alone, they spent around $29 billion worldwide to acquire oil and gas assets. In addition, CNPC and Sinopec were involved in 11 loan-for-oil deals with eight countries worth a total of $77 billion. Furthermore, the NOCs have entered contracts committing them to invest at least $18 billion in future exploration and development, mostly in Iraq and Iran.

The Chinese NOCs have emerged as a significant force in global M&A activity in 2009. The total amount spent on M&A deals by Chinese companies last year was $18.2 billion, accounting for 13% of total global acquisitions in 2009, and 61% of all acquisitions by NOCs. In the first four months of 2010, the three NOCs spent a collective $10.9 billion, with Sinopec purchasing a 9% share in Canadian oil sands producer Syncrude, CNPC/PetroChina joining with Shell to acquire Australian coal bed methane producer Arrow Energy, and CNOOC buying 50% of Argentinean oil company Bridas.

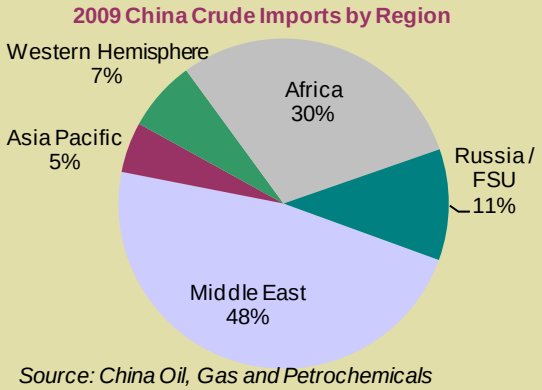


Source: IEA research, FACTS Global Energy, Interfax

According to IEA data, successful acquisitions allowed China's NOCs to expand their overseas equity shares from 1.1 mb/d of crude oil production in 2009 to 1.5 mb/d in 1Q2010. Chinese oil companies are now operating in the upstream sector of 31 countries and have equity production in 20, although their equity shares are overwhelmingly concentrated in only four: Kazakhstan, Sudan, Venezuela and Angola. Notwithstanding currently limited volumes, concerns exist that this activity by China's NOCs is effectively 'removing' oil from the market. But the fungible nature of markets and the apparently market-oriented thinking behind NOC decisions suggest this is not the case.

Equity shares are but one route for upstream expansion. Chinese NOCs have also successfully bid for service contracts, sometimes in collaboration with IOCs and other NOCs, as in the case of CNPC's joint bid with BP for a 20-year service contract in Iraq to develop the Rumaila oil field and with Total and Petronas to develop the Halfaya field. Chinese NOCs have also negotiated long-term loan-for-oil and gas purchase deals with resource-rich countries with the support of the Chinese government and Chinese banks. For example, China Development Bank provided loans to Russian state oil companies in exchange for CNPC receiving 300 kb/d of crude over 20 years and the construction of a spur connecting the East Siberia-Pacific Ocean Pipeline (ESPO) to China's oil hub in Daqing. Other loan for resources deals have involved Kazakhstan, Brazil, Venezuela, Turkmenistan, Angola, Ecuador and Bolivia.

China's urgent need for energy supply to sustain economic growth and raise the wellbeing of its people has become a global market issue. At the same time, China's domestic oil production base faces the challenge of large mature assets, and with demand set to continue rising rapidly, China will remain reliant on the international oil market to meet incremental oil needs.

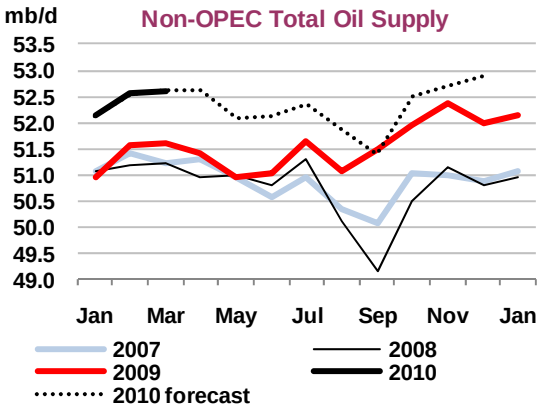


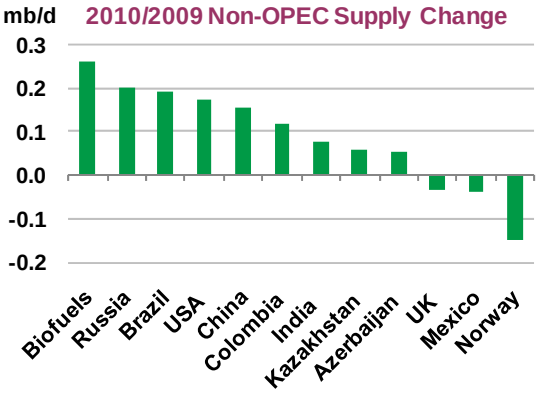
Source: China Oil, Gas and Petrochemicals

Most of that oil will continue to come from a small number of countries. In 2009, the top ten crude oil suppliers to China were Saudi Arabia, Angola, Iran, Russia, Sudan, Oman, Iraq, Kuwait, Libya and Kazakhstan. As many other net oil importers, China relies most heavily on suppliers in the Middle East: 47% of total imports in 2009. That high degree of reliance is unlikely to change, even though China has been diversifying supply sources to Africa, Central Asia, Russia and Latin America – and NOCs have sought to expand their upstream activities in those regions.

* In October, the IEA will publish a paper to provide a more in-depth analysis of Chinese NOCs' upstream investments overseas.

Market attention has been focused on the crude oil spill in the Gulf of Mexico, which BP and partners have still not been able to fully staunch and is now the largest ever in US waters, exceeding the 1989 *Exxon Valdez* incident in Alaska. Output from currently-producing fields remains virtually unaffected and little impact may accrue in the short term; therefore our 2010 US forecast has not been adjusted. In the medium term though, the deepwater drilling moratorium for new developments put in place by President Obama, were it extended for 1-2 years, would likely cause delays in bringing onstream new production and could potentially curb output by around 100-300 kb/d by 2015 (see *Potential Implications of US Gulf Oil Spill*).





Other countries with a substantial share of offshore oil production, including Brazil, Canada, China, Norway and the UK, have indicated they will review policies and safety requirements in their own offshore industries. The UK for instance will double the frequency of inspections of offshore installations, while Norway has indicated it will apply lessons learned from the US GoM spill in the event that it opens up further Arctic acreage for drilling. Canada has already implemented tighter drilling regulations for deepwater areas.

Non-OPEC Supply

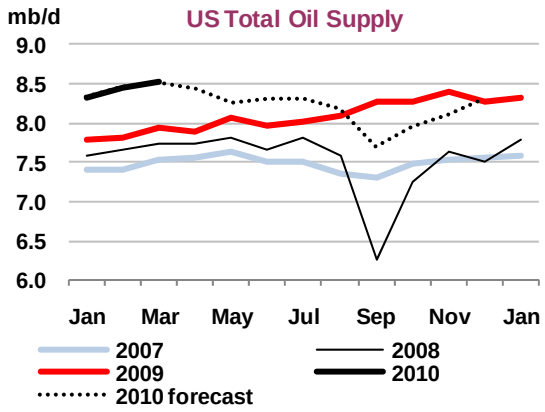
(million barrels per day)

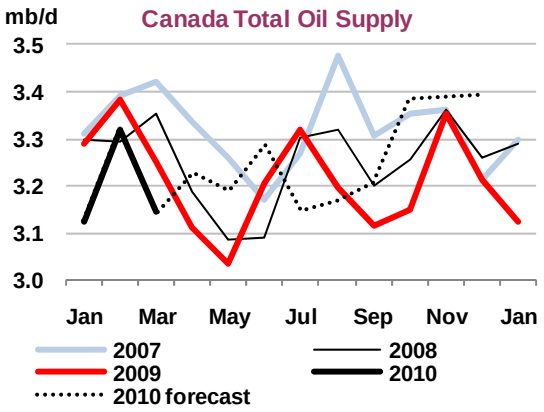
	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
North America	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.6	14.5	14.2	14.4	14.4
Europe	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.3	4.2	4.4	4.3
Pacific	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.7
Total OECD	**19.7**	**19.5**	**18.8**	**19.3**	**19.3**	**19.7**	**19.2**	**19.2**	**19.7**	**19.4**	**19.8**	**19.5**	**19.1**	**19.5**	**19.5**
Former USSR	12.9	12.9	12.7	12.8	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.8	13.6
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	4.0	3.9	3.9	3.9	3.9
Other Asia	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.6
Latin America	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.6	4.7	4.6
Middle East	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5
Total Non-OECD	**28.9**	**28.9**	**28.8**	**28.8**	**28.8**	**29.0**	**29.3**	**29.5**	**29.7**	**29.3**	**30.0**	**30.1**	**30.1**	**30.5**	**30.2**
Processing Gains	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC	**51.2**	**50.9**	**50.2**	**50.8**	**50.8**	**51.4**	**51.1**	**51.4**	**52.1**	**51.5**	**52.4**	**52.3**	**51.9**	**52.7**	**52.3**
Annual Chg (mb/d)	-0.1	0.0	-0.2	-0.1	-0.1	0.2	0.2	1.2	1.3	0.7	1.1	1.1	0.5	0.6	0.8
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1

OECD

North America

US – May Alaska actual, others estimated: US total oil supply dipped to 8.3 mb/d in May, as scheduled maintenance on the huge Thunder Horse platform curbed output by as much as half of nameplate capacity of 250 kb/d. A brief halt to crude flows through the Trans-Alaskan Pipeline System (TAPS), which connects northern fields with the Valdez export terminal on the Pacific Coast, forced the shut-in of crude oil production at the end of May. Around 5 kb of crude were spilled after a storage tank overflowed on 25 May, though the oil was contained. While exports were not affected, Alaskan May production was curbed by 75 kb/d to 580 kb/d, but was returned to normal by late May. Crude oil production in the US Gulf of Mexico has so far not been affected by the Macondo oil spill, though could be in the longer term (see *Potential Implications of US Gulf Oil Spill*). The 2010 outlook for US oil production was lifted by 60 kb/d after NGL and fuel ethanol output in March were again stronger than expected. Total US oil production is forecast to rise from 8.1 mb/d in 2009 to 8.2 mb/d in 2010.





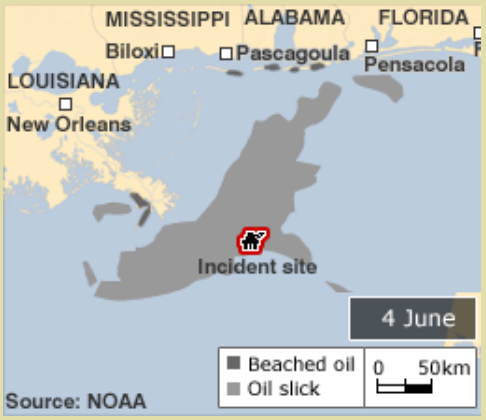
Besides the Macondo oil spill, another focus of attention concerns the US Gulf of Mexico hurricane season, which started on 1 June. Both US authorities and private meteorological forecasting groups envisage the most active season since 2005, when Hurricanes Katrina and Rita devastated New Orleans and the Gulf Coast, shutting in 1.1 mb/d of crude oil production at their peak and leading to an IEA-coordinated emergency stock release. The US National Oceanic and Atmospheric Administration (NOAA) is currently forecasting that 8-14 hurricanes will hit the US Gulf Coast this year, the highest number since 2005, of which 3-7 could be major hurricanes. While one effect of the storms could be to disperse the Macondo oil spill, it could also wash ashore crude and disrupt efforts to halt the spill. In contrast, 2009 was the quietest year since 1997, in part due to the absence of the El Niño weather phenomenon. OMR projections of 3Q and 4Q US GoM production customarily include a five-year average hurricane adjustment.

Canada – Newfoundland April actual, others March actual: Total Canadian oil production was unchanged at 3.2 mb/d in May. Lower reported NGL output in March prompted a downward revision to this component for 2010, but was partly offset by a higher crude forecast. Total Canadian supply is now seen rising marginally to 3.2 mb/d in 2010. Canadian authorities have announced tightened drilling regulations for deepwater areas, which will affect (though not halt) a new well being drilled in Newfoundland. The new measures have however not affected the North Amethyst project, a tie-back to the White Rose field, which started production in early June and is set to add 35 kb/d of crude capacity.

Potential Implications of US Gulf Oil Spill

The sinking of the *Deepwater Horizon* offshore drilling rig on 22 April has resulted in the largest oil spill in US history. An estimated 12-19 kb/d of crude oil has been leaking into surrounding waters, amounting to some 550-900 kb by 9 June (compared to the 250 kb spilled in the *Exxon Valdez* incident in 1989). None of BP's attempts so far to completely halt the leak have been successful, including re-activating the failed blowout preventer, mounting a dome or 'top hat' on top of the leak, or an attempt to clog the well using drilling mud ('top kill') and solid waste ('junk shot'). At writing, BP was siphoning off more than half of the flow through a Lower Marine Riser Package (LMRP) placed on top of the leaking well (around 15 kb/d, on 9 June, with BP hopeful it can eventually catch up to 90% of the leakage). BP is also drilling two relief wells nearby, to tap the Macondo well beneath the seafloor and cut the flow of oil and gas permanently. However, these wells will likely take until at least August to complete and potentially longer if hurricane disruption occurs.

On 27 May, President Obama extended an earlier moratorium on new deepwater drilling to six months. All wells currently in operation will be allowed to continue production, while drilling in depths less than 500 feet will be unaffected. Exploratory drilling planned for summer 2010 offshore Alaska was postponed. A lease sale for the Gulf of Mexico planned for August was cancelled, as was a lease sale offshore Virginia planned for 2011/2012. President Obama has established a bipartisan *National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling*. This body will provide recommendations on how to prevent – and mitigate the impact of – any future spills that result from offshore drilling. The Commission will report within six months. The Minerals Management Service (MMS) is to be broken into three distinct bodies, separating the functions of energy leasing, revenue collection, and safety enforcement.



Regional crude and natural gas production of around 1.7 mb/d and 2.7 tcf/y, respectively, is continuing as normal and no short-term impact upon regional production is expected. Similarly, oil shipment and refining operations are unaffected. US Gulf of Mexico crude oil and gas production make up around 30% and 11% respectively of total US domestic output.

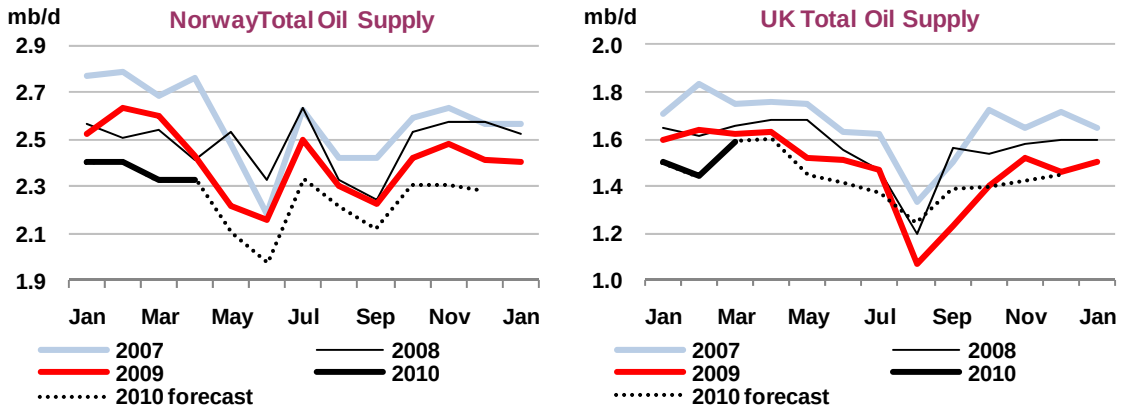
June however marks the start of the hurricane season, with 2010 expected to be particularly active. While it is not normally until August/September that storms impact upon offshore operations, early storms this year could affect attempts to deal with the leak and the spread of the oil slick (though they could also help to disperse the oil). Longer-term, the moratorium on drilling new deepwater wells could delay new oil and gas development projects. Existing production might ultimately be affected, as oil fields need regular workover to maintain production, albeit this activity is for now unrestricted.

Meanwhile, the impact on the regional economy and environment is highly significant. Despite the scale of the clean-up effort, crude oil has now reached the coastline near Pensacola in Florida's western panhandle, having previously hit Louisiana, Mississippi and Alabama. Large swathes of the local economy have been badly hit, including fishing, shrimping and tourism, the latter of major significance for Florida. Some 35 national wildlife refuges are at risk and several hundred dead birds have been collected. Criticism has targeted BP, the US government and the broader oil industry. The government may try to harness changing public sentiment behind legislation aimed at weaning the US away from oil use, and mitigating climate change. However, moves that adversely affect local oil industry employment carry their own political difficulties.

At present there is no certainty over specific regulatory and permitting changes that may be implemented in the aftermath of *Deepwater Horizon* and so no certainty over the ultimate impact on regional production. Purely for illustration, assuming 1-2 years of delay for all planned new deepwater oilfield projects implies 2015 production from the US Gulf of Mexico of 100-300 kb/d less than in our working case production forecast. Regulatory procedures and operating conditions differ from country to country, so extrapolating any potential delays in the Gulf to other deepwater regions has limited analytical value. Nonetheless, Canada, the UK, Norway, Brazil and China are all examining existing procedures in light of the disaster. A further 550 kb/d of expected 2009-2015 production growth from deepwater Brazil, Angola and Nigeria could be at risk, albeit there are no current indications that permitting in these countries is likely to be affected.

North Sea

Norway – March actual, April provisional: Norwegian oil production fell by 0.2 mb/d to 2.1 mb/d in May as seasonal maintenance kicks in. Following a build-up in well pressure, the Gullfaks C platform was partly evacuated and production shut in around 20 May. Operator Statoil reports that around 60-70 boe/d of crude and natural gas output at the Gullfaks C, as well as the smaller Tordis and Gimle fields is currently shut in. Well pressure has apparently been brought under control and the well has been safely plugged, with production to resume soon. Our forecast assumes 3-4 weeks of lower output. Problems were also reported at the Kollsnes and Kaarstoe gas processing plants, though these apparently only resulted in very brief production curbs. Despite the shut-ins, April and May output was revised up on robust production elsewhere, resulting in a 45 kb/d upward adjustment to 2010 production. Total oil production is forecast to decline from 2.4 mb/d in 2009 to 2.2 mb/d in 2010.

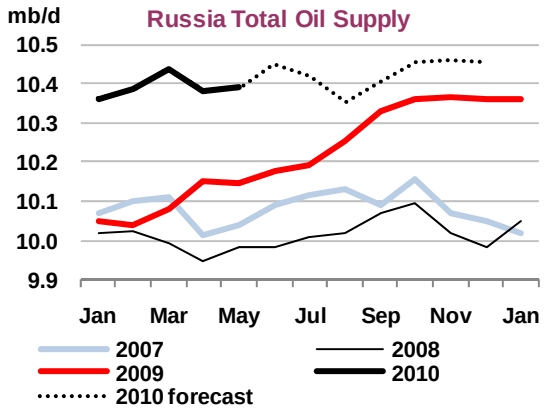


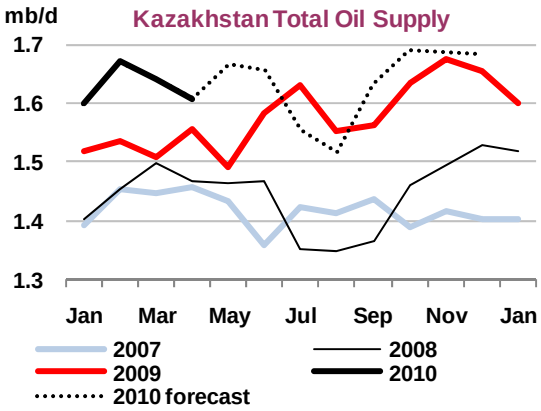
UK – March actual: March UK production came in higher than expected, while subsequent months' output was hiked on the basis of loading schedules. Seasonal maintenance also saw UK oil production shut in, dipping to 1.4 mb/d in May. Lower output, notably at the UK's largest field, Buzzard, was in part offset by a return to production at the troubled Schiehallion field, which had been offline since May last year and started output again in February, with ensuing ramp-up in March-May. Total 2010 oil supply is adjusted up by 45 kb/d but is still forecast to drop from 1.5 mb/d in 2009 to 1.4 mb/d in 2010.

Former Soviet Union (FSU)

Russia – April actual, May provisional: April and May Russian oil production are revised down slightly, averaging around 10.4 mb/d, and while Russian production is still high in historical terms, it has dipped slightly since its record level reached in March this year. The debate on changes to the fiscal regime – notably the possible extension of current exemptions to the crude export duty – continues. However, it appears likely that Lukoil will succeed in obtaining such an exemption for its recently-inaugurated Yuri Korchagin facility, the first field to be brought online in the Russian sector of the Caspian. Total Russian production is forecast to rise from 10.2 mb/d in 2009 to 10.4 mb/d in 2010.

Kazakhstan – April actual: Kazakhstan's oil production in April was little revised, dipping slightly to 1.6 mb/d, with maintenance at the large Tengiz field not proving to have as much of an impact as anticipated. Output at Tengiz was reduced to 515 kb/d due to work on the newly-installed sour gas unit. Production at Karachaganak and other fields was more or less unchanged in April versus March. Total oil production is forecast to rise by 60 kb/d to 1.6 mb/d in 2010.





FSU net oil exports rose by 160 kb/d to 9.7 mb/d in April from March, as product flows increased. Total crude exports were steady at 6.6 mb/d in April, with higher Black Sea volumes compensating for lower Baltic flows. Total product exports rose by 150 kb/d to 3.1 mb/d in April, with fuel oil shipments up by 170 kb/d on the month. Slightly lower gasoil exports were offset by higher flows of other products. May crude loadings are estimated to have been higher, with larger volumes sent through Primorsk, Kozmino and the BTC pipeline, but are set to dip again in June, with exports of Russian crude through Ukrainian ports to dry up entirely on unfavourable economics. The Russian crude export duty will rise to $292.10/mt in June, up from $284.06/mt in May. Revisions to 2008/2009 data centre on products, lifting the total exports baseline by 0.1-0.2 mb/d, largely on higher gasoil and fuel oil.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	2Q2009	3Q2009	4Q2009	1Q2010	Feb 10	Mar 10	Apr 10	Latest month vs. Mar 10	Latest month vs. Apr 09
Crude											
Black Sea	2.06	2.20	2.23	2.14	2.13	2.00	1.96	1.96	2.01	0.05	-0.29
Baltic	1.46	1.62	1.67	1.59	1.64	1.58	1.49	1.65	1.59	-0.06	-0.11
Arctic/FarEast	0.29	0.46	0.45	0.46	0.48	0.71	0.69	0.76	0.76	0.00	0.31
BTC	0.67	0.78	0.80	0.83	0.76	0.72	0.68	0.74	0.77	0.03	0.05
Crude Seaborne	**4.48**	**5.07**	**5.15**	**5.02**	**5.02**	**5.00**	**4.81**	**5.12**	**5.13**	**0.01**	**-0.04**
Druzhba Pipeline	1.08	1.12	1.12	1.09	1.14	1.12	1.11	1.08	1.09	0.01	0.01
Other Routes	0.42	0.37	0.40	0.37	0.30	0.37	0.41	0.41	0.39	-0.01	0.04
Total Crude Exports	**5.98**	**6.56**	**6.67**	**6.48**	**6.46**	**6.50**	**6.34**	**6.61**	**6.62**	**0.01**	**0.01**
Of Which: Transneft	3.98	4.14	4.21	4.06	4.13	3.92	3.79	3.96	3.90	-0.06	-0.36
Products											
Fuel oil	1.14	1.15	1.17	1.21	1.19	1.06	0.97	1.11	1.28	0.17	0.17
Gasoil	1.03	1.15	1.11	1.16	1.12	1.18	1.15	1.20	1.15	-0.04	0.07
Other Products	0.60	0.69	0.76	0.66	0.59	0.73	0.74	0.66	0.69	0.03	-0.03
Total Product	**2.77**	**2.99**	**3.03**	**3.04**	**2.90**	**2.97**	**2.87**	**2.97**	**3.12**	**0.15**	**0.21**
Total Exports	**8.74**	**9.55**	**9.70**	**9.52**	**9.36**	**9.47**	**9.21**	**9.58**	**9.74**	**0.16**	**0.22**
Imports	0.04	0.04	0.05	0.04	0.05	0.05	0.05	0.04	0.05	0.00	-0.02
Net Exports	**8.70**	**9.50**	**9.65**	**9.48**	**9.31**	**9.42**	**9.16**	**9.53**	**9.69**	**0.16**	**0.23**

Sources: Petro-Logistics, IEA estimates

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

Chevron announced that construction would start work later this year on the long-awaited expansion of the Caspian Pipeline Consortium (CPC) line. The pipeline's current capacity of 540 kb/d, which carries crude from the west of Kazakhstan for onbound shipment from the Black Sea, has long been seen as insufficient, in light of ambitious production capacity expansion plans in Kazakhstan. The December 2009 *MTOMR* Update forecast growth from 1.6 mb/d in 2009 to 1.8 mb/d by 2014 and higher thereafter, as production from the super-giant Kashagan field increases in the latter half of the decade. The CPC pipeline will be expanded to capacity of 1.34 mb/d and is set to be completed by 2015.

Meanwhile, Iranian officials said that crude oil swaps through its northern port of Neka had dried up from the beginning of June. In 2009, around 80 kb/d of Caspian crude, largely from Kazakhstan, was shipped to Neka on the Caspian Sea and processed at northern Iranian refineries (though 1Q2010 data already indicate a decline to around 65 kb/d). Similar volumes of southern Iranian crude were then exported into the Middle East Gulf. The halt is apparently due to a substantial hike in Iranian transit fees.

Other Non-OPEC

China – April actual: In April, China's oil production dipped to just below 4.0 mb/d on lower output from its ageing Daqing field. Offshore supply, key to projected growth, was around 60 kb/d lower than expected in April which, with some offsets elsewhere, was carried through the forecast, resulting in a 25 kb/d downward adjustment to the 2010 forecast. Drilling at the large offshore Jidong Nanpu field has thrown a question mark over the size of its reserves. The field, which started output in August 2009, was expected to reach 200 kb/d by 2012 and perhaps more at a later stage. Our forecast remains unchanged for now, assuming production reaching 50 kb/d by the end of 2010 and 200 kb/d by mid-2012. Total Chinese oil production is forecast to rise from 3.8 mb/d in 2009 to 3.9 mb/d in 2010.

OECD STOCKS

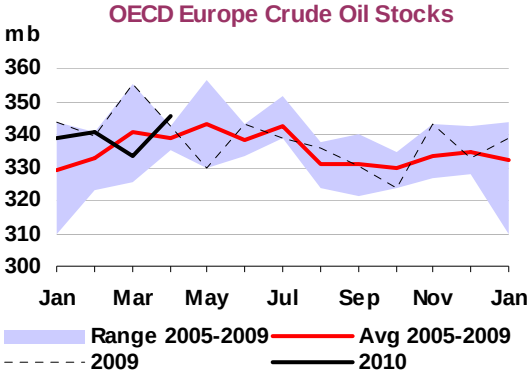
Summary

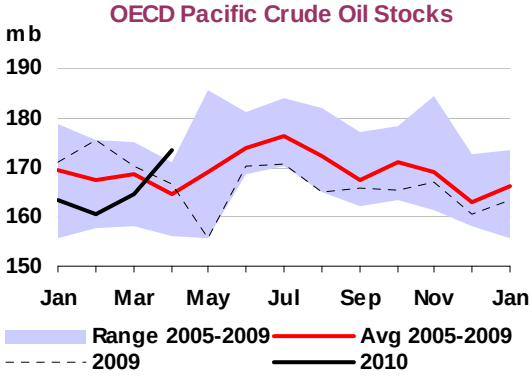
- **OECD industry stocks rose by a sharp** 47.9 mb to 2 726 mb in April, more than twice the 17.8 mb five-year average build, as both crude production and refinery runs were stronger. Crude and products increased by similar amounts, but the majority of higher volumes came from crude additions in Europe and Pacific, and a product build in North America.

- **OECD stocks in days of forward demand cover stood at** 60.5 days at end-April, up by more than one day as downward revisions to OECD stocks prompted a lower assessment of end-March stock cover to 59.5 days.

- **Preliminary data indicate total OECD industry oil inventories rose** by 19.0 mb in May, less than the five-year average stock-build of 39.5 mb, driven by increases in product inventories across all regions.

- **Short-term crude floating storage levels increased** to 93 mb in May from 81 mb in April on further additions in the Middle East Gulf and despite offloading in the US Gulf. Draws in the Mediterranean pushed global short-term product floating storage levels lower again, from 40 mb at end-April to 34 mb at end-May.





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

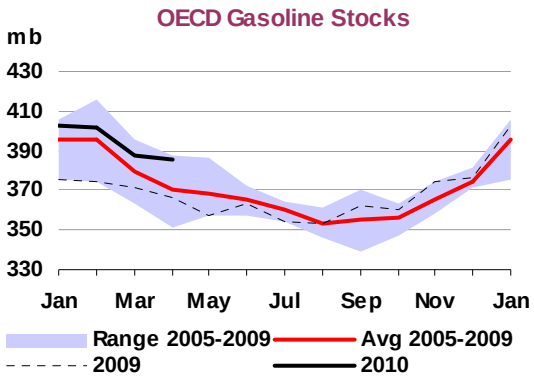
Total OECD industry oil stocks soared by 47.9 mb to 2 726 mb in April. The increase, more than double April's five-year average build of 17.8 mb, was evenly split between crude and products. Counter-seasonal movements in Europe and Pacific drove crude oil stocks up by 21.2 mb, while builds in North American 'other products', distillates and fuel oil contributed to a 23.9 mb surge in product inventories.

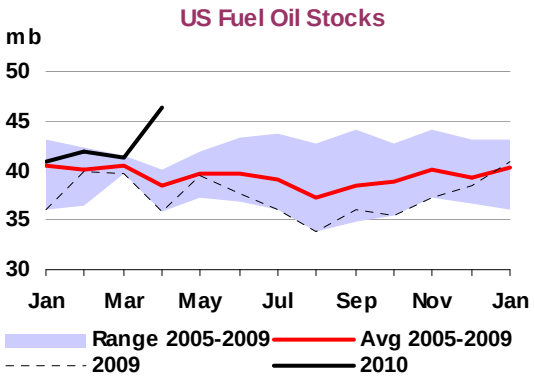
Preliminary Industry Stock Change in April 2010 and First Quarter 2010

	April (preliminary) *(million barrels)*				April (preliminary) *(million barrels per day)*				First Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-0.1**	**12.3**	**9.0**	**21.2**	**0.00**	**0.41**	**0.30**	**0.71**	**0.38**	**0.01**	**0.04**	**0.43**
Gasoline	2.2	-5.1	1.3	-1.6	0.07	-0.17	0.04	-0.05	0.07	0.03	0.02	0.12
Middle Distillates	10.6	1.4	-2.6	9.3	0.35	0.05	-0.09	0.31	-0.24	-0.06	-0.05	-0.36
Residual Fuel Oil	4.9	-0.4	0.3	4.7	0.16	-0.01	0.01	0.16	0.04	0.02	0.02	0.08
Other Products	12.3	-0.2	-0.7	11.5	0.41	-0.01	-0.02	0.38	-0.11	-0.04	-0.03	-0.18
Total Products	**30.0**	**-4.3**	**-1.8**	**23.9**	**1.00**	**-0.14**	**-0.06**	**0.80**	**-0.25**	**-0.06**	**-0.03**	**-0.34**
Other Oils[1]	0.3	0.6	2.0	2.9	0.01	0.02	0.07	0.10	-0.03	0.08	0.02	0.06
Total Oil	**30.2**	**8.6**	**9.2**	**47.9**	**1.01**	**0.29**	**0.31**	**1.60**	**0.10**	**0.03**	**0.03**	**0.15**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Pacific crude oil stocks increased by 9.0 mb on builds in Japan and Korea. In Europe, crude oil inventories rose by 12.3 mb on depressed crude runs, mostly in Italy, the Netherlands and the UK. These movements are in strong contrast to five-year average draws of 4.0 mb and 1.7 mb in Pacific and Europe, respectively. North American middle distillates grew by 10.6 mb, fuel oil inventories were up by a counter-seasonal 4.9 mb, while US propane inventories added a further 8.9 mb. This all coupled with weaker April demand contributed to a 30.0 mb product build in OECD North America.





In terms of days of forward demand cover, stocks rose to 60.5 days at the end of April, up by more than one day from end-March readings. March holdings themselves were assessed 31.4 mb lower than in last month's report, implying a 26.3 mb stock draw, in contrast with a previously reported 7.3 mb build. Crude oil stocks were revised down by 20.6 mb, mostly due to lower reported levels in Germany, Italy, the Netherlands and Japan. Product revisions were widely spread across all regions, with the majority occurring in middle distillates and gasoline.

Revisions versus 12 May 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Feb 10	Mar 10	Feb 10	Mar 10	Feb 10	Mar 10	Feb 10	Mar 10
Crude Oil	**-0.4**	**2.4**	**-0.2**	**-14.3**	**0.0**	**-8.7**	**-0.6**	**-20.6**
Gasoline	0.0	0.4	0.0	-2.3	0.0	-1.3	0.0	-3.3
Middle Distillates	0.0	-4.3	0.4	-2.8	0.0	-2.4	0.4	-9.6
Residual Fuel Oil	0.0	-2.2	0.1	2.0	0.0	-0.1	0.1	-0.2
Other Products	0.3	4.0	0.6	-2.9	0.0	0.2	0.9	1.4
Total Products	**0.3**	**-2.1**	**1.1**	**-6.0**	**0.0**	**-3.6**	**1.4**	**-11.6**
Other Oils[1]	0.0	-2.0	1.3	2.9	0.0	-0.1	1.3	0.8
Total Oil	**-0.2**	**-1.7**	**2.3**	**-17.4**	**0.0**	**-12.4**	**2.1**	**-31.4**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

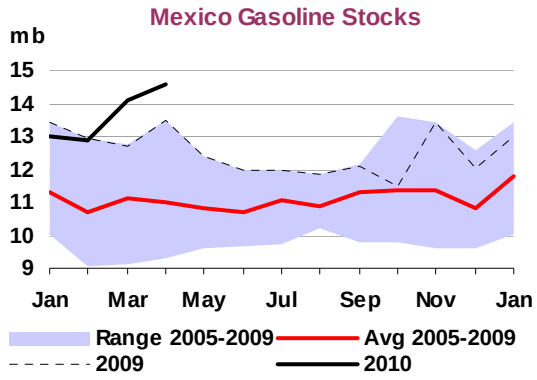
The lower-than-usual OECD industry stock change in May, evident in preliminary data, partially reversed stronger-than-usual April stockbuild. Inventories reportedly rose by 19.0 mb in May, less than the average 39.5 mb increase seen in the past five years. Product stocks moved in line with seasonal norms, adding 23.9 mb, while crude oil stocks diverged from their normal trend and drew by 5.0 mb. Most of the product build occurred in Japanese kerosene and unfinished products, but increases in European middle distillates and US propane and other oil inventories also contributed.

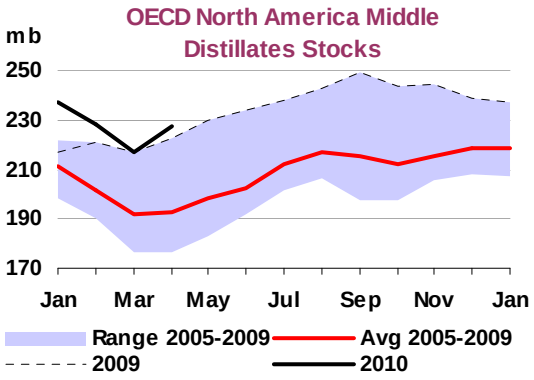
Floating storage rose by 6.5 mb in May on a 16 mb build in the Middle East Gulf, largely reflecting higher volumes stored by Iran. Offsetting draws came from products held in the Mediterranean and crude stored near the US Gulf Coast. Overall, product floating storage declined to 34 mb at the end of May, from 40 mb held a month ago. Crude floating storage increased by 12.0 mb to 93 mb last month.

Analysis of Recent OECD Industry Stock Changes

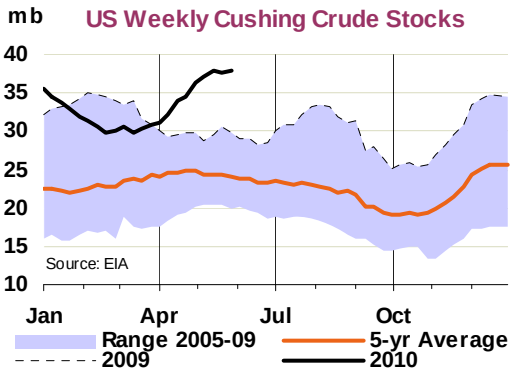
OECD North America

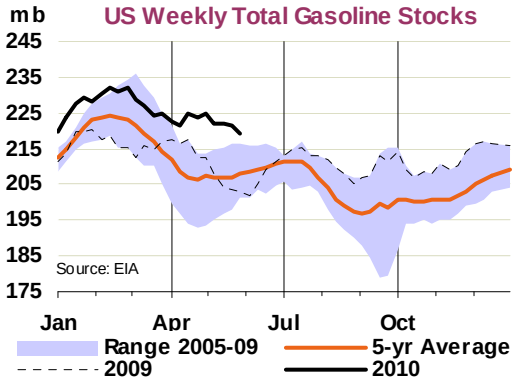
Industry stocks in North America built by 30.2 mb in April, led by a 30.0 mb increase in product stocks, mainly middle distillates and 'other products' in the US. By comparison, during the past five years inventories on average rose by 17.9 mb in April. This year, middle distillates built by 10.6 mb while 'other products' and naphtha increased by a combined 12.3 mb. Counter-seasonal gains in fuel oil and gasoline added a further 4.9 mb and 2.2 mb, respectively. Crude oil stocks contracted by 0.1 mb, as a 5.1 mb draw in Mexico outweighed a 5.0 mb build in the US.





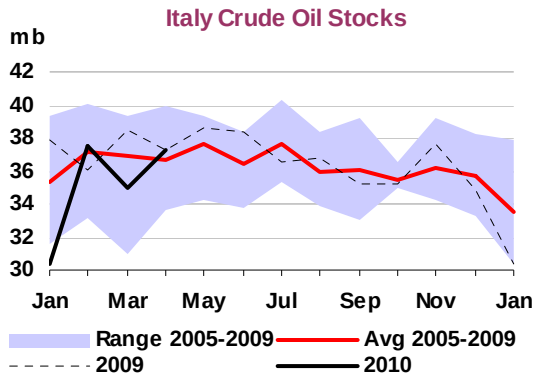
Weekly EIA data point to a further 7.7 mb stock build in May, although this movement is less than half of the average 19.3 mb increase. Crude oil inventories rose by 2.4 mb, including a 1.5 mb increase in the stocks held in Cushing, Oklahoma, to record levels of 37.9 mb (around 73% of storage capacity). The majority of the increase on the product side came from 5.1 mb and 6.3 mb increases in propane and other oil stocks, respectively. Much of the fuel oil stockbuild on the East and Gulf coasts seen in April came to an end in May and inventories levelled off around 46 mb. Transport fuels offset the decline, as gasoline stocks fell by 5.6 mb, but almost half of the draw occurred during the last week of May prior to the Memorial Day holiday and may thus reflect wholesaler restocking.

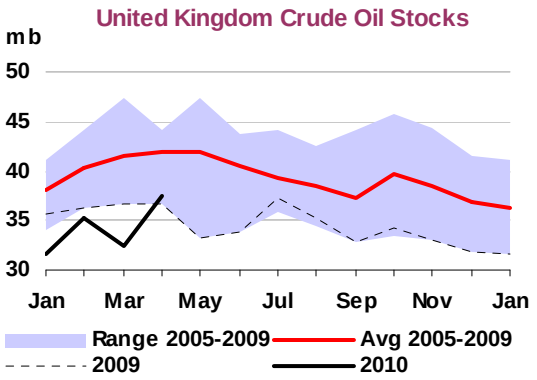




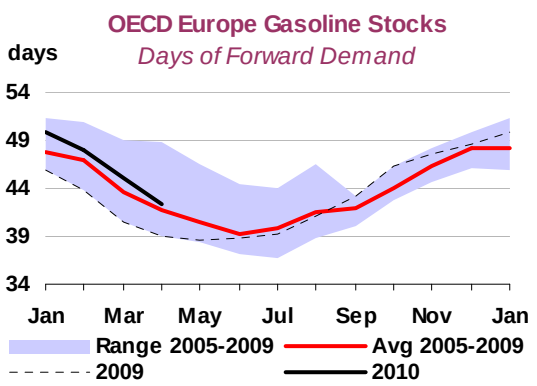
OECD Europe

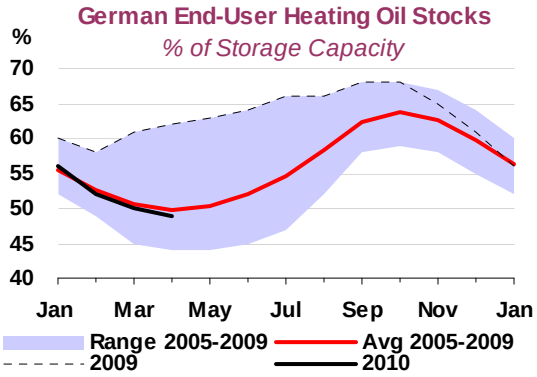
European oil stocks rose by 8.6 mb in April, faster than the five-year average build of 1.1 mb. Crude inventories grew by 12.3 mb, and the increase was mostly led by Italy, the Netherlands and the UK. Offsetting decline came from the combined 5.1 mb gasoline stock-draws in Finland, France, Italy and the Netherlands. Gasoline stock levels stood close to the bottom of the five-year range in volumetric terms, but are slightly above the five-year average in days of forward demand cover.





Meanwhile, distillate inventories started to build following the onset of warmer temperatures in some European countries, although end-user heating oil stocks in Germany decreased further to 49% of capacity at the end of April, from 50% at the end of March.

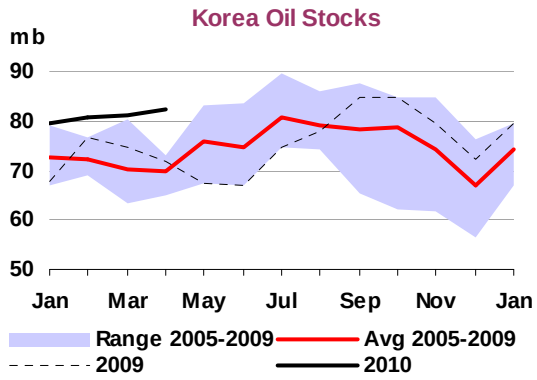


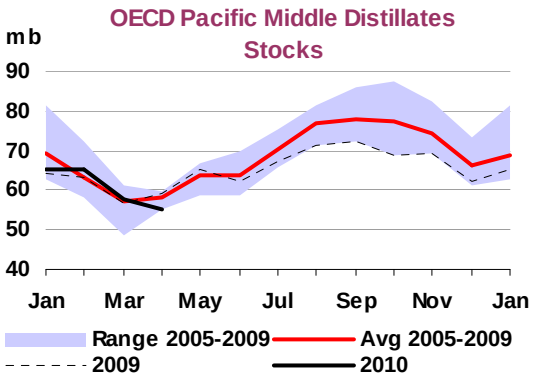


According to Euroilstock preliminary data, stocks in the EU-15 plus Norway dropped by 4.0 mb on a counter-seasonal 9.2 mb draw in crude oil. A product stockbuild of 5.2 mb, mostly in middle distillates, tempered the fall. By contrast, product inventories held in independent storage in northwest Europe declined in May, as draws in gasoline, fuel oil and naphtha outweighed builds in gasoil and jet kerosene.

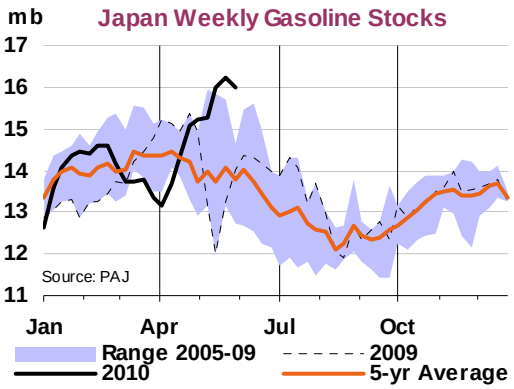
OECD Pacific

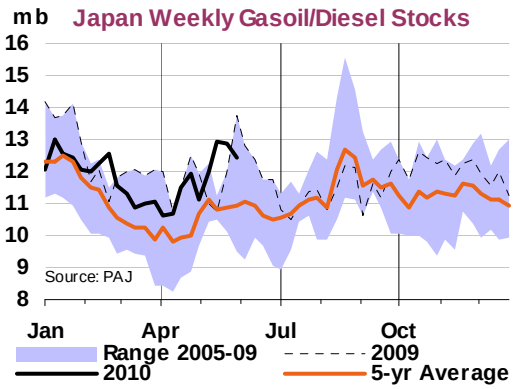
Oil inventories in the OECD Pacific rose by 9.2 mb in April, led by a 6.9 mb increase in Japanese crude oil stocks. Product stocks (down by 1.8 mb) provided some offset, led by a counter-seasonal 2.6 mb fall in middle distillates and a 0.7 mb draw in 'other products'. Meanwhile, gasoline inventories in Japan built by 1.5 mb, to 14.6 mb.





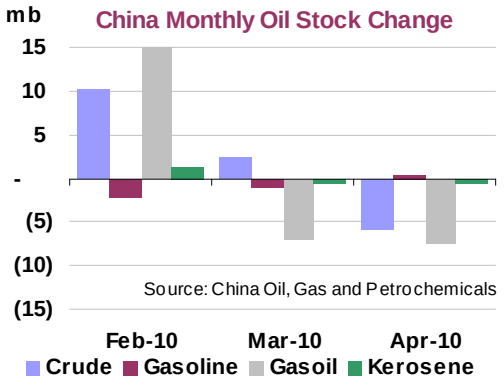
Weekly data from the *Petroleum Association of Japan* (PAJ) showed industry inventories increasing by 15.2 mb in May, driven by a build in product stocks. The majority of the surge was due to high kerosene and unfinished products, which swelled by 2.7 mb and 4.7 mb, respectively. Gasoline inventories rose further by 0.8 mb and reached record levels during the third week of May, compared with historical data back to 2003. Naphtha built by 2.5 mb and gasoil on average gained 1.2 mb last month, while crude inventories increased by 1.8 mb.

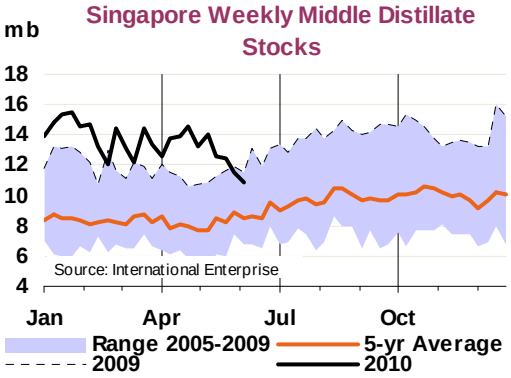




Recent Developments in China and Singapore Stocks

Chinese commercial crude oil stocks fell by 5.9 mb to 203.1 mb at end-April, according to *China Oil, Gas and Petrochemicals* (China OGP). The draw came as Chinese refineries increased runs to take advantage of better margins, following a drop in crude oil prices and despite an increase in crude oil imports. Products stocks fell due to a seasonal draw in gasoil inventories, which were off by 7.5 mb to 71.5 mb. Jet kerosene stocks edged 0.5 mb lower, while high exports limited the gasoline stockbuild to 0.4 mb.



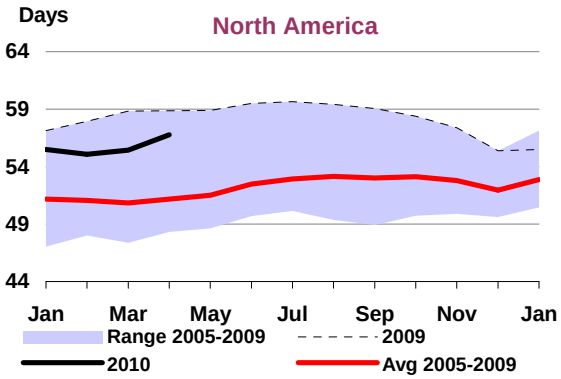


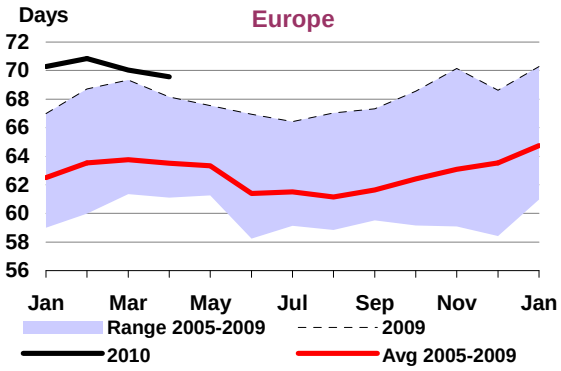
In Singapore, lower product imports from China drove a fall in May stock holdings. The Chinese government reportedly restricted exports of transport fuels on fears of tight summer supply and higher gasoline demand, following the start of the EXPO exhibition in Shanghai. Singapore refined product inventories plummeted by 6.7 mb in May, after four consecutive monthly stockbuilds. Middle distillates fell by 2.5 mb and stood below year-ago levels at the end of May. Fuel oil stocks fell by 3.5 mb largely due to steady bunker demand in Singapore, while light distillate stocks dipped by 0.7 mb.

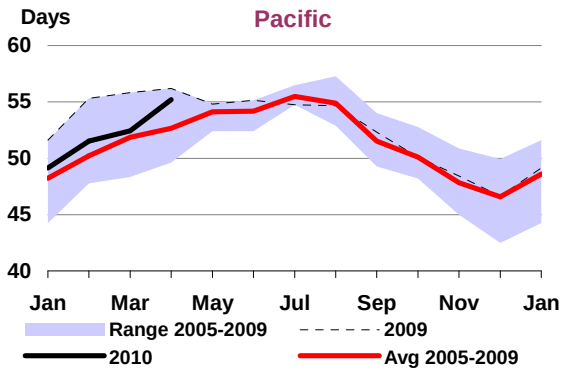
Regional OECD End-of-Month Industry Stocks

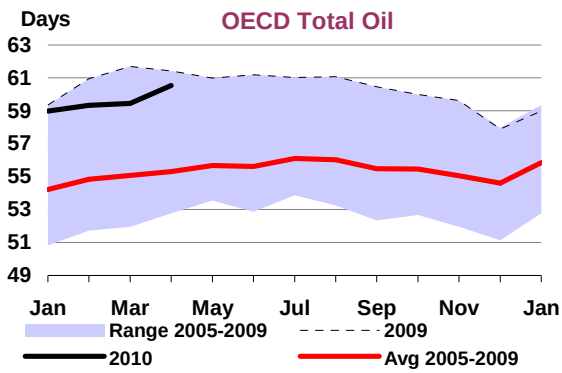
(in days of forward demand and millions barrels of total oil)

Days[1]

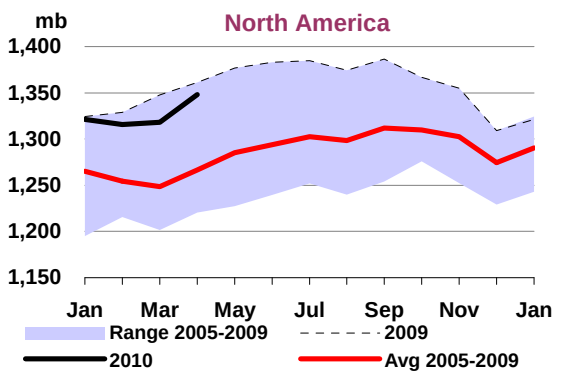


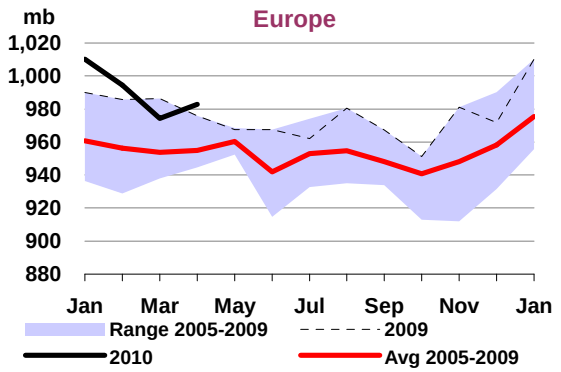


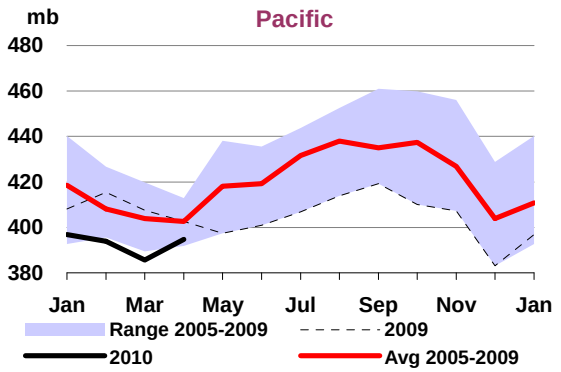


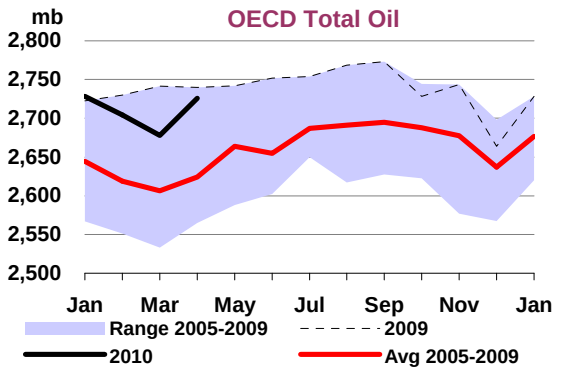


Million Barrels









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

PRICES

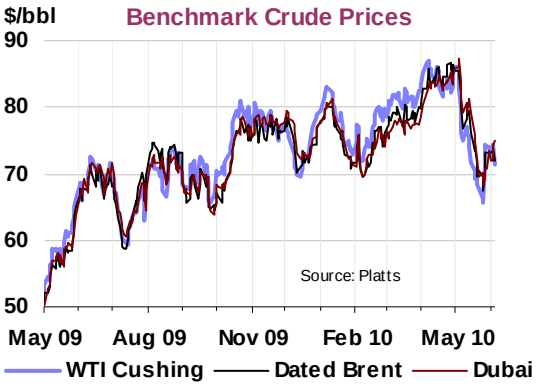
Summary

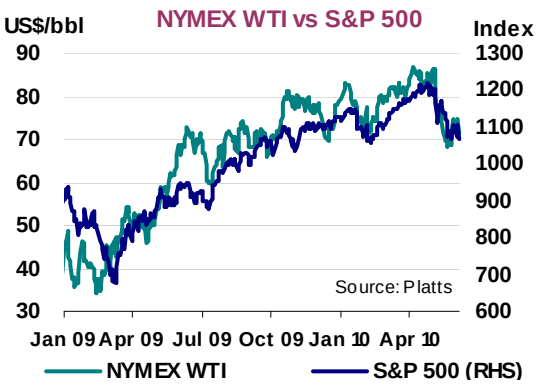
- **The escalating Eurozone debt crisis in May triggered a meltdown in both financial and oil markets** and set in motion a sea change in market sentiment. Oil prices tumbled $18/bbl in the first three weeks of May before posting a modest recovery by end-month. At the height of the freefall in prices, open interest in the NYMEX WTI contract reached the highest level in the past two years as money managers slashed their long positions.

- **Benchmark crude futures prices in May were down on average by $9-10/bbl** from the previous month, with WTI averaging just over $74/bbl and Brent at a higher $77/bbl. By early June, benchmark crudes were trading lower again at around $72-73/bbl.

- **This year middle distillate growth is driving stronger products markets,** in contrast to a more normal seasonal focus on gasoline. Diesel crack spreads in the US are running at their highest level in 16 months. Refining margins increased across all regions in May.

- **Freight rates ebbed and flowed with crude in May**, with the benchmark VLCC Middle East Gulf – Japan and Suezmax West Africa – US Atlantic Coast routes crashing in early May and recovering by end-month. Rates rapidly rocketed back to their previous levels on stronger demand for Brent-pegged African grades, which were being sold at a discount to WTI.





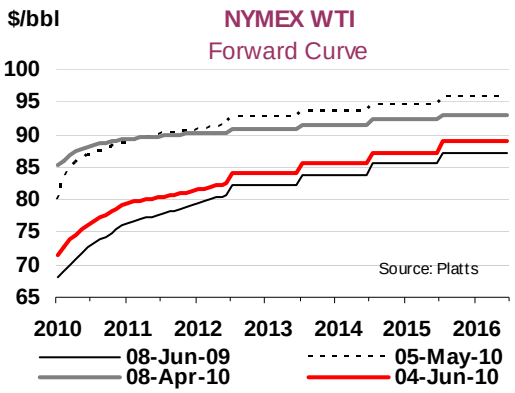
Market Overview

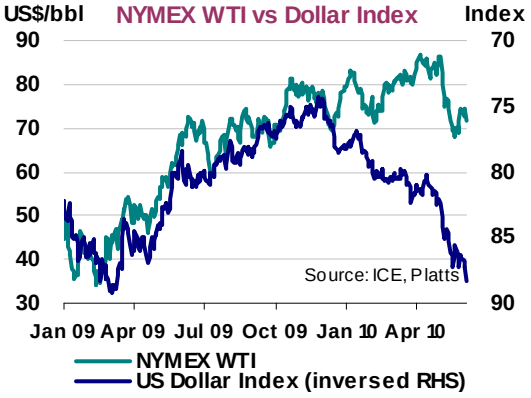
The deepening Eurozone crisis in May proved a fulcrum for shifting market sentiment. Oil markets posted one of the most turbulent months in the past year, with prices tumbling $18/bbl in the first three weeks of May. WTI futures prices hit a 19-month high of $86.19/bbl on 3 May then plummeted to $68.01/bbl by 20 May as concerns mounted over Europe's burgeoning debt woes. At the height of the freefall in prices, open interest in the NYMEX WTI contract reached the highest level in the past two years as money managers slashed their long positions and rebalanced their books.

By end month, however, WTI futures had posted a modest recovery with prices in May on average down by $9-10/bbl from April levels. May WTI averaged just over $74/bbl and Brent a higher $77/bbl. By early June, benchmark crudes were trading in a lower range of around $72-73/bbl.

Since the onset of the global economic crisis oil markets have closely tracked the broader financial and equity markets looking for signs of a recovery in oil demand, especially focusing on macroeconomic data in the key US and Chinese markets. For most of the past 12 months market sentiment had a bias to the

upside, at times bordering on irrational exuberance, as expectations for a strong recovery propelled financial and commodity markets higher. Now, however, traders cite fears of a Eurozone-inspired double-dip recession as the main reason for the shift towards a more downbeat market sentiment. The unfolding fiscal crisis in the Eurozone, especially in southern countries, was the main driver of oil price volatility last month and remains squarely on the radar screen of traders and analysts as they closely follow European governments' strategies for managing their debt while at the same time avoiding choking off the prospects for economic recovery.



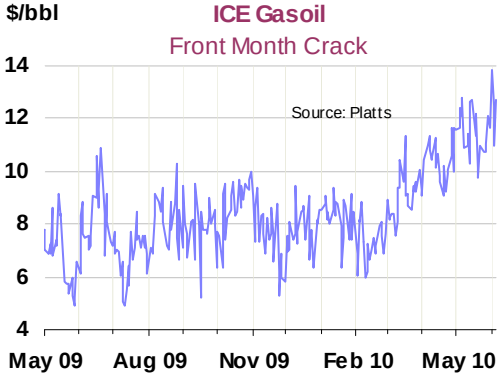


Last year a combination of OPEC production curbs, rebounding financial markets and expectations of tightening markets down the road drove prices higher against a backdrop of relatively comfortable prompt market fundamentals. Markets appeared blindsided by the Greece-inspired Eurozone crisis with many now regarding the near 20% plunge in May prices an overdue correction. Other factors seen tempering higher price moves include stubbornly high global oil stocks, with inventories holding at the higher end of the five-year range, and a relatively comfortable level of OPEC spare capacity. Floating storage is also edging higher, with Iran accounting for more than half the volumes held at sea at almost 50 mb, which includes both crude and condensate.

OPEC production has hovered around 29 mb/d so far this year, with target compliance at around 58%. Meanwhile, non-OPEC production continues to outpace expectations, and is on track to increase by 800 kb/d this year. The Gulf of Mexico disaster so far has had limited impact on operations in the area, even though the prospect of longer term tightening in offshore regulation and shorter term hurricane season concerns may have underpinned a stronger back end of the futures curve in early June.

It is still too early to suggest a permanent shift in market sentiment will prevail, especially given the improving outlook for demand. By early June downward pressure on prices was tempered by more robust demand fundamentals. Global oil demand is now expected to rise by 1.7 mb/d to 86.4 mb/d in 2010 as a whole and to 86.8 mb/d on average in the second half of the year, with growth now taking root in the US and moving apace in China.

While the market typically looks to a seasonal increase in gasoline demand in the US to buoy markets, this year middle distillate growth predominates. Diesel crack spreads in the US are running at their highest level in 16 months. By contrast, gasoline demand in May was slightly lower than year-ago levels, with relatively higher retail prices prompting consumers to curtail driving. European gas oil markets also remain robust with ICE gas oil cracks flirting near $14/bbl in early June.



Prompt Month Oil Futures Prices

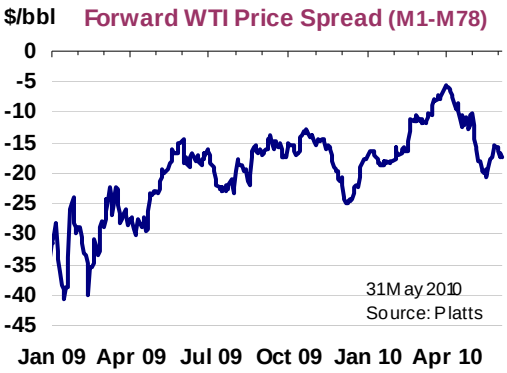
(monthly and weekly averages, $/bbl)

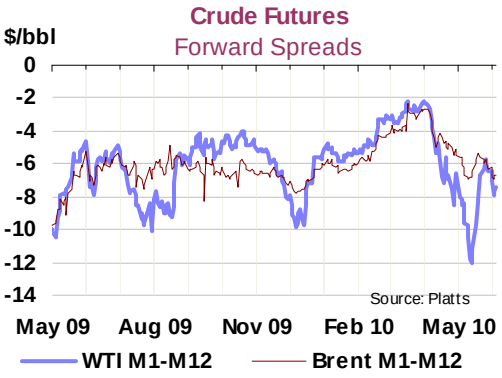
	Mar	Apr	May	May-Apr Avg Chg	% Chg	Week Commencing: 03 May	10 May	17 May	24 May	31 May
NYMEX										
Light Sweet Crude Oil	81.29	84.58	74.12	-10.46	-14.1	80.22	74.97	69.48	71.80	72.89
RBOB	94.67	97.38	88.45	-8.92	-10.1	94.58	91.59	84.23	83.42	84.89
No.2 Heating Oil	87.96	93.68	86.01	-7.67	-8.9	92.25	89.14	81.40	81.24	83.72
No.2 Heating Oil ($/mmbtu)	15.10	16.08	14.77	-1.32	-8.9	15.84	15.30	13.97	13.95	14.37
Henry Hub Natural Gas ($/mmbtu)	4.30	4.08	4.15	0.07	1.7	3.99	4.25	4.21	4.17	4.54
ICE										
Brent	79.93	85.75	77.00	-8.76	-11.4	83.06	79.82	73.35	72.23	73.72
Gasoil	89.04	96.23	88.39	-7.84	-8.9	95.03	91.42	84.21	83.31	86.06
Prompt Month Differentials										
NYMEX WTI - ICE Brent	1.36	-1.18	-2.88	-1.70		-2.84	-4.85	-3.87	-0.43	-0.83
NYMEX No.2 Heating Oil - WTI	6.67	9.10	11.89	2.79		12.03	14.17	11.92	9.44	10.83
NYMEX RBOB - WTI	13.38	12.80	14.34	1.53		14.35	16.63	14.75	11.62	12.00
NYMEX 3-2-1 Crack (RBOB)	11.14	11.57	13.52	1.95		13.58	15.81	13.80	10.89	11.61
NYMEX No.2 - Natural Gas ($/mmbtu)	10.80	12.00	10.61	-1.39		11.85	11.06	9.77	9.77	9.83
ICE Gasoil - ICE Brent	9.10	10.48	11.39	0.91		11.97	11.60	10.86	11.08	12.34

Source: Platts

Futures Markets

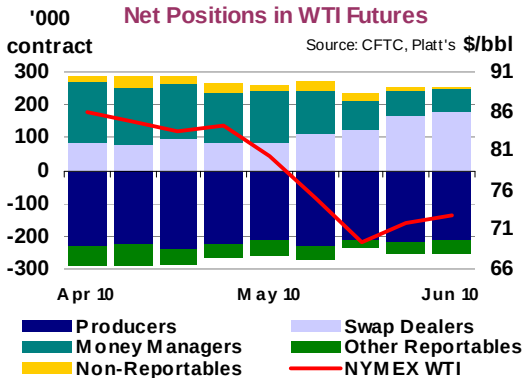
With prompt prices under duress through much of May, the WTI contango between the prompt month and forward markets (M1-M78) widened at one point to $20/bbl before narrowing to around $16/bbl by end of the month. The WTI M1-M12 spread also widened further in May, to $8.57/bbl from $5.58/bbl in April and $2.86/bbl in March.





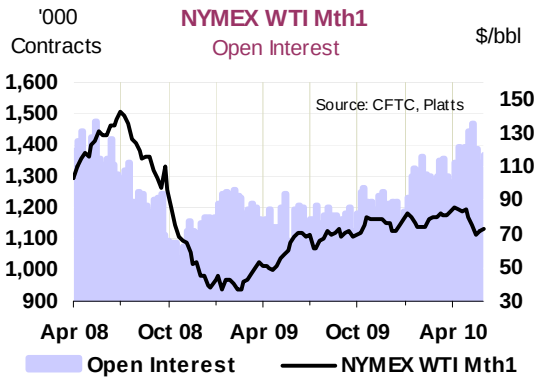
As oil price plummeted by more than $20/bbl in the first three weeks of the month, traders scrambled to close out and rebalance their positions. As a result, NYMEX WTI open interest reached its highest levels in two years in the second week of May but on average fell 5.7%, to 1.367 million contracts last month.

Money managers slashed their long positions in favour of short holdings, ending net long with 66 000 lots by end-May, compared to 155 000 at end-April. By contrast, swap dealers increased net longs by 97 000 contracts, to 180 000 holdings. On the net short side, producers and other reportables kept contract volumes steady throughout the month. However, open interest



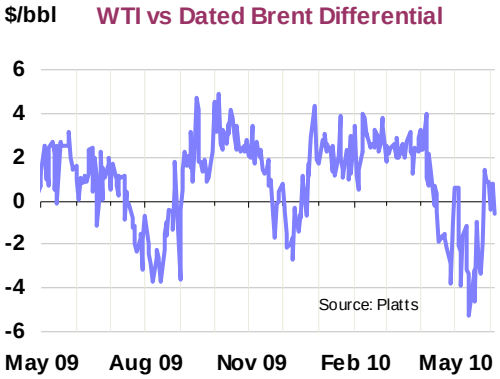
in NYMEX RBOB gasoline futures fell by 22.1% to less than 250 000 contracts.

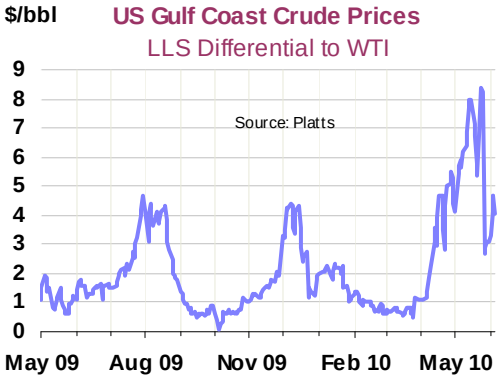
Meanwhile, the Tokyo Commodity Exchange (TOCOM) resumed trading in gasoil futures in May but traded only 217 contracts. This was in strong contrast to almost 275 000 contracts of gasoline futures and 120 000 kerosene futures contracts. TOCOM earlier suspended the gasoil futures contract due to low trading volumes at the beginning of 2006.



Spot Crude Oil Prices

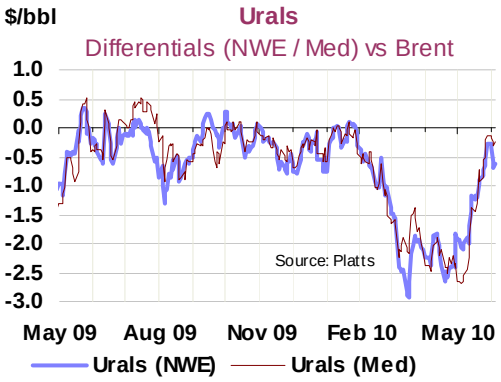
Spot crude oil prices also proved volatile in May, with Atlantic basin benchmark crudes ending the month down on average by around $8-11/bbl while Dubai posted a smaller $6.81/bbl decline. WTI's discount to Brent widened in May, to -$1.54/bbl compared with -$0.45/bbl in April. However, by end month the crudes were trading at near parity.





WTI spot prices declined under the weight of record levels of crude stocks in the US, especially at Cushing, Oklahoma storage facilities. Cushing stocks rose by 1.5 mb to record levels of 37.9 mb at end-May. The swelling stockpiles continue to depress prompt prices, with the contango between M1-M2 widening to -$3/bbl in May versus -$1.20/bbl in April. As a result, the more normal price differentials for domestic and foreign crudes priced off the marker have been distorted. The price spread between WTI and Light Louisiana Sweet (LLS) crude surged to around $8/bbl during May versus a more typical premium of $2-3/bbl.

In Europe, the Urals-Brent discount narrowed on lower exports of the Russian crude for May and stronger demand for medium sour feedstocks. The Urals-Brent spread in the Mediterranean averaged -$1.48/bbl in May compared with -$2.27/bbl in April. Indeed, demand for Russia's medium sour crude came from as far afield as India in May as Reliance sought to replace Iranian barrels lost when it cancelled its contract with NIOC.



In Asia, China's buying remained brisk as it cranked up run rates to the second highest level ever. In addition to its normal purchases of African crude from Angola, state-owned trader Unipec has stepped in to buy spot cargoes of Libyan Es Sider.

Meanwhile, Saudi Arabia lowered its July price formulas for Asian buyers, increased them for European customers and changed only marginally in the US. Other Mideast producers typically follow Saudi Arabia's lead in setting prices. Saudi Aramco's lower price formula for Asian customers in July also coincides with the country's decision to increase crude allocations for the month. Saudi Aramco's discount for Asian buyers is broadly seen as a move to maintain market share in the region, especially with new competition for Russian ESPO crude.

Spot Crude Oil Prices and Differentials

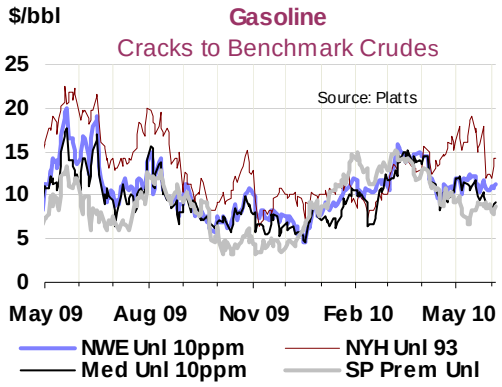
(monthly and weekly averages, $/bbl)

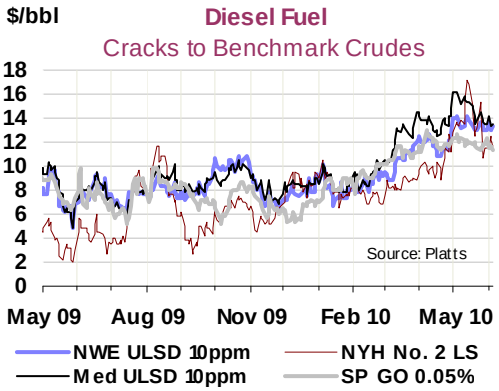
	Mar	Apr	May	May-Apr Avg Chg	%	Week Commencing: 03 May	10 May	17 May	24 May	31 May
Crudes										
Dated Brent	78.89	84.89	75.16	-9.72	-11.5	80.92	78.39	71.81	70.69	73.03
Brent (Asia) Mth1 adjusted	79.35	85.38	77.17	-8.21	-9.6	84.71	80.45	72.98	69.72	73.99
WTI (Cushing) Mth1 adjusted	81.25	84.44	73.62	-10.82	-12.8	79.98	74.88	69.28	70.34	72.99
Urals (Mediterranean)	77.04	82.62	73.68	-8.94	-10.8	78.28	76.49	70.64	70.24	72.79
Dubai Mth1 adjusted	77.31	83.59	76.78	-6.81	-8.1	83.59	80.24	72.98	69.56	73.32
Tapis (Dated)	81.58	87.40	78.88	-8.52	-9.7	85.55	82.07	75.10	71.96	75.56
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	2.36	-0.45	-1.54	-1.10		-0.94	-3.50	-2.53	-0.35	-0.04
Urals (Mediterranean)	-1.85	-2.27	-1.48	0.79		-2.64	-1.90	-1.17	-0.45	-0.24
Dubai Mth1 adjusted - Dated Brent	-1.58	-1.30	1.62	2.91		2.68	1.86	1.17	-1.14	0.30
Tapis (Dated)	2.69	2.51	3.72	1.21		4.64	3.68	3.30	1.27	2.54
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.56	-0.69	-1.17	-0.48		-1.02	-1.21	-1.29	-1.13	-0.69
Forward WTI Cushing Mth1-Mth2 adj.	-0.34	-1.20	-3.00	-1.80		-3.13	-4.13	-2.55	-2.19	-1.41

Source: Platts

Spot Product Prices

Spot prices for refined products declined in all major regions in May but crack spreads largely improved due to the relatively sharper downturn in crude markets. Gasoline crack spreads were mostly firmer in the US but largely unchanged in Europe and weaker in Singapore on ample supplies. In the US the onset of the peak summer driving season boosted spreads but preliminary data so far indicate demand in May was flat compared with year-ago levels. Higher retail gasoline prices at the pump this year and continued high unemployment may temper demand growth.





Diesel cracks went from strength to strength in May in the US and Europe while differentials in Singapore remained relatively flat month-on-month. In the US, stronger demand for diesel, evidenced by increased trucking and rail activity, boosted crack spreads to their highest level in 16 months. Diesel cracks for WTI at the US Gulf Coast were up by $3.15/bbl in May, to $12.15/bbl, and in NY Harbor by a stronger $3.50/bbl to just shy of $14/bbl.

In Europe, reduced imports from the US due to surging demand there, and lower supplies from Russia due to planned refinery maintenance, helped firm diesel cracks spreads. In Rotterdam, ULSD cracks to Brent in May averaged around $13.50/bbl, an increase of about $1.60/bbl over April levels while ULSD differentials to Urals in the Mediterranean rose by $1.15/bbl to $14.80/bbl.

In Asia, diesel cracks were largely unchanged on average over April levels but they gradually improved over the month on increased demand from China as the spring agricultural season got underway.

Spot Product Prices

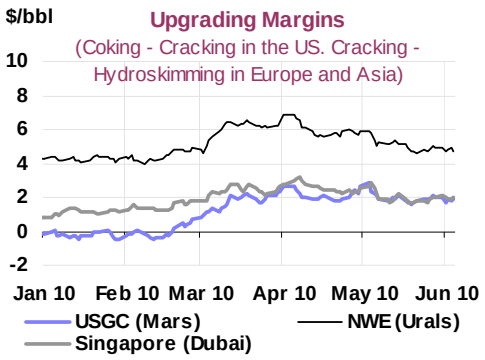
(monthly and weekly averages, $/bbl)

	Mar	Apr	May	May-Apr		Week Commencing:					Mar	Apr	May
				Chg	%	03 May	10 May	17 May	24 May	31 May			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	92.88	95.90	86.49	-9.41	-9.8	91.96	90.39	82.96	81.75	83.98	13.98	11.02	11.33
Naphtha	80.77	81.37	75.20	-6.17	-7.6	80.83	78.88	72.51	69.71	72.76	1.88	-3.52	0.04
Jet/Kerosene	89.05	95.67	88.23	-7.44	-7.8	93.46	91.68	84.67	84.17	86.79	10.15	10.78	13.07
ULSD 10ppm	89.41	96.79	88.64	-8.14	-8.4	94.55	92.19	84.97	84.03	86.29	10.52	11.90	13.48
Gasoil 0.1%	87.92	94.53	85.95	-8.57	-9.1	91.85	89.35	82.22	81.59	84.54	9.03	9.64	10.79
LSFO 1%	73.62	77.08	70.51	-6.58	-8.5	75.52	74.58	67.60	65.34	68.12	-5.28	-7.80	-4.65
HSFO 3.5%	69.91	72.73	66.91	-5.83	-8.0	71.05	70.45	64.43	62.53	65.39	-8.98	-12.15	-8.25
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	90.60	93.18	84.07	-9.11	-9.8	89.44	87.44	80.96	79.51	81.50	13.56	10.57	10.39
Naphtha	80.41	81.33	74.92	-6.40	-7.9	80.46	78.58	72.22	69.54	72.79	3.37	-1.29	1.24
Jet Aviation fuel	87.17	94.11	86.64	-7.46	-7.9	91.70	89.83	83.27	82.78	85.61	10.13	11.49	12.96
ULSD 10ppm	89.44	96.28	88.48	-7.80	-8.1	93.92	91.98	84.91	84.22	86.35	12.40	13.66	14.80
Gasoil 0.1%	87.80	94.33	86.18	-8.15	-8.6	91.63	89.42	82.46	82.29	84.99	10.76	11.71	12.50
LSFO 1%	72.76	77.29	70.13	-7.15	-9.3	74.89	74.26	67.49	64.86	67.10	-4.28	-5.33	-3.55
HSFO 3.5%	68.25	72.44	66.06	-6.39	-8.8	70.18	69.88	63.40	61.59	64.86	-8.80	-10.17	-7.62
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	94.34	99.06	89.74	-9.32	-9.4	96.10	92.66	85.47	84.72	86.37	13.09	14.62	16.12
Unleaded	90.08	93.11	84.23	-8.88	-9.5	89.38	87.79	80.18	79.57	81.59	8.83	8.67	10.61
Jet/Kerosene	90.51	95.13	88.03	-7.10	-7.5	92.85	90.89	83.74	84.64	86.82	9.25	10.69	14.41
No. 2 (Heating Oil)	87.63	92.79	85.69	-7.10	-7.7	91.09	88.94	81.22	81.52	83.46	6.37	8.35	12.07
LSFO 1%†	71.98	76.41	69.64	-6.78	-8.9	75.19	73.03	65.75	64.58	66.15	-9.27	-8.03	-3.98
No. 6 3%†	71.49	73.90	67.15	-6.76	-9.1	72.19	69.97	63.33	63.10	64.97	-9.77	-10.54	-6.47
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	90.86	94.06	85.12	-8.94	-9.5	92.16	87.52	81.67	78.34	81.65	13.55	10.47	8.34
Naphtha	80.84	83.13	77.43	-5.70	-6.9	84.44	80.90	74.49	68.99	72.86	3.53	-0.46	0.65
Jet/Kerosene	87.49	94.82	88.12	-6.69	-7.1	95.13	91.37	84.01	81.02	85.23	10.18	11.23	11.34
Gasoil 0.5%	87.78	94.77	87.91	-6.86	-7.2	95.08	91.46	83.98	80.25	83.94	10.47	11.18	11.13
LSWR Cracked	68.31	72.78	68.40	-4.38	-6.0	73.04	71.64	66.17	62.28	64.65	-9.00	-10.81	-8.38
HSFO 180 CST	72.39	75.70	70.73	-4.97	-6.6	75.66	74.21	68.33	64.20	66.87	-4.92	-7.89	-6.05
HSFO 380 CST 4%	72.83	76.56	72.09	-4.47	-5.8	76.53	75.63	69.81	65.83	68.53	-4.48	-7.03	-4.69

Source: Platts * CIF † Cargoes

Refining Margins

On a monthly basis, May refining margins increased across regions. The one exception was the Mars coking margin, which was pressured by weaker light product prices. Benchmark crude prices fell between $6.50/bbl and $10.00/bbl on average, offset only partially by lower product prices. Gasoline crack spreads mainly decreased while they increased on average for other products, particularly for fuel oil and naphtha in the USGC.



After weakening during the first week of May, upgrading margins then remained mostly unchanged. However, on a monthly basis, upgrading margins deteriorated by $0.94/bbl in Europe, $0.61/bbl in Singapore and $0.17/bbl in the USGC.

Selected Refining Margins in Major Refining Centres

($/bbl)

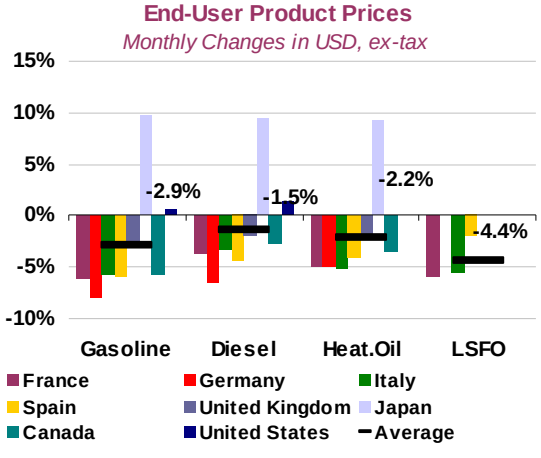
		Monthly Average				Change	Average for week ending:				
		Mar 10	Apr 10	May 10		May10-Apr10	07 May	14 May	21 May	28 May	04 Jun
NW Europe	Brent (Cracking)	3.44	1.82	3.30	↑	1.48	3.15	3.61	3.28	3.22	3.54
	Urals (Cracking)	4.99	3.17	4.23	↑	1.06	4.41	4.93	4.28	3.56	3.53
	Brent (Hydroskimming)	0.22	-1.24	0.72	↑	1.96	0.41	1.01	0.82	0.69	1.12
	Urals (Hydroskimming)	-1.01	-2.85	-0.85	↑	2.00	-1.05	-0.27	-0.54	-1.30	-1.30
Mediterranean	Es Sider (Cracking)	2.28	1.43	1.91	↑	0.47	3.21	2.68	1.52	0.57	1.04
	Urals (Cracking)	2.61	1.35	2.74	↑	1.39	3.12	3.40	2.77	1.95	1.77
	Es Sider (Hydroskimming)	-2.93	-3.56	-2.59	↑	0.97	-1.61	-1.72	-2.72	-3.91	-3.57
	Urals (Hydroskimming)	-4.28	-5.43	-3.16	↑	2.26	-3.26	-2.46	-2.88	-3.81	-3.89
US Gulf Coast	Bonny (Cracking)	-0.83	-1.71	-1.15	↑	0.56	-1.81	-1.02	-1.33	-0.47	-0.80
	Brent (Cracking)	-0.65	-2.40	-1.25	↑	1.15	-2.17	-0.80	-1.62	-0.49	-0.68
	LLS (Cracking)	0.86	-0.33	0.05	↑	0.39	-0.22	0.51	0.14	-0.23	0.10
	Mars (Cracking)	1.56	0.40	0.53	↑	0.12	0.94	0.75	0.88	-0.42	0.29
	Mars (Coking)	3.27	2.54	2.49	↓	-0.05	3.22	2.65	2.61	1.54	2.15
	Maya (Coking)	4.87	5.90	6.75	↑	0.85	6.77	7.27	6.70	6.42	6.04
US West Coast	ANS (Cracking)	-0.70	-0.21	0.54	↑	0.75	-2.14	-0.11	1.42	2.64	3.23
	Kern (Cracking)	0.93	3.27	7.48	↑	4.20	2.94	8.35	9.99	8.84	7.64
	Oman (Cracking)	-0.49	-3.56	-2.41	↑	1.16	-5.71	-4.18	-2.56	2.21	1.71
	Kern (Coking)	9.66	11.41	12.92	↑	1.50	10.76	14.24	12.64	13.94	16.50
Singapore	Dubai (Hydroskimming)	-2.56	-4.28	-2.76	↑	1.52	-4.19	-2.98	-1.86	-2.10	-2.81
	Tapis (Hydroskimming)	-4.11	-5.04	-2.72	↑	2.31	-3.20	-2.80	-2.11	-2.71	-2.90
	Dubai (Hydrocracking)	-0.21	-1.69	-0.78	↑	0.91	-1.77	-1.09	-0.13	-0.26	-0.84
	Tapis (Hydrocracking)	-1.71	-2.54	-0.62	↑	1.93	-0.85	-0.67	-0.18	-0.74	-0.77
China	Cabinda (Hydroskimming)	-8.30	-9.22	-6.08	↑	3.14	-7.08	-5.47	-4.61	-7.08	-6.59
	Daqing (Hydroskimming)	-6.02	-8.63	-5.93	↑	2.70	-7.11	-6.37	-4.69	-5.45	-5.35
	Dubai (Hydroskimming)	-2.38	-4.10	-2.53	↑	1.57	-4.00	-2.77	-1.63	-1.81	-2.58
	Daqing (Hydrocracking)	-0.95	-3.72	-1.81	↑	1.91	-2.65	-2.32	-0.82	-1.41	-1.16
	Dubai (Hydrocracking)	0.03	-1.44	-0.48	↑	0.95	-1.52	-0.83	0.16	0.14	-0.54

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in May

In contrast to recent increases, collectively prices fell in May by an average 2.8% across the IEA region, in US Dollars, ex-tax. However, the picture was mixed with European countries and Canada reporting sharp declines whilst the US reported modest increases and Japan was exceptional in reporting sharp gains. On a US Dollar, ex tax basis, Germany reported notable month-on-month declines in gasoline and diesel of 8.0% and 6.5%, respectively. In contrast, the US reported that gasoline prices rose by a modest 0.6% and diesel by 1.3%. Japanese gasoline and diesel prices surged by 9.9% and 9.5%, respectively. A similar

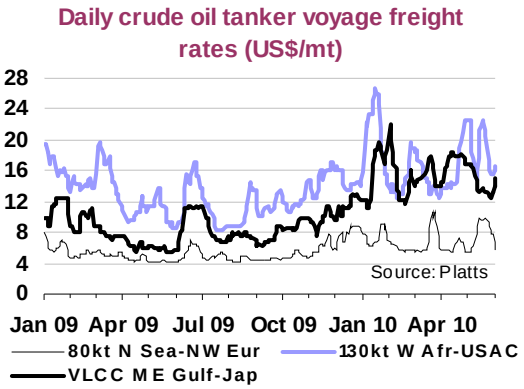


picture was evident for heating and low-sulphur fuel oils where major declines were reported in European countries compared to North America and Japan.

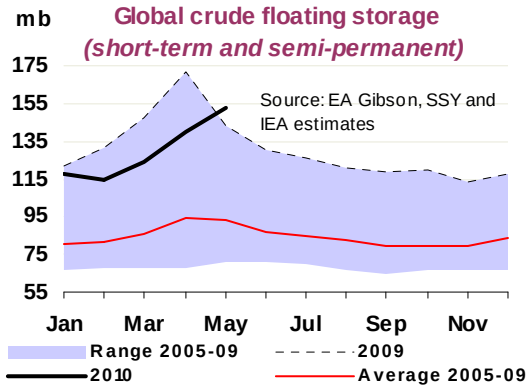
When examining end-user prices in national currencies, the effect of the strengthening US Dollar was evident since the price decreases previously outlined are dampened. On this basis, within the Eurozone, only Germany reported price falls of 1.0% for gasoline and 0.2% for diesel. Gasoline pump prices were $2.84/gallon in the US, ¥139/litre in Japan and £1.21/litre in the UK. Continental European prices ranged from €1.18/litre in Spain to €1.42/litre in Germany. Compared to May 2009, gasoline prices in national currency were on average 17.2% higher across the surveyed IEA countries with only Canada reporting non double digit price growth (6.7%) and the US posting the highest growth of 26.4%.

Freight

Following the sharp decline in crude oil prices in early month, freight rates on the benchmark VLCC Middle East Gulf – Japan and Suezmax West Africa – US Atlantic Coast routes crashed in early May. By the end of the month, rates on the former route had fallen as low as $12.50/metric tonne. The latter trade, meanwhile, was characterised by extreme volatility and after the early month price crash, rates rapidly surged higher on increased demand for Brent-pegged African grades, which were being sold at a discount to WTI. However, as WTI recovered its ground, demand waned, sending Suezmax rates quickly back down. Rates on the Aframax North Sea – North West Europe route fared better and avoided the early month crash, as Brent became more attractive for European refiners. However, rates did fall somewhat at month-end.



Preliminary data indicate that short-term global floating storage rose sharply to 127.4 mb at end-May. Crude oil storage increased by 12 mb to 93 mb, with a further 16 mb added in the Middle East Gulf, largely due to a continuing build up of Iranian grades. Data suggest that 48 vessels were deployed worldwide for crude storage at end May, up seven on the previous month. 44 VLCCs are now storing crude oil, compared with 39 at end April, maintaining the trend of more oil stored on larger vessels.



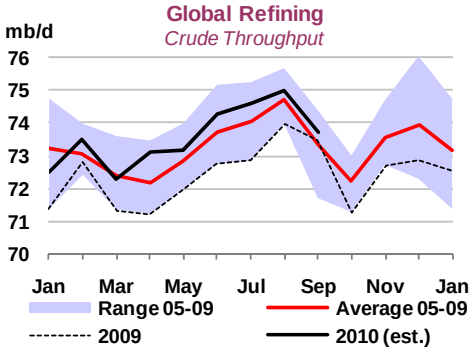
REFINING

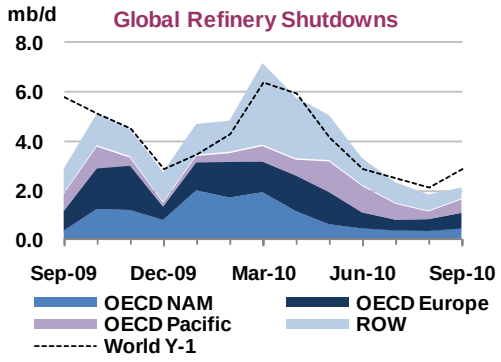
Summary

- **1Q10 global refinery crude throughputs averaged 72.7 mb/d, 0.9 mb/d above year-ago. Second-quarter throughputs look likely to average 73.5 mb/d,** an annual increase of 1.5 mb/d, as seasonal maintenance ends, particularly in the US, where refiners are increasing runs significantly. 2Q10 OECD crude runs are forecast at 36.4 mb/d, 430 kb/d above a year ago, led by North America (+620 kb/d) and the Pacific (+200 kb/d), while European levels are seen contracting by 390 kb/d. 2Q10 non-OECD crude runs are expected to increase by 1.1 mb/d on an annual basis to 37.1 mb/d, with China accounting for 88% of the increase.

- **Looking ahead, 3Q10 global crude throughput rises towards 74.4 mb/d,** buoyed not only by sharp non-OECD increases but also by a North America-inspired rise in the OECD. Globally, maintenance activity is set to drop significantly, supporting the 0.9 mb/d quarterly rise in runs, although weaker demand could further pressure refining margins, and undermine the prospects for stronger throughputs.

- **March OECD refinery yields increased for gasoline, gasoil/diesel and for the 'other product' category.** Year-on-year, total gross product output was 280 kb/d (0.7%) below year ago levels at 42.5 mb/d. Gasoil/diesel and fuel oil gross output shrank by 4.4% (-570 kb/d) and by 1.4% (-50 kb/d), respectively, naphtha and gasoline rose marginally, and jet fuel/kerosene and other products output increased by 1.9% and 3.1%. Month-on-month, total OECD gross product output increased by 790 kb/d (1.9%).



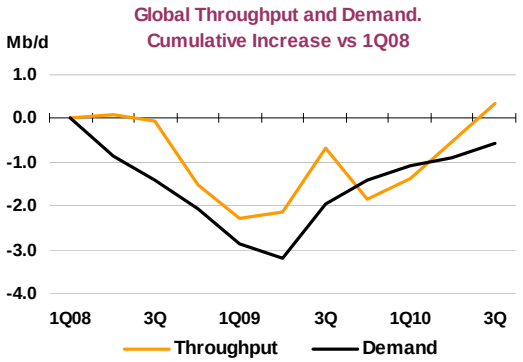


Global Refinery Throughput

1Q10 global refinery crude throughputs averaged 72.7 mb/d, 0.9 mb/d above year-ago levels and 120 kb/d lower than our previous assessment. March data for the OECD came in 90 kb/d higher than our preliminary figures, while data for the non-OECD were 160 kb/d lower. Non-OECD data has been revised down also for January and February, resulting in a 1Q10 downward revision of 160 kb/d.

Our estimate for **2Q10 global refinery throughputs** points to an annual increase of 1.5 mb/d, averaging 73.5 mb/d. The increase is supported by the end of seasonal maintenance, particularly in the US, where refiners are increasing throughputs significantly. **2Q10 OECD crude runs** are expected to increase over year ago levels by 430 kb/d to 36.4 mb/d, after recording year-on-year reductions ever since 2Q07, when runs were at 38.4 mb/d. The increase is led by OECD North America (+620 kb/d), followed by the Pacific (+200 kb/d), while European levels are trailing behind with an anticipated contraction of 390 kb/d. **2Q10 non-OECD crude runs** are expected to increase by 1.1 mb/d on an annual basis to 37.1 mb/d, with China accounting for 88% of the increase. On a quarterly basis, global throughputs are projected to increase by 915 kb/d, even if actual runs may be constrained by a more muted 330 kb/d seasonal increase in demand.

We have now rolled over our projections to include September. As a result, **3Q10 global crude throughput** is seen at an average of 74.4 mb/d, a 1.0 mb/d increase year-on-year. OECD crude runs are expected to rise by 85 kb/d to 36.4 mb/d, with North America increasing by 170 kb/d, the Pacific contracting marginally and Europe still posting a decrease of 67 kb/d. Non-OECD crude runs are forecast to increase by 925 kb/d to 38.0 mb/d, with China accounting for 80% of the increase. On a quarterly basis, throughput levels could potentially increase by 0.9 mb/d, with maintenance activity dropping significantly, by more than 55% on average, in both OECD and non-OECD countries. 3Q10 demand is forecast to grow by 330 kb/d, thus pressuring refining margins.



Global Refinery Crude Throughput[1]

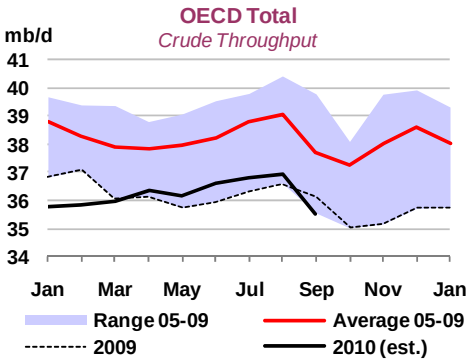
(million barrels per day)

	Feb 10	Mar 10	**1Q2010**	Apr 10	May 10	Jun 10	**2Q2010**	Jul 10	Aug 10	Sep 10	**3Q2010**
OECD											
North America	16.9	17.3	17.0	17.8	18.0	18.2	18.0	18.2	18.0	17.0	17.7
Europe	12.0	12.3	12.1	11.9	12.0	12.2	12.1	12.4	12.5	12.3	12.4
Pacific	6.9	6.4	6.7	6.6	6.1	6.2	6.3	6.2	6.5	6.2	6.3
Total OECD	35.8	35.9	35.8	36.3	36.2	36.6	36.4	36.8	36.9	35.5	36.4
NON-OECD											
FSU	6.4	6.3	6.2	6.2	6.3	6.4	6.3	6.4	6.4	6.3	6.4
Non-OECD Europe	0.5	0.6	0.6	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8
China	8.3	8.1	8.1	8.4	8.3	8.5	8.4	8.5	8.5	8.7	8.6
Other Asia	8.9	8.6	8.7	8.7	8.5	8.6	8.6	8.7	8.7	8.7	8.7
Latin America	5.3	4.9	5.1	4.9	5.0	5.2	5.0	5.1	5.4	5.3	5.3
Middle East	5.9	5.7	5.8	5.7	6.0	6.0	5.9	6.0	6.1	6.1	6.1
Africa	2.3	2.2	2.3	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2
Total Non-OECD	37.7	36.4	36.9	36.8	37.0	37.6	37.1	37.7	38.1	38.1	38.0
Total	73.5	72.3	72.7	73.1	73.2	74.3	73.5	74.6	75.0	73.7	74.4

Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

March OECD refinery crude throughput is now estimated at 35.9 mb/d, 90 kb/d higher than last month's preliminary data. The upward revision derived from European data, as a 185 kb/d upward adjustment for North America was countered by a similar cut to preliminary Pacific estimates. 1Q10 OECD crude runs are now estimated at 35.8 mb/d, 800 kb/d lower year-on-year. All three regions posted a decline, with Europe seeing 55% of the fall, the Pacific 24% and North America 21%.



April OECD refinery crude throughputs averaged 36.3 mb/d based on preliminary data, a 380 kb/d increase month-on-month and 180 kb/d above April 2009 levels. Monthly increases came from North America and the Pacific, offsetting weaker European runs, a trend also reflected when comparing 2010 versus 2009 data. In fact, European April runs were fully 750 kb/d below last year's levels, amid weak demand born of both tepid economic recovery and the adverse impact of volcanic activity on airline travel.

Refinery Crude Throughput and Utilisation in OECD Countries

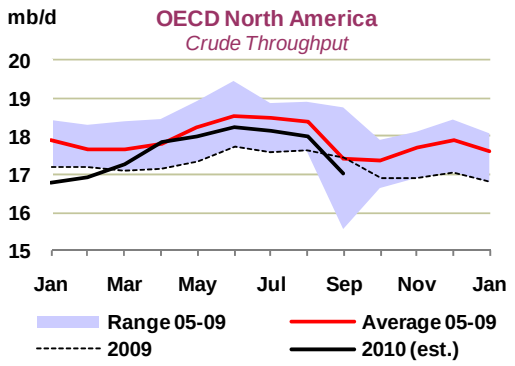
(million barrels per day)

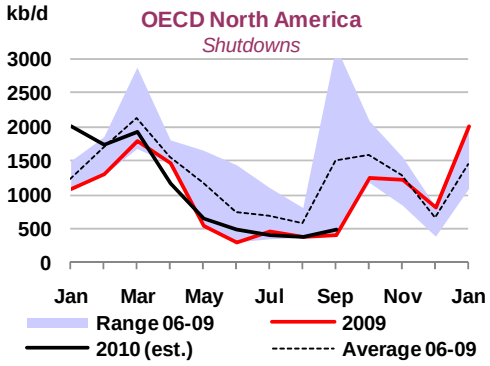
							Change from		Utilisation rate[1]	
	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	Mar 10	Apr 09	Apr 10	Apr 09
OECD North America										
US[2]	13.86	13.98	13.67	13.97	14.30	14.89	0.59	0.54	83.4%	81.2%
Canada	1.72	1.76	1.81	1.72	1.73	1.69	-0.04	0.19	83.6%	74.3%
Mexico	1.32	1.33	1.32	1.24	1.25	1.26	0.00	-0.04	81.7%	84.5%
Total	16.91	17.07	16.80	16.93	17.29	17.84	0.55	0.68	83.3%	80.8%
OECD Europe										
France	1.34	1.34	1.24	1.30	1.45	1.46	0.01	-0.05	74.5%	76.9%
Germany	1.95	1.88	1.92	1.83	1.76	1.89	0.13	-0.33	78.0%	91.5%
Italy	1.58	1.56	1.60	1.59	1.65	1.57	-0.08	-0.11	67.2%	71.7%
Netherlands	0.90	1.04	1.05	1.08	1.10	1.04	-0.05	0.03	86.2%	84.0%
Spain	0.91	1.01	1.06	0.85	1.02	1.08	0.06	-0.09	85.2%	92.0%
UK	1.45	1.49	1.39	1.38	1.40	1.38	-0.02	0.02	72.9%	71.8%
Other OECD Europe	3.75	3.62	3.79	3.92	3.90	3.50	-0.40	-0.23	74.6%	79.4%
Total	11.87	11.94	12.05	11.96	12.27	11.92	-0.36	-0.75	75.5%	80.3%
OECD Pacific										
Japan	3.44	3.68	3.77	3.79	3.57	3.51	-0.06	0.20	75.1%	70.7%
Korea	2.26	2.28	2.38	2.40	2.21	2.31	0.10	-0.02	84.4%	85.1%
Other OECD Pacific	0.68	0.74	0.75	0.74	0.60	0.75	0.15	0.06	92.9%	85.9%
Total	6.38	6.71	6.91	6.93	6.38	6.57	0.19	0.24	79.9%	77.0%
OECD Total	35.16	35.72	35.75	35.82	35.95	36.33	0.38	0.18	80.0%	79.9%

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

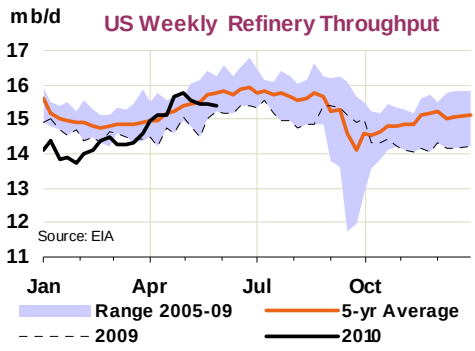
2 US50

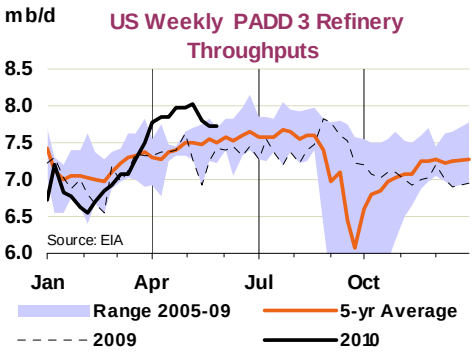
OECD North American runs averaged 17.8 mb/d in April, a 555 kb/d increase month-on-month and 685 kb/d above year-ago levels. Throughputs in the US increased by 590 kb/d over March levels as refinery maintenance dropped sharply and refiners boosted throughputs ahead of the driving season. Higher gasoline pump prices and incentives to boost exports have encouraged refiners to increase gasoline yields, although the impact of higher pump prices on the current season's demand remains to be seen.





May OECD North America crude runs are projected to increase by 160 kb/d month-on-month to 18 mb/d. Both Canadian and Mexican runs are expected to contract, by 30 kb/d and 20 kb/d, respectively. US weekly data for May point to a 210 kb/d increase in US throughput as refineries return to operations after maintenance and refining margins improve. 3Q10 North American runs are forecast at 17.7 mb/d. As in last year's report, we have incorporated a seasonal downward adjustment for September, equivalent to the five-year average monthly decline from August. This year, the adjustment scales to 980 kb/d for the region, driven largely by outages caused by hurricane activity.





According to preliminary data, **April European throughputs** were 11.9 mb/d, a 750 kb/d annual drop of which around 380 kb/d is due to heavier maintenance activity in the region. This is only 45 kb/d higher than the November 2009 level, which is the lowest reading since year 2000. May throughputs are thought to have shifted marginally higher at 12.0 mb/d, as 1.3 mb/d of processing capacity was expected to remain off-line.

Bunker Fuel – Tightening the Standard

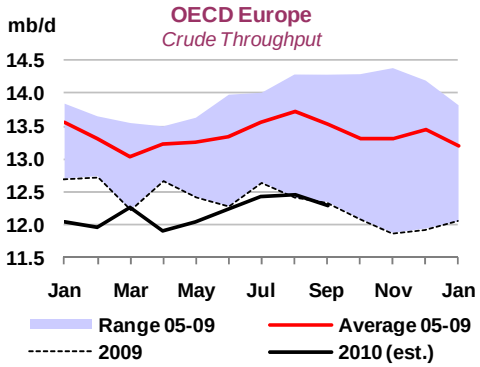
In October 2008, the International Maritime Organization (IMO) adopted new standards to control harmful emissions from ship engines. The IMO is the United Nations agency concerned with maritime safety and security and the prevention of marine pollution. The standards are found in Annex VI to the International Convention on the Prevention of Pollution from Ships (MARPOL). As part of the incoming MARPOL regulations, effective 1 July 2010, the sulphur content of seaborne vessel fuel will be reduced to a maximum of 1.0%, from 1.5%, in Sulphur Emission Control Areas (SECAs). Currently there are two SECAs, one in the Baltic Sea and the other in the North Sea. On 27 March, the United States and Canada jointly submitted a proposal to the IMO to designate most areas of the coastal waters covered by their Exclusive Economic Zones as an Emissions Control Area (ECA) for SOx, nitrogen oxides (NOx), and particulate matter emissions. The proposed North American ECA extends 200 nautical miles (370 kilometres) from the coast, and includes waters adjacent to the Pacific coast, the Atlantic/ Gulf coast and the main Hawaiian Islands.

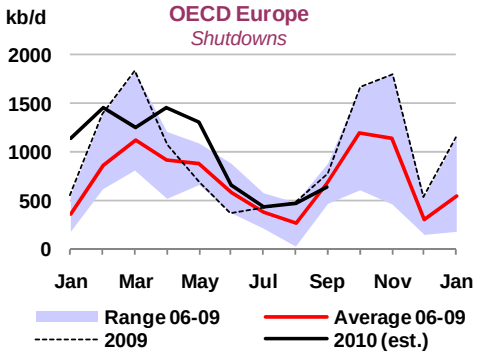
The incoming standard has implications most immediately for European refiners. Bunker fuel producers might have to switch their prevailing feedstock slate away from grades such as Urals, towards sweeter grades. It may also require higher imports of low sulphur fuel oil into the region. In the longer term, tighter bunker fuel specifications raise the issue of whether the industry adopts on-board sulphur scrubbing, or shifts towards greater use of diesel bunkers.

	Date	Fuel sulphur (%)	NOx
Global	To January 2012	4.5	
	From 2012	3.5	
	From 2020	0.5	
	From 2011		Tier 2*
Emission Control Area	To July 2010	1.5	
	From July 2010	1.0	
	From 2015	0.1	
	From 2016		Tier 3

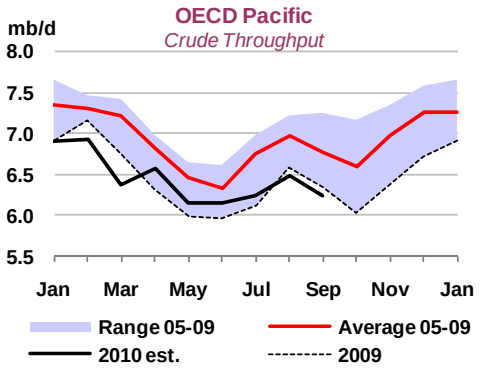
* Current Tier 1 NOx standards range from approximately 10 to 17 grams NOx/kWh and apply to ships built as from year 2000. Tier 2 standards represent a 15-20% NOx reduction below Tier 1 and Tier 3 standards represents 80% NOx reduction below Tier 1. These NOx standards apply only to newly built ships.

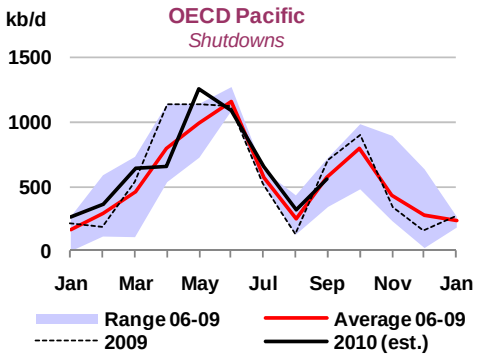
Source: Air Pollution & Climate Secretariat; MARPOL





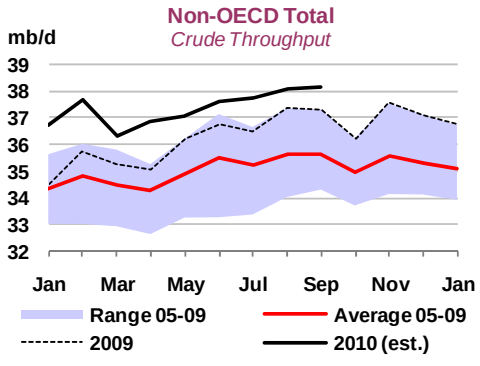
OECD Pacific throughputs averaged 6.6 mb/d in April, 120 kb/d higher than expected in last month's report. Despite peak maintenance activity in May, weekly data from the Petroleum Association of Japan (PAJ) points to a 6.1 mb/d throughput level, 430 kb/d lower month-on-month but 250 kb/d higher than expected. As mentioned in last month's report, throughput reductions may be less pronounced than announced shutdowns, as other refiners compensate for part of the shut capacity with increased runs. As our May forecast turned out to be too conservative and lower than previously expected maintenance activity for June is now reported, we have raised our June projection by 260 kb/d. The July projection forecast is also raised by 150 kb/d, albeit regional throughputs as a whole remain weak compared to the five-year average.

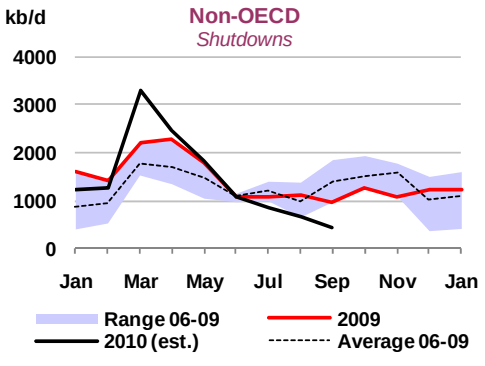




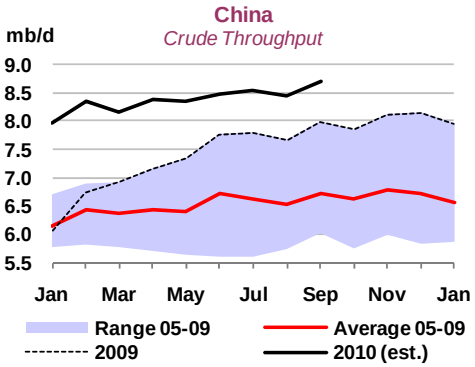
Non-OECD Refinery Throughput

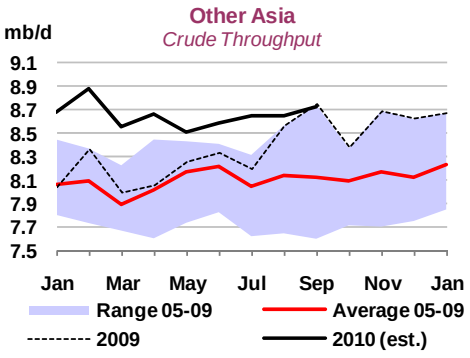
1Q10 non-OECD throughputs averaged 36.9 mb/d, 1.7 mb/d higher than a year earlier, but 160 kb/d lower than last month's estimate. Downward revisions to Middle East and Latin America data account for most of the difference, which in part is explained by higher maintenance activity in both regions. 2Q10 throughput levels were also revised down by 210 kb/d to 37.1 mb/d, with around 40% of the revision being accounted by higher maintenance activity. Lower prospects for the Middle East, Latin America and Other Asia contribute to the new estimate. 3Q10 non-OECD crude runs are forecast at 38.0 mb/d, a 930 kb/d increase year-on-year, with China accounting for 80% of the increase. The 3Q10 crude runs are expected to be 840 kb/d higher than the prior quarter as maintenance activity is significantly reduced.





Chinese crude runs hit a new record in April at 8.37 mb/d, 30 kb/d above the previous record reached in February, and 1.2 mb/d higher than last year's level. The Chinese government raised both gasoline and diesel retail prices by around 4% and ex-refinery jet fuel by 10% on 14 April. Further capacity gains could influence throughput in months to come with, for example, PetroChina's new 200 kb/d Qinzhou refinery expected to start commercial runs in August.



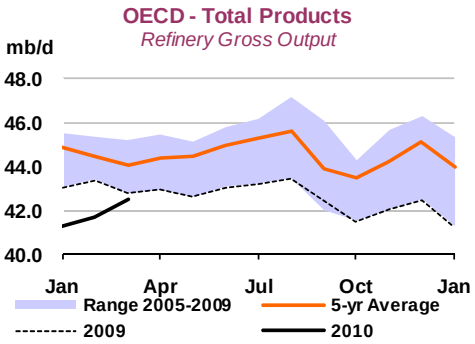


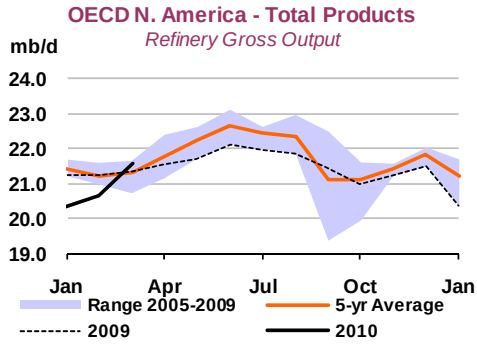
Indian refinery runs were 3.7 mb/d in April, 460 kb/d above last year's level and 140 kb/d lower than expected. Government data show oil product demand rose by 3.8% in April on an annual basis, with local fuel demand rising for the first time in four months. Newswires report Indian companies buying low-sulphur gasoil as the government's mandate requires companies to offer 50-ppm sulphur gasoil to major cities from 1 April, and 350-ppm sulphur gasoil to the rest of the country by 1 October.

Russian throughputs averaged 4.8 mb/d in April, 230 kb/d above last month's expectation, and 350 kb/d above last year's level. The May forecast is revised down as slightly higher maintenance activity is scheduled. Bunker fuel oil exports to Europe may wane as this region adopts the new MARPOL standard to reduce harmful emissions from ships from 1 July.

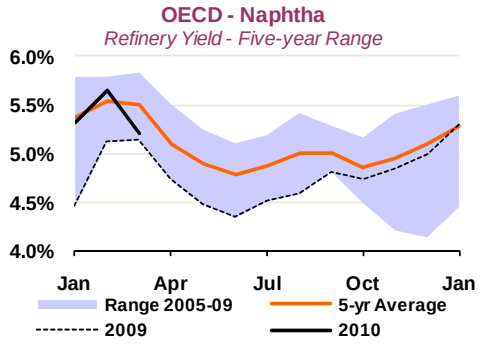
OECD Refinery Yields

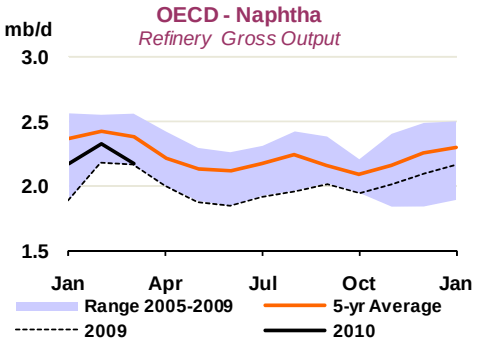
March OECD refinery yields increased for gasoline, gasoil/diesel and 'other products' category. Year-on-year, total product gross output was 280 kb/d (-0.7%) below year ago levels at 42.5 mb/d. North American output rose by 1.0%, while in Europe and the Pacific readings were 2.1% and 2.6% below their respective year ago levels, which define the lower-end of the five-year range. Regarding products, gasoil/diesel and fuel oil shrank by 4.4% (-570 kb/d) and by 1.4% (-50 kb/d), respectively, while naphtha and gasoline rose marginally, and jet fuel/kerosene and 'other products' output increased by 1.9% and 3.1%, respectively. Month-on-month, total product gross output increased by 790 kb/d (1.9%).



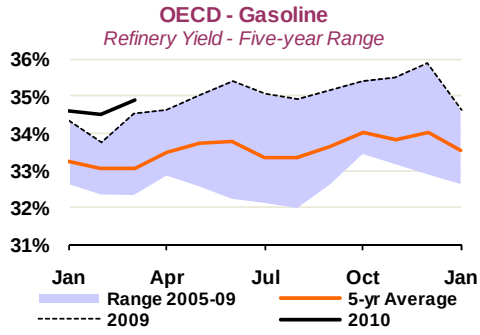


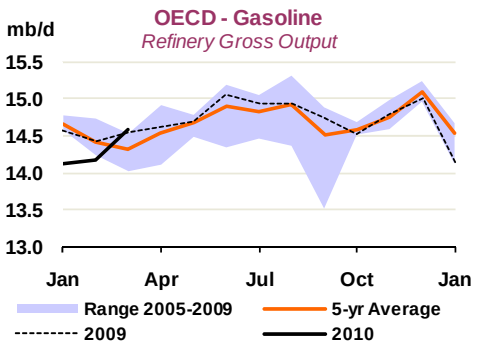
OECD naphtha yields fell to 5.2% after increasing almost every month since June last year, when they were at 4.3%. European yields fell by 0.7 percentage points (pp) from the top of the five-year average to the lower end, while yields in the Pacific fell by 0.4 pp, and they remained unchanged in North America. Gross output fell by 140 kb/d to 2.2 mb/d.



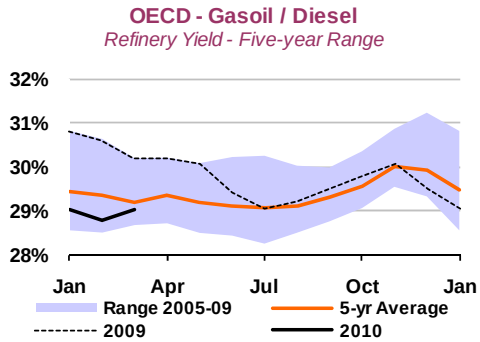


Gasoline yields hovered around 34.9%., with regional yields following seasonal patterns. Yields in North America stayed unchanged at 47.7%, increased in the Pacific and fell in Europe. Both, North American and Pacific yields were above the five-year average, while European yields were at the lower end of their range. Gross output increased by a hefty 420 kb/d to 14.6 mb/d at the top of the five-year range, mostly driven by a 430 kb/d North American rise.





Despite total OECD gasoil/diesel yields increasing by only 0.24 pp, gross output rose by 320 kb/d. European yields increased 0.40 pp for a 170 kb/d increase in gross output, with crude throughput rising by 320 kb/d. North American yields actually fell by 0.20 pp, but output rose by 170 kb/d as throughput in this region increased by 360 kb/d. Finally, yields in the Pacific gained 1.39 pp, but output fell 22 kb/d as crude runs in this region contracted by 550 kb/d.



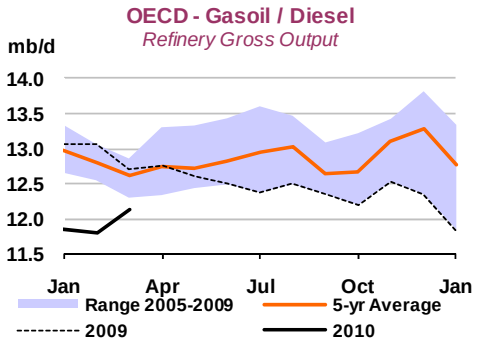


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	25.4	25.5	24.8	24.4	23.6	23.9	24.2	23.5	22.9	23.2	23.5	23.3	23.6	23.8	23.6	23.5	23.6
Europe	15.7	15.3	15.3	15.1	15.5	15.4	15.3	14.9	14.2	14.5	14.4	14.5	14.2	13.9	14.4	14.4	14.2
Pacific	8.5	8.4	8.9	7.9	7.5	8.0	8.1	8.1	7.3	7.3	8.0	7.7	8.2	7.4	7.2	7.9	7.7
Total OECD	49.5	49.2	49.0	47.4	46.6	47.3	47.6	46.5	44.4	45.0	45.9	45.5	46.0	45.0	45.2	45.8	45.5
NON-OECD DEMAND																	
FSU	4.0	4.1	4.1	4.0	4.3	4.1	4.1	3.9	3.7	4.0	3.9	3.9	4.1	3.9	4.1	4.1	4.1
Europe	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.2	7.6	7.9	8.0	8.1	7.6	7.9	7.7	8.6	8.8	8.9	8.5	9.1	9.4	9.1	9.1	9.2
Other Asia	9.0	9.5	9.9	9.9	9.3	9.3	9.6	9.9	10.0	9.8	10.1	9.9	10.1	10.2	10.0	10.3	10.2
Latin America	5.4	5.7	5.8	6.1	6.2	6.0	6.0	5.8	6.0	6.1	6.2	6.0	6.1	6.2	6.3	6.4	6.2
Middle East	6.3	6.5	6.5	6.9	7.4	6.7	6.9	6.5	7.1	7.6	7.0	7.1	6.9	7.4	7.9	7.2	7.3
Africa	2.9	3.1	3.2	3.1	3.1	3.2	3.1	3.2	3.2	3.1	3.1	3.2	3.1	3.3	3.2	3.3	3.2
Total Non-OECD	35.6	37.2	38.1	38.9	39.1	37.7	38.4	37.7	39.5	40.2	39.8	39.3	40.0	41.2	41.4	41.1	40.9
Total Demand[1]	85.1	86.4	87.1	86.2	85.7	85.0	86.0	84.3	83.9	85.1	85.7	84.8	86.0	86.2	86.5	87.0	86.4
OECD SUPPLY																	
North America[4]	14.2	14.3	14.3	14.0	13.6	13.8	13.9	14.2	14.1	14.3	14.5	14.3	14.6	14.5	14.2	14.4	14.4
Europe	5.3	5.0	4.9	4.8	4.5	4.8	4.7	4.9	4.5	4.2	4.5	4.5	4.5	4.3	4.2	4.4	4.3
Pacific	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.7
Total OECD	20.1	19.9	19.7	19.5	18.8	19.3	19.3	19.7	19.2	19.2	19.7	19.4	19.8	19.5	19.1	19.5	19.5
NON-OECD SUPPLY																	
FSU	12.3	12.8	12.9	12.9	12.7	12.8	12.8	13.0	13.2	13.4	13.5	13.3	13.5	13.6	13.5	13.8	13.6
Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8	4.0	3.9	3.9	3.9	3.9
Other Asia[2]	3.7	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.6
Latin America[2,4]	3.9	4.0	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.4	4.3	4.5	4.6	4.6	4.7	4.6
Middle East	1.8	1.6	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5
Total Non-OECD	28.1	28.6	28.9	28.9	28.8	28.8	28.8	29.0	29.3	29.5	29.7	29.3	30.0	30.1	30.1	30.5	30.2
Processing Gains[3]	2.1	2.2	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Other Biofuels[4]	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Total Non-OPEC[2]	50.5	50.9	51.2	50.9	50.2	50.8	50.8	51.4	51.1	51.4	52.1	51.5	52.4	52.3	51.9	52.7	52.3
Non-OPEC: Historical Composition[2]	51.4	50.4	50.2	49.9	49.2	49.8	49.8	51.4	51.1	51.4	52.1	51.5	52.4	52.3	51.9	52.7	52.3
OPEC																	
Crude[5]	30.7	30.3	31.5	31.4	31.5	30.5	31.2	28.6	28.5	28.8	29.0	28.7	29.1				
NGLs	4.3	4.3	4.3	4.4	4.4	4.5	4.4	4.6	4.5	4.7	4.8	4.7	5.1	5.2	5.5	5.8	5.4
Total OPEC[2]	35.0	34.6	35.9	35.7	35.9	35.0	35.6	33.2	33.0	33.5	33.8	33.4	34.2				
OPEC: Historical Composition[2]	34.1	35.1	36.9	36.7	36.9	36.0	36.6	33.2	33.0	33.5	33.8	33.4	34.2				
Total Supply[6]	85.5	85.5	87.0	86.7	86.1	85.8	86.4	84.5	84.1	84.9	85.9	84.9	86.6				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	-0.3	0.0	0.3	0.6	0.4	0.4	0.5	0.1	0.2	-1.2	-0.1	0.2				
Government	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.1	0.0				
Total	0.3	-0.2	0.1	0.3	0.6	0.4	0.4	0.7	0.3	0.3	-1.2	0.0	0.2				
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.0	-0.3	0.1	0.0	0.6	0.2	0.0	0.5	0.3	-0.2				
Miscellaneous to balance[7]	0.2	-0.7	-0.5	0.1	0.2	0.3	0.0	-1.0	-0.2	-0.6	0.9	-0.2	0.6				
Total Stock Ch. & Misc	0.3	-0.8	-0.1	0.4	0.5	0.8	0.4	0.3	0.2	-0.3	0.2	0.1	0.6				
Memo items:																	
Call on OPEC crude + Stock ch.[8]	30.4	31.2	31.6	30.9	31.1	29.7	30.8	28.3	28.2	29.0	28.8	28.6	28.5	28.7	29.1	28.5	28.7
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.5	31.1	31.1	31.2	30.0	30.9	27.3	28.0	28.5	29.7	28.4	29.1	28.8	29.2	28.6	28.9

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 Other Biofuels are from sources outside Brazil and US. North and Latin America oil supply totals include US and Brazilian ethanol.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.4	-	0.1	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-0.3	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.3	-0.1	-	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	0.1	-	-	-
Total Demand	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.4	-0.1	-0.1	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-				
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-				
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-	-				
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-0.3				
Government	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-	-	-0.3				
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous to balance	-	-	-	-	-	-	-	-	0.1	-	-	-	0.2				
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	0.1	-	-	-	-0.1				
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	0.2	-0.2	-0.1	-
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.2	-0.2	-	0.1

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Demand (mb/d)																
North America	25.47	24.77	24.42	23.57	23.93	24.17	23.52	22.91	23.25	23.48	23.29	23.64	23.77	23.57	23.54	23.63
Europe	15.34	15.29	15.07	15.53	15.43	15.33	14.88	14.22	14.45	14.37	14.48	14.16	13.91	14.42	14.42	14.23
Pacific	8.37	8.91	7.86	7.54	7.97	8.07	8.14	7.30	7.27	8.01	7.68	8.21	7.36	7.20	7.89	7.66
Total OECD	49.18	48.96	47.36	46.63	47.34	47.57	46.54	44.44	44.97	45.86	45.45	46.02	45.04	45.19	45.85	45.52
Asia	17.06	17.82	17.93	17.44	16.93	17.53	17.53	18.65	18.62	19.00	18.45	19.15	19.63	19.10	19.45	19.33
Middle East	6.52	6.48	6.92	7.36	6.73	6.87	6.54	7.12	7.59	6.96	7.06	6.90	7.39	7.87	7.22	7.35
Latin America	5.68	5.83	6.08	6.16	6.03	6.02	5.81	5.99	6.11	6.17	6.02	6.07	6.24	6.30	6.35	6.24
FSU	4.11	4.07	4.03	4.26	4.06	4.10	3.86	3.74	3.98	3.91	3.87	4.06	3.91	4.14	4.10	4.05
Africa	3.06	3.15	3.15	3.10	3.17	3.14	3.22	3.19	3.14	3.09	3.16	3.13	3.25	3.22	3.28	3.22
Europe	0.76	0.80	0.77	0.75	0.78	0.77	0.76	0.76	0.74	0.73	0.75	0.70	0.74	0.73	0.72	0.72
Total Non-OECD	37.19	38.15	38.88	39.06	37.70	38.44	37.71	39.46	40.18	39.85	39.31	40.00	41.17	41.35	41.13	40.92
World	86.37	87.11	86.23	85.69	85.04	86.01	84.26	83.90	85.15	85.71	84.76	86.02	86.22	86.55	86.97	86.44
of which: US50	20.68	20.04	19.76	18.90	19.30	19.50	18.96	18.54	18.70	18.86	18.77	18.94	19.22	18.88	18.85	18.97
Europe 5*	9.48	9.50	9.29	9.50	9.57	9.47	9.39	8.84	8.91	8.87	9.00	8.85	8.45	8.76	8.80	8.72
China	7.57	7.88	7.98	8.09	7.62	7.89	7.65	8.61	8.84	8.92	8.51	9.07	9.39	9.13	9.13	9.18
Japan	5.04	5.45	4.63	4.34	4.71	4.78	4.72	4.03	4.10	4.59	4.36	4.78	4.06	4.01	4.44	4.32
India	2.97	3.20	3.13	2.92	3.09	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.37	3.14	3.39	3.32
Russia	2.89	2.91	2.82	3.02	2.78	2.88	2.64	2.58	2.81	2.72	2.69	2.82	2.73	2.95	2.87	2.84
Brazil	2.36	2.43	2.53	2.60	2.57	2.53	2.43	2.53	2.62	2.68	2.57	2.60	2.66	2.72	2.78	2.69
Saudi Arabia	2.17	2.13	2.38	2.61	2.18	2.33	2.15	2.70	2.92	2.41	2.54	2.41	2.84	3.07	2.56	2.72
Canada	2.31	2.31	2.19	2.25	2.26	2.25	2.20	2.08	2.16	2.17	2.15	2.26	2.15	2.27	2.22	2.22
Korea	2.24	2.35	2.11	2.10	2.14	2.17	2.34	2.17	2.07	2.29	2.22	2.34	2.19	2.08	2.30	2.23
Mexico	2.14	2.12	2.19	2.14	2.07	2.13	2.05	2.01	2.10	2.14	2.08	2.14	2.13	2.13	2.16	2.14
Iran	1.71	1.76	1.80	1.77	1.73	1.77	1.68	1.64	1.63	1.66	1.65	1.64	1.65	1.67	1.68	1.66
Total	61.54	62.08	60.82	60.24	60.04	60.79	59.58	59.03	59.95	60.61	59.79	61.24	60.84	60.79	61.19	61.02
% of World	71.3%	71.3%	70.5%	70.3%	70.6%	70.7%	70.7%	70.4%	70.4%	70.7%	70.5%	71.2%	70.6%	70.2%	70.4%	70.6%
Annual Change (% per annum)																
North America	0.4	-3.3	-3.6	-7.5	-5.9	-5.1	-5.1	-6.2	-1.4	-1.9	-3.7	0.5	3.8	1.4	0.2	1.5
Europe	-2.1	0.4	0.7	0.4	-1.6	0.0	-2.6	-5.6	-6.9	-6.9	-5.5	-4.8	-2.2	-0.2	0.3	-1.7
Pacific	-1.0	0.0	-0.6	-4.9	-8.9	-3.6	-8.6	-7.2	-3.5	0.5	-4.8	0.9	0.8	-1.0	-1.5	-0.2
Total OECD	-0.7	-1.6	-1.8	-4.6	-5.1	-3.3	-4.9	-6.2	-3.6	-3.1	-4.5	-1.1	1.4	0.5	0.0	0.2
Asia	5.1	6.5	3.9	3.2	-2.3	2.8	-1.6	4.0	6.8	12.2	5.3	9.2	5.3	2.6	2.4	4.8
Middle East	3.1	2.3	6.6	9.2	3.3	5.4	0.9	2.9	3.1	3.4	2.6	5.4	3.8	3.7	3.8	4.1
Latin America	5.5	7.1	7.6	6.2	3.8	6.1	-0.4	-1.4	-0.8	2.2	-0.1	4.5	4.1	3.2	3.0	3.7
FSU	2.3	-0.7	2.6	2.2	-4.8	-0.2	-5.2	-7.1	-6.5	-3.7	-5.6	5.3	4.6	3.9	4.7	4.6
Africa	4.9	2.1	4.5	3.0	1.5	2.8	2.0	1.4	1.3	-2.5	0.5	-2.8	1.9	2.7	6.1	1.9
Europe	3.5	4.6	3.9	-3.2	-1.0	1.0	-4.5	-1.1	-0.9	-6.4	-3.2	-8.2	-2.9	-1.7	-0.6	-3.4
Total Non-OECD	4.4	4.7	4.8	4.5	-0.4	3.4	-1.1	1.5	2.9	5.7	2.2	6.1	4.3	2.9	3.2	4.1
World	1.5	1.1	1.1	-0.7	-3.1	-0.4	-3.3	-2.7	-0.6	0.8	-1.5	2.1	2.8	1.6	1.5	2.0
Annual Change (mb/d)																
North America	0.09	-0.85	-0.92	-1.92	-1.50	-1.30	-1.25	-1.51	-0.33	-0.45	-0.88	0.12	0.86	0.32	0.06	0.34
Europe	-0.34	0.06	0.11	0.06	-0.26	-0.01	-0.40	-0.85	-1.07	-1.06	-0.85	-0.72	-0.31	-0.03	0.04	-0.25
Pacific	-0.09	0.00	-0.05	-0.39	-0.78	-0.30	-0.77	-0.56	-0.26	0.04	-0.39	0.07	0.06	-0.07	-0.12	-0.02
Total OECD	-0.33	-0.79	-0.86	-2.25	-2.54	-1.61	-2.42	-2.92	-1.66	-1.48	-2.12	-0.53	0.61	0.22	-0.02	0.07
Asia	0.83	1.10	0.67	0.54	-0.40	0.47	-0.29	0.72	1.18	2.07	0.93	1.62	0.98	0.48	0.45	0.88
Middle East	0.19	0.15	0.43	0.62	0.21	0.35	0.06	0.20	0.23	0.23	0.18	0.36	0.27	0.28	0.27	0.29
Latin America	0.30	0.39	0.43	0.36	0.22	0.35	-0.02	-0.09	-0.05	0.13	0.00	0.26	0.25	0.19	0.19	0.22
FSU	0.09	-0.03	0.10	0.09	-0.21	-0.01	-0.21	-0.28	-0.28	-0.15	-0.23	0.20	0.17	0.16	0.19	0.18
Africa	0.14	0.07	0.13	0.09	0.05	0.08	0.06	0.05	0.04	-0.08	0.02	-0.09	0.06	0.08	0.19	0.06
Europe	0.03	0.04	0.03	-0.02	-0.01	0.01	-0.04	-0.01	-0.01	-0.05	-0.03	-0.06	-0.02	-0.01	0.00	-0.03
Total Non-OECD	1.58	1.70	1.79	1.68	-0.14	1.25	-0.44	0.59	1.12	2.15	0.86	2.29	1.71	1.18	1.28	1.61
World	1.25	0.92	0.93	-0.57	-2.68	-0.36	-2.86	-2.34	-0.54	0.67	-1.26	1.76	2.32	1.40	1.26	1.68
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.44	0.00	0.09	0.16
Europe	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	-0.01	-0.02	-0.01	0.06	-0.28	-0.15	-0.13	-0.13
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.14	0.03	0.01	0.05
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	-0.01	-0.01	-0.01	-0.01	0.19	0.30	-0.12	-0.03	0.08
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.05	0.09	-0.01	-0.01	0.03
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	0.00	0.00	0.00
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.01	0.01	0.02
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.01	-0.01	0.00	-0.05	0.00	0.01	0.00	-0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.08	-0.03	-0.03	-0.03	-0.04
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.01	-0.01	-0.01	-0.01
Total Non-OECD	0.00	0.01	0.01	0.00	0.00	0.00	0.00	-0.01	0.02	0.01	0.01	-0.10	0.06	-0.03	-0.04	-0.03
World	0.00	0.01	0.01	0.00	0.00	0.00	-0.01	-0.02	0.01	-0.01	-0.01	0.10	0.35	-0.15	-0.07	0.06
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.01	0.01	0.00	0.00	0.00	-0.02	-0.03	0.00	-0.01	-0.01	0.11	0.38	-0.16	-0.06	0.07

* France, Germany, Italy, Spain and UK

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2008	2009	2010	4Q09	1Q10	2Q10	3Q10	4Q10	Mar 10	Apr 10	May 10
OPEC											
Crude Oil											
Saudi Arabia	8.90	7.92		7.94	7.95				8.00	7.97	7.99
Iran	3.90	3.74		3.69	3.71				3.68	3.75	3.72
Iraq	2.38	2.43		2.45	2.39				2.27	2.28	2.41
UAE	2.59	2.27		2.28	2.28				2.28	2.29	2.31
Kuwait	2.31	2.01		2.02	2.03				2.03	2.02	2.04
Neutral Zone	0.57	0.54		0.53	0.51				0.50	0.56	0.52
Qatar	0.85	0.77		0.78	0.81				0.82	0.82	0.84
Angola	1.85	1.77		1.88	1.92				1.91	1.86	1.79
Nigeria	1.95	1.82		1.96	2.00				2.01	2.00	1.90
Libya	1.72	1.55		1.52	1.53				1.53	1.54	1.55
Algeria	1.36	1.25		1.24	1.25				1.24	1.24	1.24
Ecuador	0.50	0.47		0.46	0.47				0.47	0.47	0.46
Venezuela	2.35	2.16		2.20	2.23				2.25	2.25	2.25
Total Crude Oil[6]	31.23	28.69		28.96	29.06				28.99	29.05	29.02
Total NGLs[1,6]	4.41	4.66	5.40	4.83	5.09	5.21	5.53	5.76	5.09	5.21	5.21
Total OPEC[6]	35.64	33.35		33.78	34.15				34.08	34.26	34.23
OPEC: Historical Composition[6]	36.64	33.35		33.78	34.15				34.08	34.26	34.23
NON-OPEC[2]											
OECD											
North America	13.94	14.26	14.43	14.51	14.61	14.54	14.16	14.40	14.64	14.64	14.43
United States[5]	7.52	8.07	8.24	8.32	8.44	8.34	8.07	8.13	8.52	8.43	8.27
Mexico	3.16	2.97	2.94	2.95	2.99	2.97	2.91	2.88	2.98	2.98	2.97
Canada	3.25	3.22	3.25	3.24	3.19	3.23	3.17	3.39	3.14	3.23	3.19
Europe	4.75	4.52	4.33	4.52	4.52	4.26	4.20	4.36	4.57	4.57	4.19
UK	1.56	1.47	1.44	1.46	1.51	1.49	1.33	1.42	1.59	1.60	1.45
Norway	2.46	2.39	2.24	2.42	2.36	2.12	2.20	2.28	2.31	2.31	2.09
Others	0.72	0.67	0.66	0.64	0.65	0.66	0.66	0.66	0.67	0.66	0.65
Pacific	0.65	0.65	0.72	0.65	0.63	0.73	0.74	0.76	0.62	0.73	0.73
Australia	0.55	0.55	0.59	0.55	0.53	0.60	0.61	0.63	0.51	0.60	0.60
Others	0.10	0.10	0.12	0.10	0.10	0.13	0.13	0.13	0.11	0.13	0.13
Total OECD	19.33	19.43	19.48	19.68	19.76	19.53	19.10	19.51	19.83	19.94	19.35
NON-OECD											
Former USSR	12.82	13.28	13.57	13.47	13.50	13.59	13.46	13.75	13.58	13.52	13.60
Russia	10.01	10.21	10.41	10.36	10.40	10.41	10.39	10.45	10.44	10.38	10.39
Others	2.81	3.07	3.16	3.11	3.10	3.18	3.07	3.30	3.14	3.14	3.21
Asia	7.43	7.37	7.58	7.41	7.59	7.55	7.61	7.58	7.59	7.55	7.54
China	3.79	3.79	3.94	3.81	3.97	3.93	3.95	3.93	3.99	3.96	3.91
Malaysia	0.77	0.74	0.71	0.72	0.74	0.70	0.69	0.69	0.73	0.71	0.70
India	0.81	0.80	0.87	0.81	0.83	0.86	0.90	0.90	0.83	0.84	0.86
Indonesia	1.00	0.98	0.99	0.98	0.99	1.00	0.99	0.99	0.99	1.00	1.00
Others	1.06	1.06	1.07	1.08	1.07	1.06	1.07	1.06	1.05	1.05	1.07
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.17	4.32	4.62	4.42	4.53	4.57	4.63	4.74	4.56	4.61	4.54
Brazil[5]	2.37	2.47	2.66	2.51	2.60	2.62	2.67	2.76	2.62	2.66	2.59
Argentina	0.77	0.72	0.71	0.72	0.71	0.72	0.71	0.71	0.71	0.71	0.72
Colombia	0.59	0.67	0.79	0.73	0.76	0.78	0.80	0.83	0.77	0.78	0.77
Others	0.44	0.45	0.46	0.46	0.46	0.46	0.46	0.45	0.46	0.46	0.46
Middle East[3]	1.65	1.69	1.70	1.70	1.70	1.70	1.71	1.71	1.70	1.69	1.70
Oman	0.75	0.81	0.87	0.83	0.86	0.86	0.88	0.89	0.86	0.85	0.87
Syria	0.40	0.38	0.37	0.38	0.37	0.37	0.37	0.36	0.37	0.37	0.37
Yemen	0.30	0.30	0.27	0.29	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.60	2.55	2.54	2.54	2.56	2.53	2.53	2.54	2.55	2.50	2.55
Egypt	0.70	0.69	0.68	0.67	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Gabon	0.24	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.20	0.25
Others	1.66	1.62	1.62	1.62	1.63	1.62	1.61	1.62	1.63	1.63	1.62
Total Non-OECD	28.82	29.35	30.16	29.67	30.02	30.07	30.08	30.47	30.13	30.02	30.07
Processing Gains[4]	2.24	2.29	2.20	2.29	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Other Biofuels[5]	0.38	0.44	0.48	0.46	0.45	0.46	0.49	0.51	0.46	0.46	0.46
TOTAL NON-OPEC[6]	50.78	51.50	52.31	52.10	52.43	52.27	51.87	52.69	52.62	52.62	52.07
Non-OPEC: Historical Composition[6]	49.78	51.50	52.31	52.10	52.43	52.27	51.87	52.69	52.62	52.62	52.07
TOTAL SUPPLY	86.42	84.86		85.88	86.58				86.70	86.88	86.31

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 Other Biofuels are from sources outside Brazil and US. US and Brazil oil supply include ethanol.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Dec2009	Jan2010	Feb2010	Mar2010	Apr2010*	Apr2007	Apr2008	Apr2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	470.1	482.5	487.9	504.0	503.8	477.5	454.0	517.9	-0.15	-0.21	-0.08	0.38
Motor Gasoline	252.7	265.8	265.0	258.7	260.9	224.9	238.5	244.2	-0.05	-0.03	0.13	0.07
Middle Distillate	238.4	237.4	228.0	216.6	227.2	193.7	177.9	222.6	0.19	0.16	-0.12	-0.24
Residual Fuel Oil	45.0	48.1	49.6	48.6	53.5	46.7	47.7	43.7	-0.03	-0.01	0.01	0.04
Total Products[3]	695.4	698.5	686.3	673.2	703.2	634.1	623.8	689.1	0.42	0.20	-0.51	-0.25
Total[4]	1308.9	1321.1	1315.6	1317.9	1348.1	1256.6	1220.5	1361.4	0.39	0.04	-0.84	0.10
Europe												
Crude	332.6	339.1	340.7	333.2	345.5	339.8	336.5	342.4	-0.14	-0.14	0.03	0.01
Motor Gasoline	101.0	110.2	108.2	103.6	98.4	102.3	119.5	94.4	-0.04	0.03	0.05	0.03
Middle Distillate	287.2	304.0	290.4	281.5	282.8	268.2	235.5	281.2	0.06	0.09	-0.03	-0.06
Residual Fuel Oil	71.8	72.0	72.3	73.6	73.2	71.9	82.8	74.8	0.01	-0.05	0.03	0.02
Total Products[3]	574.2	600.9	585.0	569.0	564.7	543.5	544.0	563.0	-0.02	0.13	0.05	-0.06
Total[4]	971.9	1010.1	994.5	974.3	982.9	956.7	950.9	975.8	-0.21	0.00	0.05	0.03
Pacific												
Crude	160.5	163.5	160.5	164.6	173.5	170.6	155.9	166.5	0.00	-0.05	-0.06	0.04
Motor Gasoline	22.9	27.0	28.4	25.1	26.4	24.3	24.2	27.9	0.00	-0.01	-0.02	0.02
Middle Distillate	62.2	65.3	65.3	57.8	55.1	59.6	58.6	59.0	0.06	0.11	-0.11	-0.05
Residual Fuel Oil	18.6	18.9	19.4	20.3	20.5	22.4	21.8	21.2	-0.01	0.03	-0.03	0.02
Total Products[3]	160.9	169.6	170.4	157.9	156.1	168.4	166.5	166.8	-0.04	0.22	-0.26	-0.03
Total[4]	383.2	396.9	394.0	385.6	394.8	412.6	393.5	402.6	-0.07	0.20	-0.39	0.03
Total OECD												
Crude	963.2	985.0	989.1	1001.7	1022.9	988.0	946.3	1026.8	-0.28	-0.40	-0.11	0.43
Motor Gasoline	376.6	403.0	401.7	387.3	385.7	351.4	382.3	366.5	-0.10	-0.01	0.16	0.12
Middle Distillate	587.8	606.6	583.7	555.8	565.1	521.5	472.0	562.7	0.31	0.36	-0.26	-0.36
Residual Fuel Oil	135.4	139.0	141.3	142.4	147.2	140.9	152.3	139.7	-0.03	-0.03	0.01	0.08
Total Products[3]	1430.5	1469.0	1441.7	1400.1	1424.0	1346.0	1334.3	1418.8	0.36	0.55	-0.72	-0.34
Total[4]	2663.9	2728.1	2704.1	2677.8	2725.8	2626.0	2564.9	2739.8	0.11	0.23	-1.19	0.15

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Dec2009	Jan2010	Feb2010	Mar2010	Apr2010*	Apr2007	Apr2008	Apr2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.6	689.4	701.5	718.8	0.12	0.01	0.02	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	184.2	184.4	184.9	187.7	187.7	174.7	181.4	185.5	-0.01	0.00	-0.02	0.04
Products	240.8	240.9	240.7	240.3	240.3	241.0	233.1	237.3	0.05	0.03	-0.01	-0.01
Pacific												
Crude	389.0	389.0	388.9	388.8	390.0	385.1	385.0	388.1	0.00	-0.01	0.01	0.00
Products	20.0	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.00	0.01	0.00
Total OECD												
Crude	1299.8	1300.0	1300.4	1303.2	1304.4	1249.1	1267.9	1292.4	0.11	0.00	0.00	0.04
Products	262.8	262.9	262.7	262.3	262.3	259.4	253.9	258.5	0.05	0.03	0.00	-0.01
Total[4]	1564.1	1564.3	1564.5	1566.7	1567.9	1509.5	1522.8	1552.5	0.15	0.03	0.00	0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2009		End June 2009		End September 2009		End December 2009		End March 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.7	95	197.9	92	194.5	90	192.6	85	191.5	-
Mexico	45.6	23	48.1	23	50.4	23	44.7	21	51.5	-
United States[4]	1797.0	97	1841.0	99	1846.5	98	1778.1	94	1781.4	-
Total[4]	2062.4	90	2109.1	91	2113.5	90	2037.5	87	2046.5	86
Pacific										
Australia	39.9	42	40.5	43	44.9	46	40.3	43	41.1	-
Japan	611.3	152	611.2	149	607.3	132	588.8	123	581.5	-
Korea	155.2	72	149.1	72	167.0	73	155.0	66	163.6	-
New Zealand	9.5	61	8.5	56	7.5	49	8.1	52	8.3	-
Total	815.9	112	809.3	111	826.8	103	792.2	96	794.5	108
Europe[5]										
Austria	19.9	74	19.8	71	20.8	78	21.2	81	21.7	-
Belgium	34.3	62	33.6	56	34.2	52	34.4	53	35.3	-
Czech Republic	22.7	111	22.0	98	21.8	103	21.5	123	21.7	-
Denmark	25.1	152	26.4	161	25.0	153	25.5	154	27.2	-
Finland	33.5	167	26.6	128	29.3	141	33.1	148	32.5	-
France	177.6	98	172.9	95	174.0	93	174.9	92	175.7	-
Germany	277.7	116	280.2	117	276.7	116	284.1	120	287.7	-
Greece	36.7	93	35.9	94	35.5	89	35.1	84	35.6	-
Hungary	15.7	100	15.1	93	14.4	88	14.3	112	16.8	-
Ireland	11.5	74	11.7	78	12.4	72	11.4	67	12.2	-
Italy	131.0	87	129.1	83	129.0	83	125.6	86	129.2	-
Luxembourg	0.7	14	0.8	16	0.8	15	0.8	14	0.8	-
Netherlands	131.1	116	136.5	122	136.6	122	134.9	121	129.9	-
Norway	24.0	108	23.6	122	24.7	138	21.9	121	21.1	-
Poland	58.9	111	63.1	106	64.8	114	64.0	123	63.3	-
Portugal	25.0	90	24.8	91	24.5	91	26.2	99	23.5	-
Slovak Republic	9.8	123	8.4	99	8.3	102	8.3	108	9.6	-
Spain	137.8	94	135.6	92	135.0	93	132.6	90	132.0	-
Sweden	40.8	125	39.5	122	38.5	122	39.5	114	39.2	-
Switzerland	36.8	133	38.0	148	38.2	133	37.0	150	37.8	-
Turkey	59.2	97	58.8	93	57.8	111	57.6	119	58.1	-
United Kingdom	100.4	60	91.7	55	94.2	59	94.5	57	92.8	-
Total	1410.2	97	1394.2	95	1396.7	96	1398.3	97	1403.6	101
Total OECD	4288.5	96	4312.6	96	4337.1	94	4228.0	92	4244.5	94
DAYS OF IEA Net Imports[6]	-	133	-	134	-	134	-	144	-	145

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End March 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
1Q2007	4107	1507	2599	85	31	54
2Q2007	4165	1506	2659	85	31	54
3Q2007	4171	1520	2651	83	30	53
4Q2007	4091	1524	2567	83	31	52
1Q2008	4101	1529	2571	86	32	54
2Q2008	4128	1526	2602	88	33	56
3Q2008	4184	1522	2662	88	32	56
4Q2008	4225	1527	2698	91	33	58
1Q2009	4289	1547	2742	96	35	61
2Q2009	4313	1561	2752	96	35	61
3Q2009	4337	1564	2773	94	34	60
4Q2009	4228	1564	2664	92	34	58
1Q2010	4244	1567	2678	94	35	59

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 1Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Jan 10	Feb 10	Mar 10	Year Earlier Mar 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.51	0.44	0.54	0.71	0.63	0.92	0.60	0.46	0.14
Europe	0.70	0.70	0.59	0.60	0.57	0.61	0.55	0.56	0.54	0.55	0.63	-0.08
Pacific	1.19	1.22	1.28	1.16	1.23	1.32	1.25	1.24	1.20	1.31	1.41	-0.10
Saudi Medium												
North America	0.56	0.64	0.40	0.45	0.41	0.34	0.38	0.32	0.40	0.44	0.38	0.06
Europe	0.05	0.05	0.02	0.02	0.01	0.02	-	-	-	-	0.02	-
Pacific	0.34	0.39	0.34	0.33	0.35	0.33	0.33	0.41	0.30	0.26	0.25	0.02
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.04	-0.02
Europe	0.11	0.09	0.02	0.03	0.01	0.01	0.00	-	-	0.00	0.03	-0.03
Pacific	0.20	0.24	0.15	0.15	0.12	0.12	0.23	0.21	0.20	0.28	0.16	0.12
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.31	0.45	0.40	0.42	0.35	0.50	0.42	0.52	-0.10
Europe	0.30	0.21	0.12	0.12	0.19	0.06	0.06	0.09	0.04	0.06	0.17	-0.10
Pacific	0.17	0.15	0.24	0.20	0.24	0.27	0.35	0.42	0.34	0.28	0.27	0.01
Iraqi Kirkuk												
North America	-	0.08	0.06	0.02	0.11	0.04	0.01	0.02	-	-	0.02	-
Europe	0.11	0.23	0.31	0.34	0.34	0.29	0.33	0.31	0.35	0.35	0.28	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.13	0.16	0.20	0.17	0.22	0.20	0.23	-0.03
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.06	0.08	0.04	0.06	0.10	-0.04
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.41	0.48	0.37	0.35	0.29	0.30	0.46	0.25	0.21
Pacific	0.64	0.61	0.57	0.51	0.57	0.56	0.61	0.60	0.59	0.65	0.57	0.07
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.63	0.33	0.09	0.11	-	0.19	0.13	0.60	-0.47
Europe	0.08	0.06	0.07	0.13	0.04	0.02	0.01	0.03	-	-	0.06	-
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.62	0.87	0.75	0.89	0.85	0.88	0.93	0.63	0.31
Europe	0.07	0.07	0.07	0.06	0.06	0.08	0.07	0.09	0.07	0.04	0.06	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.96	0.87	0.82	0.82	0.81	0.78	0.85	1.03	-0.18
Europe	0.14	0.14	0.10	0.09	0.09	0.12	0.12	0.10	0.11	0.17	0.05	0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.01	0.00	0.03	0.06	0.01	0.00	0.00	0.00
Europe	0.02	0.01	0.01	-	0.02	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.27	0.17	0.06	0.08	0.07	0.05	0.10	0.18	-0.08
Europe	1.86	1.81	1.72	1.76	1.76	1.80	1.76	1.77	1.72	1.79	1.42	0.37
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.40	0.63	0.67	0.55	0.54	0.56	0.55	0.60	-0.05
Europe	0.24	0.29	0.32	0.39	0.30	0.34	0.26	0.17	0.26	0.36	0.20	0.16
Pacific	0.01	-	0.00	0.01	-	0.01	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.30	0.19	0.21	0.24	0.26	0.29	0.17	0.29	-0.12
Europe	0.07	0.14	0.13	0.12	0.12	0.15	0.07	0.11	0.09	0.02	0.08	-0.06
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Jan-10	Feb-10	Mar-10	Year Earlier Mar-09	% change
Crude Oil												
North America	8214	8046	7327	7541	7316	6717	7059	6730	7037	7409	7367	1%
Europe	9685	9779	8910	9123	8850	8676	8575	8432	8500	8785	8721	1%
Pacific	6718	6605	6081	5706	5960	6104	6468	6659	6449	6294	6006	5%
Total OECD	24616	24429	22318	22369	22126	21498	22102	21822	21986	22488	22550	0%
LPG												
North America	28	29	13	11	9	5	12	25	5	6	22	-75%
Europe	276	268	249	252	232	261	284	256	301	297	279	6%
Pacific	557	589	529	518	566	529	534	597	477	522	525	-1%
Total OECD	861	885	792	781	806	795	830	879	783	824	825	0%
Naphtha												
North America	40	55	22	19	18	12	23	28	24	18	18	-1%
Europe	265	260	312	279	294	388	441	410	380	527	274	92%
Pacific	794	776	841	814	907	896	953	996	988	880	873	1%
Total OECD	1099	1091	1176	1112	1219	1296	1417	1433	1392	1425	1165	22%
Gasoline[3]												
North America	1128	1078	878	889	843	785	696	693	737	663	1036	-36%
Europe	203	218	193	243	231	62	163	305	80	97	201	-52%
Pacific	73	90	97	71	97	98	72	69	68	79	132	-40%
Total OECD	1404	1386	1167	1203	1172	946	931	1067	884	838	1369	-39%
Jet & Kerosene												
North America	183	63	61	45	67	55	75	84	82	59	72	-18%
Europe	372	402	451	467	439	444	447	401	443	497	513	-3%
Pacific	43	34	53	49	37	48	46	48	58	33	49	-32%
Total OECD	598	500	566	561	542	547	568	533	582	589	634	-7%
Gasoil/Diesel												
North America	132	72	56	39	36	44	114	178	121	42	75	-43%
Europe	781	869	1033	980	891	1038	1131	1160	990	1230	1141	8%
Pacific	91	119	88	81	73	115	89	54	80	131	62	113%
Total OECD	1004	1060	1177	1100	999	1197	1333	1393	1190	1403	1278	10%
Heavy Fuel Oil												
North America	323	286	270	326	205	226	277	248	317	270	331	-18%
Europe	433	447	534	567	550	544	564	592	500	595	474	26%
Pacific	95	125	113	128	103	79	136	117	147	145	166	-13%
Total OECD	851	858	918	1022	858	848	977	958	963	1010	970	4%
Other Products												
North America	1050	1075	870	896	896	756	678	745	625	657	951	-31%
Europe	854	792	706	713	763	650	630	633	577	676	725	-7%
Pacific	254	298	323	324	337	353	329	288	305	391	284	38%
Total OECD	2158	2166	1900	1932	1996	1759	1637	1666	1507	1725	1959	-12%
Total Products												
North America	2883	2658	2171	2226	2073	1882	1874	2001	1910	1715	2504	-32%
Europe	3184	3255	3479	3501	3400	3386	3661	3758	3269	3919	3608	9%
Pacific	1906	2032	2045	1985	2119	2119	2159	2169	2123	2181	2089	4%
Total OECD	7974	7946	7695	7712	7593	7387	7694	7928	7303	7815	8200	-5%
Total Oil												
North America	11097	10704	9497	9767	9390	8600	8934	8732	8947	9124	10326	-12%
Europe	12870	13034	12389	12623	12250	12063	12236	12190	11769	12703	12329	3%
Pacific	8623	8637	8126	7691	8079	8223	8627	8828	8572	8475	8095	5%
Total OECD	32590	32375	30013	30081	29719	28885	29797	29750	29289	30303	30750	-1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil Market Report (MTOMR)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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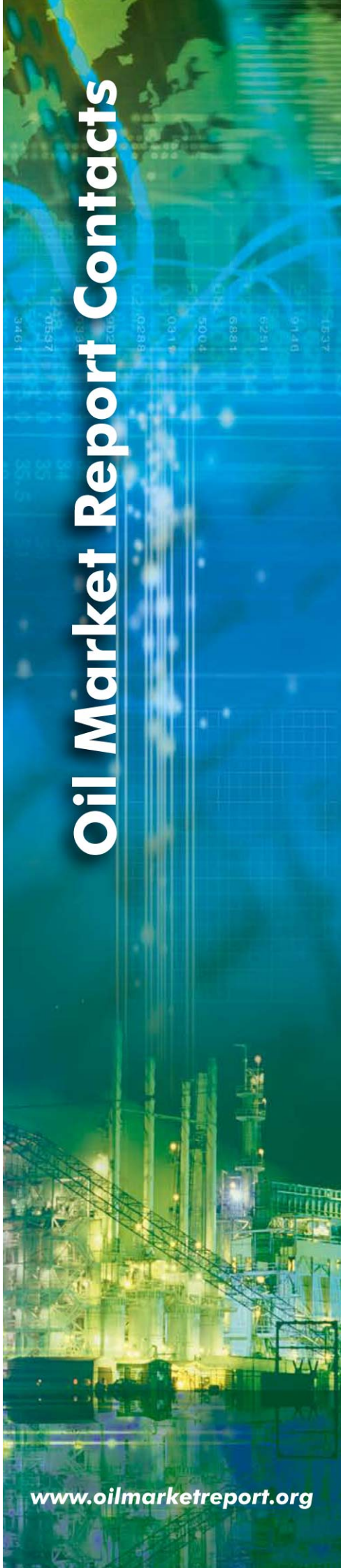

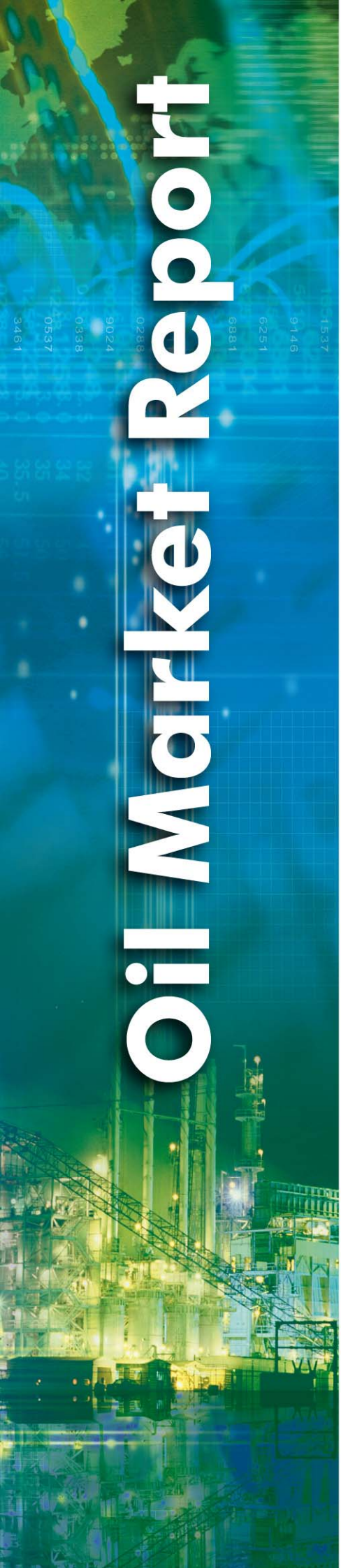

International Energy Agency

13 July 2010

HIGHLIGHTS

- **Benchmark crude prices traded in a $71-79/bbl range in June**, after a volatile May, as continued negative sentiment tempered upside price moves. Financial and equity markets remained the focus of attention, and by early July Atlantic basin benchmarks touched four-week lows, before rebounding to around $75.00/bbl by the 12th of the month.
- **OECD industry stocks rose for a second consecutive month in May**, across all regions and by a combined 35.0 mb, reaching 2 757 mb or 61.0 days of forward demand cover. Preliminary data point to a further 3.5 mb build in the OECD in June, while crude and products held in floating storage fell, albeit offshore volumes remain high.
- **Global oil demand for 2011 is expected to rise by 1.6% or 1.3 mb/d** year-on-year to 87.8 mb/d, assuming consensus trends in the world economy, crude prices and efficiency gains. Growth will be driven entirely by non-OECD countries (+3.8% or +1.6 mb/d), while the OECD sees resumed decline (-0.5% or -0.2 mb/d). The 2010 outlook remains largely unchanged at 86.5 mb/d (+2.1% or +1.8 mb/d versus 2009).
- **OPEC crude oil supply averaged 28.9 mb/d in June**, down by 65 kb/d from May. A lull in OPEC crude capacity expansion is expected between now and end-2011, although gas liquids output rises by 0.6 mb/d in both 2010 and 2011. The 'call on OPEC crude and stock change' for 2010 has been revised up by 100 kb/d, to 28.8 mb/d. It averages 29.2 mb/d in both 3Q10 and 2011.
- **Non-OPEC supply could rise by 0.4 mb/d in 2011 to 52.8 mb/d**, following 0.8 mb/d growth in 2010. Consolidated annual data and recent monthly estimates boost 2008-2010 production by 0.1 mb/d. Increases from Brazil, global biofuels, Azerbaijan, Colombia, Ghana and Oman offset decline from Mexico and the North Sea during 2011.
- **Global refinery crude throughputs are estimated at 73.5 mb/d for 2Q10**, 1.3 mb/d above year ago and 0.7 mb/d higher than in 1Q10. A year-on-year recovery in US runs, plus continued expansions in non-OECD Asia, drive growth. OECD Europe, Pacific and Latin American runs remained weak due to maintenance and operational problems, though a rebound is expected in 3Q10.

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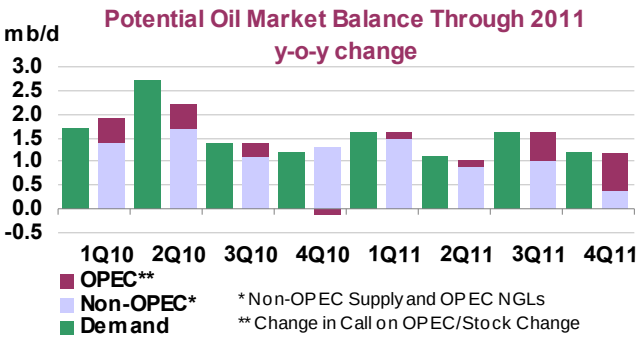
A GOLDILOCKS MARKET IN 2011?

The July *Oil Market Report* is traditionally the occasion to take a first detailed look at fundamentals for the following year. Here we roll-out our quarterly projections to end-2011, hard on the heels of our annual outlook through 2015 released in the *Medium-Term Oil and Gas Markets 2010* in late-June. The results suggest a market balance remaining relatively comfortable through mid-2011, but with tightening market fundamentals possible from the second half of next year.

We base our oil demand projection on the IMF's April *World Economic Outlook*, with global GDP growth reaching +4.3% in 2011 from +4.1% in 2010 as recovery from the 2008/2009 recession continues apace (a recent interim update by the IMF, while noting downside risks, does not materially change this view). Despite economic recovery, oil demand growth slows to 1.3 mb/d next year from 1.8 mb/d in 2010, amid a continued structural shift away from oil in the OECD and the dual impact of improving end-use efficiency and gradual phase-down of economic stimulus in the non-OECD. Next year, as in 2010, the non-OECD generates all of expected demand growth, again bringing the issues of data transparency and resilient end-user price subsidies to the fore.



Of course, sustained economic recovery cannot simply be taken for granted. Were 2011 economic growth to turn out 30% lower than our working assumption, global oil demand could be around 1.0 mb/d less, at 86.8 mb/d instead of the anticipated 87.8 mb/d. This would eclipse most of the 2011 demand growth seen in the base case and leave markets prone to renewed weakening once again.

A relatively relaxed view of market fundamentals in our base case, at least until mid-2011, hinges on continued, albeit slower, growth in non-OPEC supply and OPEC gas liquids, respectively 0.4 mb/d and 0.6 mb/d in 2011. Relatively high, stable crude prices, rising spending, and a lull in upstream cost inflation have re-invigorated growth after the lean years of 2005-2008. Brazil, Colombia and Canada give an Americas-oriented slant to 2011 non-OPEC growth, as do rising biofuels supplies. However, new output from emerging producers like Ghana also plays a part. Qatar and the UAE drive expected growth in OPEC gas liquids, augmented by Algeria, Iran and Saudi Arabia. Given prevailing oil-gas price differentials, developers are keen to preferentially monetise wetter gas supplies wherever possible.

However, we should also acknowledge the potential for supply to disappoint to the downside. Around 30 kb/d is cut from our 2010/2011 US Gulf of Mexico estimate because of delays following the *Deepwater Horizon* disaster. Project delays could further curb future US supply if wide-reaching drilling restrictions arise from the disaster enquiry. And we again note the seemingly ever-present geopolitical risks hanging over some OPEC producers, which could also affect supply in the months ahead.

That said, midstream bottlenecks look unlikely between now and end-2011. Refinery additions continue apace, with 2.3 mb/d of new primary capacity (much of it in China, the Asia Pacific and Middle East) being added globally during 2010/2011, which will cap system-wide utilisation rates. Shipyards will also deliver over 70 mdwt of new tanker tonnage this year and next. Midstream and downstream markets are notoriously cyclical, and it looks like both refining margins and freight rates could underperform, despite the economic upturn foreseen in most consensus forecasts.

While the annual 'call on OPEC crude and stock change' gains around 500 kb/d year-on-year in 2011, OPEC may still have to grapple with largely static year-on-year demand for its crude until around mid-year. Before market bears get overly excited however, it is worth pointing out that installed OPEC capacity levels themselves face something of a lull, suggesting spare capacity could be anchored close to a prevailing 5.5-6.0 mb/d until well into 2011. In short, markets in 2011 may prove 'not too hot, not too cold'. Whisper it quietly, but we might, just might, be in for some market stability for a while longer.

DEMAND

Summary

- **Global oil demand for 2011 is expected to rise by +1.6% or +1.3 mb/d year-on-year to 87.8 mb/d.** This is based on IMF economic assumptions (World Economic Outlook, April 2010), which see global economic growth reaching +4.3% in 2011, compared with +4.1% in 2010 (this report does not integrate the last IMF partial update, released at the time of writing). It also assumes that global oil prices will average $79.40/bbl in nominal terms, and that oil intensity will decline by 2.6%. Oil demand growth in 2011 is expected to be driven entirely by non-OECD countries (+3.8% or +1.6 mb/d), while the OECD is projected to resume its gentle decline (-0.5% or -0.2 mb/d). Moreover, given the prevailing structure of economic activity, with government stimuli favouring energy-intensive sectors, growth will be led by distillates, LPG/naphtha, and gasoline. The global oil demand outlook for 2010 remains largely unchanged at 86.5 mb/d (+2.1% or +1.8 mb/d versus 2009).

- **OECD oil demand for 2011 is projected at 45.3 mb/d (-0.5% or -210 kb/d over 2010).** Despite expectations of relatively strong GDP growth (+2.4%), the observed aggregate income elasticity in the OECD is effectively negative, as greater efficiency, saturation and interfuel substitution more than outweigh the impact of economic growth on oil demand. North America will cease to act as an engine of demand growth in the OECD as the 2010 economic rebound, fuelled by government spending and private-sector restocking, fades. This region's oil demand decline will compound the fall expected in Europe and the Pacific. Regarding 2010, the estimate is revised down (-20 kb/d) to 45.5 mb/d (+0.1% or +60 kb/d year-on-year), with a weaker outlook for the Pacific exceeding a higher baseline in Europe following the inclusion of finalised 2009 data.

Global Oil Demand (2009-2011)

(million barrels per day)

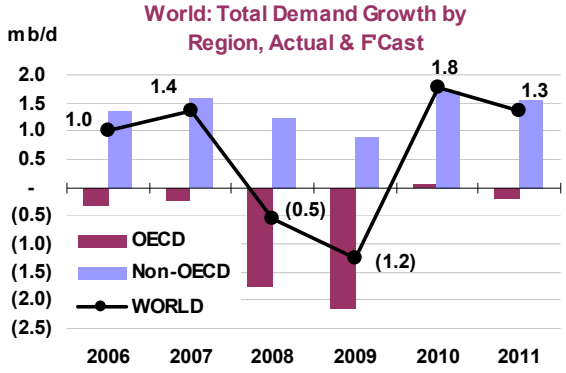
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.4
Americas	29.3	28.9	29.3	29.6	29.3	29.6	30.1	29.9	29.8	29.9	29.9	30.0	30.2	30.0	30.0
Asia/Pacific	25.5	25.8	25.7	26.8	26.0	27.2	26.9	26.2	27.2	26.9	27.9	27.5	26.9	27.8	27.5
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.1	15.1	15.0	14.9	14.8	15.1	15.0	14.9
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.4	4.3	4.3
Middle East	6.6	7.1	7.6	6.9	7.1	7.0	7.5	7.8	7.2	7.4	7.3	7.9	8.2	7.5	7.7
World	**84.3**	**83.9**	**85.1**	**85.6**	**84.7**	**86.0**	**86.6**	**86.5**	**86.8**	**86.5**	**87.6**	**87.7**	**88.1**	**88.0**	**87.8**
Annual Chg (%)	-3.3	-2.7	-0.6	0.8	-1.4	2.1	3.2	1.7	1.4	2.1	1.8	1.3	1.8	1.3	1.6
Annual Chg (mb/d)	-2.9	-2.3	-0.5	0.7	-1.2	1.8	2.7	1.4	1.2	1.8	1.6	1.1	1.5	1.2	1.3
Changes from last OMR (mb/d)	0.02	-0.01	-0.05	-0.10	-0.04	0.02	0.35	-0.01	-0.17	0.05					

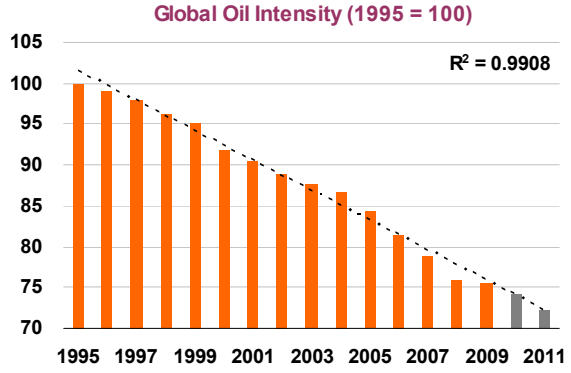
- **Non-OECD oil demand for 2011 is estimated at 42.5 mb/d (+3.8% or +1.6 mb/d year-on-year).** This is commensurate with aggregate GDP growth – expected to top +6.5% – and high income elasticity. Non-OECD Asia, the Middle East and Latin America will continue to command the lion's share of oil demand growth in 2011, but at a somewhat slower pace when compared to 2010. This is mostly due to expectations that Chinese demand growth will moderate as the government gradually withdraws its fiscal and monetary stimuli. As such, China should account for about 30% of global growth next year, versus almost half this year. The outlook for 2010, meanwhile, has been adjusted up (+70 kb/d) to 41.0 mb/d (+4.3% or +1.7 mb/d year-on-year) on the back of baseline revisions following the inclusion of finalised 2008 data for all remaining countries (most notably China, Russia and Iraq).

Global Overview

This report presents our first detailed assessment of global demand prospects for 2011. Our recently released *Medium-Term Oil & Gas Markets 2010* (*MTOGM*) provided an initial glimpse, but this was based on data frozen in May. Since then, revisions for both OECD (2009) and non-OECD countries (2008), together with two more months of actual and preliminary readings for 2010, have been included,

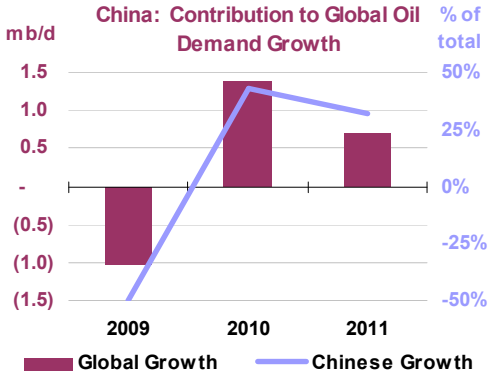
entailing a slightly higher baseline. The 2011 outlook, however, is broadly in line with the *MTOGM*. Based on the IMF's spring GDP prognoses (*World Economic Outlook*, April 2010), which see global economic growth reaching +4.3% in 2011 (compared with +4.1% in 2010), oil demand is projected to expand by +1.6% or +1.3 mb/d year-on-year to 87.8 mb/d. This forecast also assumes that oil prices will average $79.40/bbl in nominal terms, and that oil intensity will decline by 2.6%.



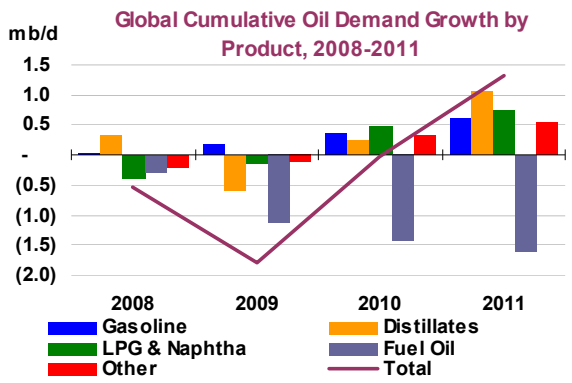


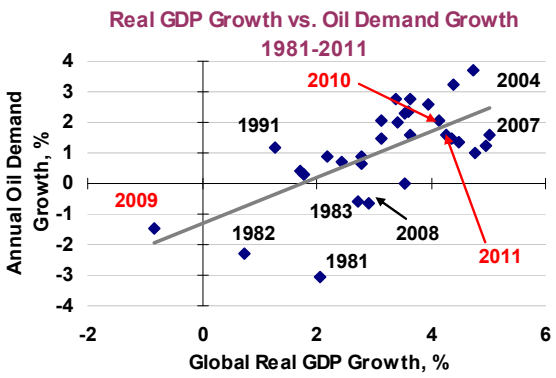
Following a familiar pattern, oil demand growth in 2011 is expected to be driven entirely by non-OECD countries (+3.8% or +1.6 mb/d), while the OECD should resume its gentle decline (-0.5% or -0.2 mb/d). This is commensurate with GDP growth and income elasticity trends: output in the non-OECD – where elasticity is highly positive – is expected to top +6.5%. This is roughly three times as high as in the OECD (+2.4%), where the observed elasticity is effectively negative, as greater fuel efficiency, saturation and interfuel substitution outweigh the impact of economic growth on oil demand.

Non-OECD Asia, the Middle East and Latin America will continue to command the lion's share of oil demand growth in 2011, but at a somewhat slower pace when compared to 2010. This is mostly due to expectations that Chinese demand growth will moderate as the government gradually withdraws its fiscal and monetary stimuli. As such, China should account for about 30% of global growth next year, versus almost half this year. Meanwhile, demand in North America will cease to act as a source of growth in the OECD as the 2010 economic rebound, fuelled by government spending and private-sector restocking, fades. This region's decline will compound the demand fall/stagnation expected in Europe and the Pacific.



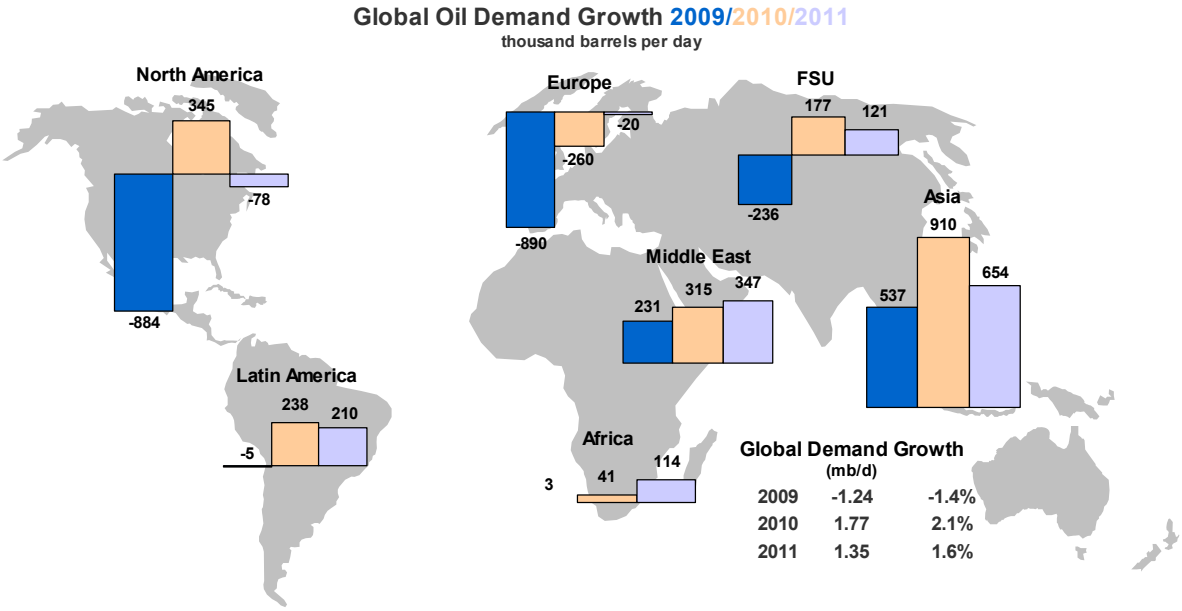
Given the prevailing structure of economic activity, growth in 2011 will be led essentially by distillates, LPG/naphtha, and gasoline. Indeed, government stimuli across the world, notably in non-OECD Asia and the Middle East, have targeted energy-intensive sectors (such as construction, petrochemicals, vehicle manufacturing, consumer appliances and agriculture). Fuel oil demand, by contrast, should continue to fall, as utilities and industry switch to other sources for electricity generation (natural gas, nuclear power and renewables, as well as direct crude burning and gasoil). In addition, the consolidation of 'teapot' refineries in China has resulted in a significant reduction of fuel oil as a feedstock – and hence less production of heavy products and off-spec gasoil, included in our apparent demand calculation. Bunker demand, however, should provide a floor to fuel oil use, although more stringent environmental regulations, mandated by the International Maritime Organisation (IMO), are likely to encourage further interfuel substitution towards low-sulphur gasoil in the years ahead, despite concerns over the capability of the refining sector to meet onshore gasoil growth.





In aggregate terms, this forecast appears to be consistent with recent trends. However, there is a significant risk that global economic growth may turn out to be much more subdued than currently foreseen. The recent turmoil in the Eurozone, mounting concerns over excessive OECD indebtedness and the ensuing fiscal retrenchment, lingering global financial and trade imbalances, and recent data suggesting that the recovery may be faltering could well result in a 'double-dip' recession in several large OECD countries, according to some observers. By way of illustration, our *MTOGM* lower GDP case suggested that global oil demand could be some 1.0 mb/d below the base case in 2011, should economic growth be a third lower than expected. On the upside, China could well delay its policy tightening in order to pre-empt an OECD slowdown, despite rising inflationary pressures, and thus keep the momentum for strong domestic – and global – oil demand growth.

Given time limitations, this report does not integrate the last IMF partial update, released at the time of writing, but will do so in August. The slightly higher GDP prognoses for 2010 may entail small upward revisions to this year's oil demand forecast, mostly in the non-OECD, but baseline adjustments may partly counteract this. The GDP assumptions for 2011, by contrast, are broadly unchanged, although several large OECD and non-OECD countries – notably in Europe and Asia – are now expected to grow at a somewhat slower pace, which may reduce overall oil demand growth. The next full IMF update, to be released in the autumn, should provide a clearer picture on the world's economic outlook, particularly for 2011.



OECD

OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) surged by 3.2% year-on-year in May, according to preliminary data, on the back of strong demand in **OECD North America** (which includes US Territories) and **OECD Pacific** (+5.7% and +2.3%, respectively). Growth in both areas was largely driven by middle distillate and 'other products' demand. By contrast, oil demand in **OECD Europe** remained weak (-0.4%), albeit less so than in previous months, as rising naphtha and diesel demand offset the contraction in other product categories.

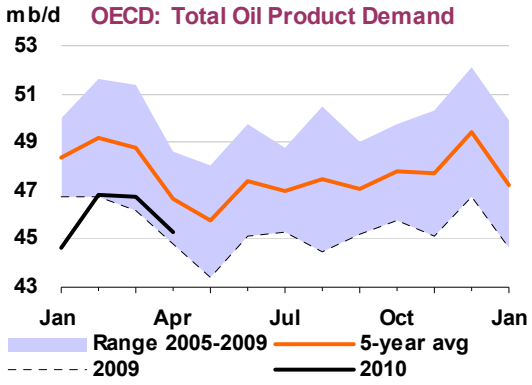
OECD Demand based on Adjusted Preliminary Submissions - May 2010
(million barrels per day)

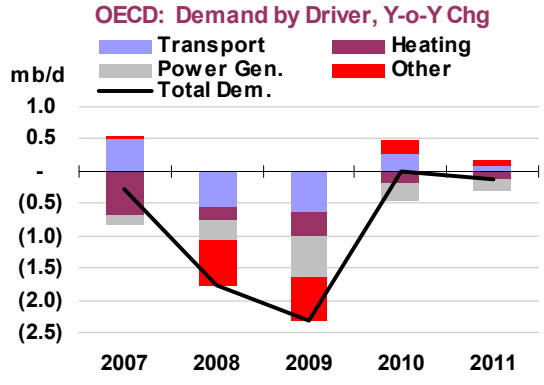
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.64**	**0.2**	**1.66**	**4.9**	**4.22**	**13.9**	**0.73**	**13.7**	**0.98**	**13.6**	**5.65**	**8.84**	**23.89**	**5.7**
US50	9.05	-0.5	1.45	6.6	3.66	16.1	0.34	25.0	0.55	12.7	4.22	8.7	19.27	5.6
Canada	0.74	2.9	0.12	-16.1	0.23	-3.1	0.24	6.4	0.08	12.4	0.72	10.2	2.13	3.9
Mexico	0.78	6.4	0.06	21.5	0.29	4.7	0.12	4.7	0.27	20.7	0.65	9.2	2.17	8.9
OECD Europe	**2.24**	**-2.1**	**1.22**	**0.0**	**4.28**	**4.1**	**1.37**	**-2.9**	**1.19**	**-11.1**	**3.45**	**0.6**	**13.75**	**-0.4**
Germany	0.48	1.3	0.19	-3.6	0.65	4.7	0.35	9.0	0.11	-24.8	0.65	15.3	2.44	4.6
United Kingdom	0.36	-4.1	0.30	-2.5	0.44	0.4	0.11	9.5	0.07	2.5	0.31	-3.9	1.59	-1.4
France	0.19	-6.7	0.14	-2.3	0.65	4.3	0.20	-4.0	0.07	-15.9	0.40	-3.7	1.64	-1.6
Italy	0.23	-8.6	0.09	9.2	0.49	-0.6	0.09	-11.4	0.13	-36.2	0.33	-0.8	1.36	-7.0
Spain	0.13	-5.2	0.11	3.3	0.49	0.9	0.15	4.3	0.18	-11.7	0.31	-0.4	1.37	-1.3
OECD Pacific	**1.51**	**-1.4**	**0.63**	**5.0**	**1.02**	**-3.3**	**0.46**	**-5.4**	**0.65**	**-6.1**	**2.96**	**9.4**	**7.22**	**2.3**
Japan	0.94	-1.1	0.36	4.0	0.35	-6.1	0.35	-7.6	0.35	-4.0	1.64	16.1	3.99	4.3
Korea	0.19	0.0	0.14	8.9	0.28	-3.4	0.10	3.2	0.28	-4.9	1.16	2.9	2.15	1.1
Australia	0.32	0.7	0.11	7.0	0.34	1.9	0.00	-10.1	0.03	-19.3	0.16	0.8	0.95	1.2
OECD Total	**14.39**	**-0.3**	**3.51**	**3.1**	**9.52**	**7.3**	**2.56**	**0.8**	**2.83**	**-2.5**	**12.06**	**6.5**	**44.87**	**3.2**

* Including US territories

Note: The tables featuring total and regional OECD demand per product, based on the latest official submissions and normally published in this section, have been moved to the back of the report from this edition under a revisited Table 2a. In addition, Table 2b has also been revamped for consistency.

Upward revisions to April data in Europe (+200 kb/d) were partly offset by changes in the Pacific (-70 kb/d), while changes in North America were negligible. Europe's sizable revisions stem from baseline changes related to the incorporation of finalised 2009 data, on the one hand, and from changes in the Netherlands' reporting methodology from 2007 onwards (detailed under 'OECD Europe' below). Overall, the adjustments for 2009 were negligible (-9 kb/d), with North America (+6 kb/d) and Europe (+9 kb/d) partially offsetting the Pacific (-24 kb/d). However, if the Netherlands were excluded, Europe's revisions would have been more substantial (-85 kb/d).



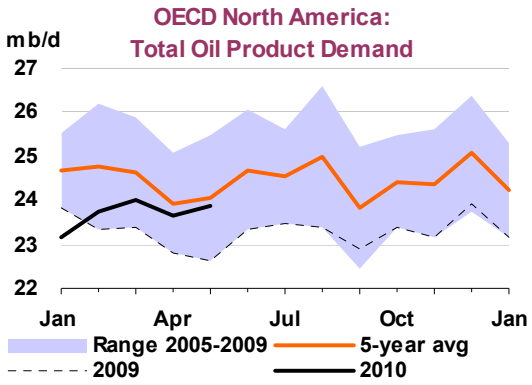


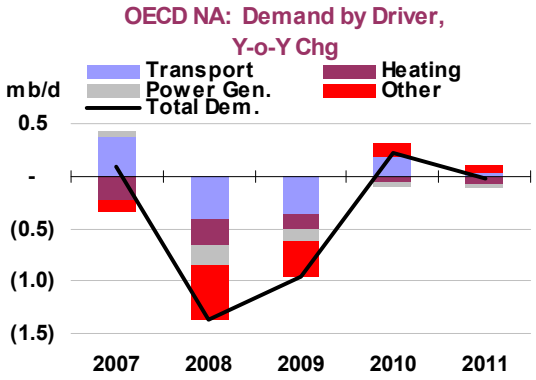
The prognosis for 2010, meanwhile, is revised down (-20 kb/d) to 45.5 mb/d (+0.1% or +50 kb/d year-on-year), with weaker expectations for the Pacific exceeding a higher baseline in Europe and virtually no

changes in North America. Looking forward, as much as North America's distillates strength, suggested by preliminary estimates, may help underpin total OECD oil demand this year, decline should structurally resume in 2011. Next year, demand is projected to shrink by 0.5% (-210 kb/d) to 45.3 mb/d.

North America

Preliminary data show oil product demand in North America (including US territories) rising by 5.7% year-on-year in May, following a 3.6% increase in April. Middle distillates drove growth in May, with diesel and jet fuel/kerosene posting annual rises of 13.9% and 4.9%, respectively, as regional economic activity continued to pick up. The role of petrochemicals in the recovery has ebbed, with LPG shrinking for a second straight month, though naphtha (which accounts for a much smaller share of activity) posted annual growth of 28.4%. Despite strong growth in Canada and Mexico, regional gasoline readings remained flat due to a slight decline in US consumption. More recently, indicators have pointed to a potentially moderating economic rebound. Though developments remain positive, particularly in Canada and Mexico, the US economy is struggling to create jobs.

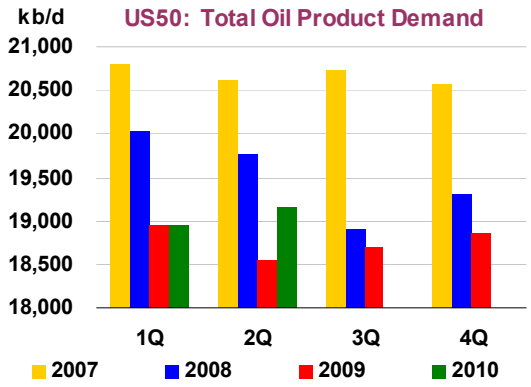


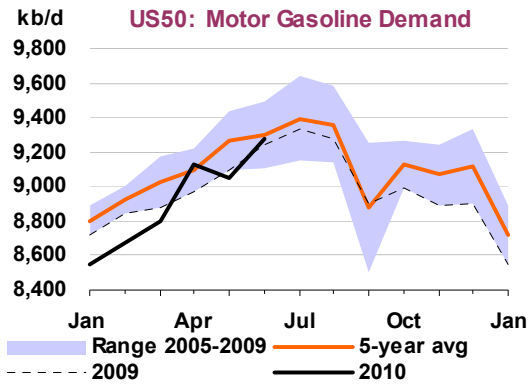


April preliminary data were essentially unchanged as downward revisions to LPG and jet fuel/kerosene were offset by higher residual fuel and heating oil readings. North American oil demand for 2010 is seen rising to 23.6 mb/d (+1.5% or +350 kb/d year-on-year and unchanged versus our last report). Looking forward, despite regional GDP expanding by 2.8% year-on-year, oil demand should fall slightly to 23.6 mb/d in 2011 (-0.3% or -80 kb/d) with declines in motor gasoline, petrochemical feedstocks and heating/power generation fuels outweighing growth in middle distillates.

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by 1.9% year-on-year in June, following a 5.6% year-on-year rise in May. June data were mixed, with a 13.0% year-on-year gain in diesel demand outweighing falls in jet fuel/kerosene demand and essentially flat gasoline and LPG deliveries. Though rising road and rail freight activity appears supportive of diesel, we remain cautious over the strength of underlying demand. Strong diesel exports are likely helping to boost weekly deliveries data, and thus apparent demand, above actual domestic consumption.

Although gasoline demand rose by only 0.4% in June, the summer driving season and lower gasoline prices (off by $0.15 cents month-on-month to about $2.75/gallon) boosted consumption throughout the month after a tepid seasonal start. Weekly data through July 2 show what may have been this year's summer gasoline demand peak (it normally occurs around the 4 July Independence Day holiday). Indeed, auto industry association AAA forecast that the number of people driving during the holiday weekend jumped by 17.7% year-on-year. Nevertheless, gasoline demand is still expected to decline slightly in 2010, given increased economic uncertainty amid a languid job market and plummeting consumer confidence in June.

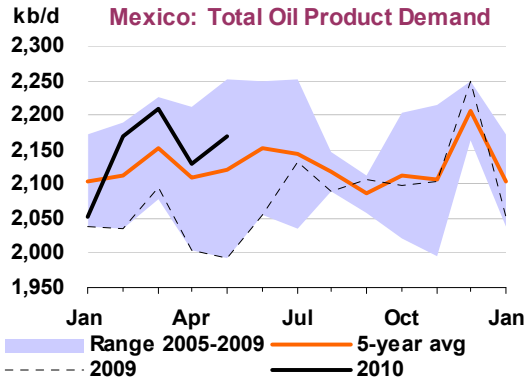


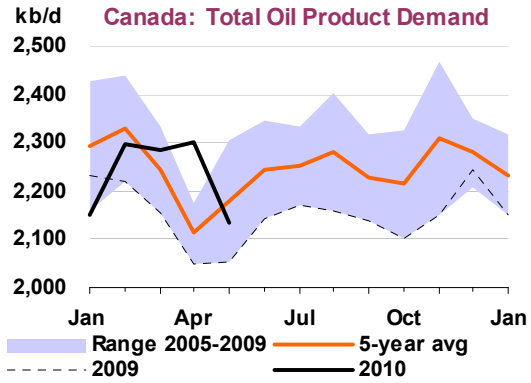


Looking forward, we expect US oil demand to fall by 0.5% to 18.9 mb/d in 2011 after rising by 1.0% in 2010. While expected real GDP growth in 2011 is lower than in 2010 (2.6% versus 3.1%), the forecast assumes continued economic recovery, spurring growth of 1.8% and 1.7% in diesel and jet fuel/kerosene demand, respectively. Still, declines in other categories more than offset the middle distillate gains. In gasoline, vehicle economy improvements should lead to a decline of 0.5% (see 'Evaporating US Gasoline Demand?' in *MTOGM*, June 2010), while fuel usage in the petrochemicals, heating and power sectors should continue to fall structurally.

Mexican oil demand surged in May, rising by 8.9% year-on-year as industrial activity has continued to improve. Demand strength was broad-based, with gasoline, middle distillates and residual fuel oil all posting gains. In 2011, Mexican oil demand is expected to grow by 1.4% to 2.2 mb/d as economic growth increases to 4.5%. Oil product demand growth will be led by the transportation sector, with jet fuel/kerosene, diesel and gasoline all expected to post annual gains (+7.0%, +3.4% and +2.5%, respectively).

Meanwhile, estimated May growth for **Canada** stood at 3.9%, following reported growth of 12.3% for April. Gasoline and petrochemical feedstocks posted the strongest gains, while middle distillates posted year-on-year declines. In 2011, despite a slightly stronger GDP outlook, Canadian demand should decline by 0.9% to 2.2 mb/d. Structural declines in heating oil and residual fuel oil combined with more efficient gasoline usage should outweigh growth in diesel and jet fuel/kerosene.

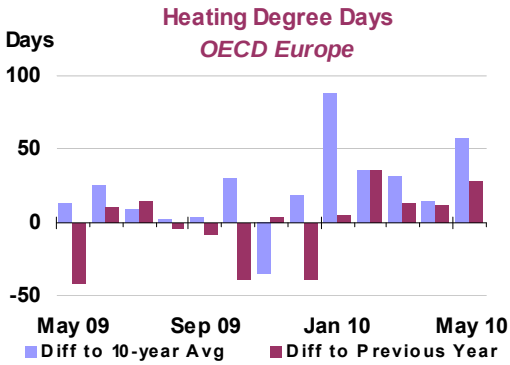


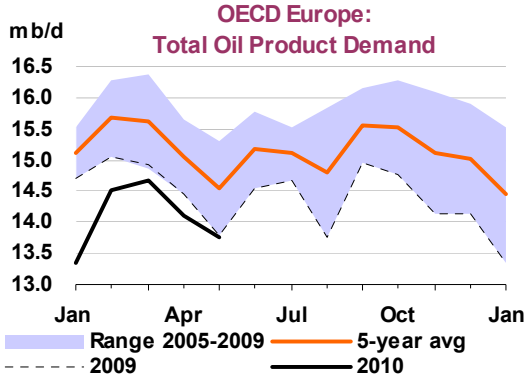


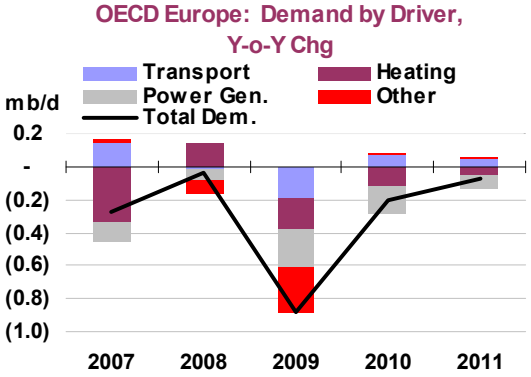
Europe

According to preliminary inland data, oil product demand in Europe fell by 0.4% year-on-year in May, as rising deliveries of naphtha (+9.5%) and diesel (+4.1%) failed to entirely offset losses in all other product categories. Interestingly, jet fuel/kerosene demand was flat, indicating that the sequel of volcano-related air flight disruptions that began in May were much less severe than feared, compared to the sharp drop registered in the previous month.

Meanwhile, demand for heating and residual fuel oils remained subdued, despite relatively cold temperatures (HDDs were much higher than both the ten-year average and May 2009), indicating continued displacement by relatively abundant and cheap natural gas supplies. The weakness in heating oil deliveries, however, may also be related to efficiency gains spurred by more stringent environmental standards. Since last year, the largest heating oil market in Europe – Germany – has undergone a gradual switch to low-sulphur fuel (with 0.005% of sulphur content, compared to 0.1% for more conventional heating oil). This trend has been underpinned by subsidised low-sulphur heating oil prices and government grants to encourage the installation of new household boilers, as well as relatively low diesel prices, which have reportedly fostered wholesale blending with high-sulphur heating oil. As such, some observers expect that the entire German heating oil market will have switched to the new specification by year's end. Moreover, the new boilers – which can only burn low-sulphur oil – are some 15%-20% more efficient, according to some estimates.



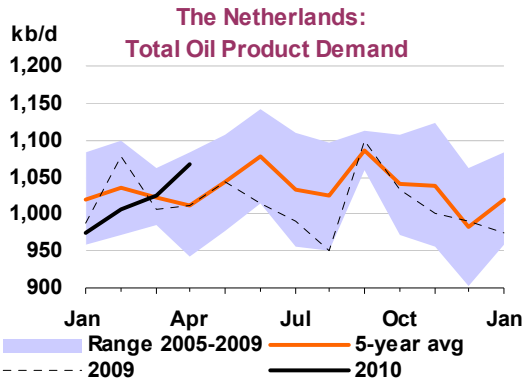


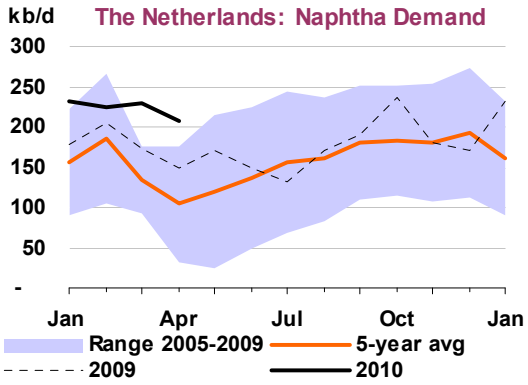


Revisions to April preliminary demand data were substantial (+200 kb/d). They were mostly due to the incorporation of finalised 2009 data and, more importantly, from changes in the Netherlands' reporting methodology from January 2007 onwards. The Dutch changes were indeed large (+90 kb/d on average over 2007-2009), offsetting the entire European adjustments for 2009 (and representing three-quarters of April's revisions). Under the new methodology, NGLs supplied to the petrochemical sector, which were previously excluded from demand figures, are now counted as part of 'other products' deliveries. In addition, other light oils previously counted under gasoline are now included in naphtha demand. Overall, the naphtha category accounted for the bulk of the revisions. Total Dutch oil demand is now assessed at 1.0 mb/d in 2010 (-1.0% year-on-year), with naphtha accounting for almost 20% (twice as much as previously estimated).

Looking ahead, although total oil demand in OECD Europe remains virtually unchanged at 14.3 mb/d in 2010 (-1.6% or -240 kb/d compared with the previous year and 20 kb/d more than previously forecast),

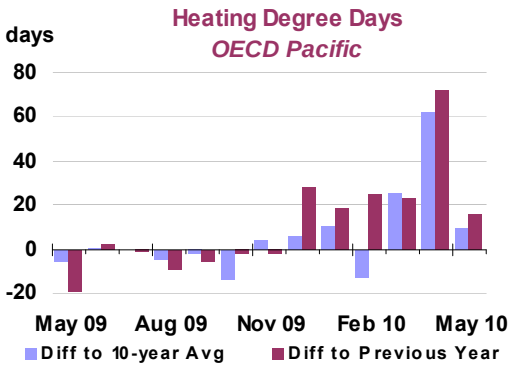
downside risks remain. The region's economic recovery may suffer from the new austerity drive, particularly if Germany, France and the United Kingdom follow through on their recent announcements. If aggregated domestic consumption fades away, the threat of a faltering economic recovery or even of a 'double-dip' recession – regional, or worse, global – cannot be discounted. But even if the situation stabilises, fulfilling current expectations of relative strong GDP growth (+1.9%), oil demand will continue to decline in 2011, falling to 14.2 mb/d (-0.2% or -30 kb/d versus 2010), with modest growth in naphtha and distillate demand failing to offset a fall in other product categories.



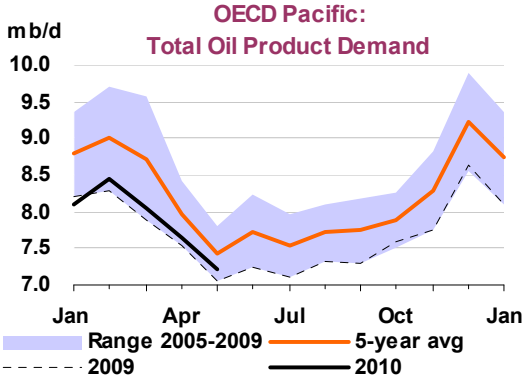


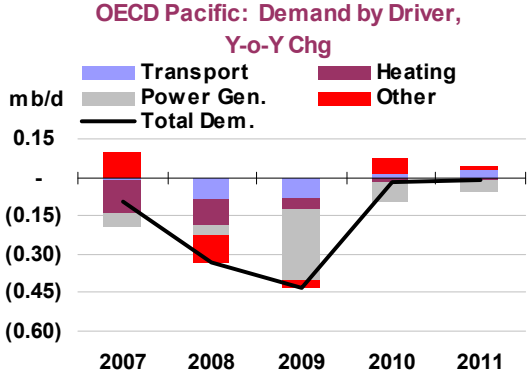
Pacific

Preliminary data show that oil product demand in the Pacific increased by 2.3% year-on-year in May, on the back of strong deliveries of LPG (+5.1%), jet fuel/kerosene (+5.0%) and 'other products' (+59.8%), which offset falls elsewhere, notably diesel (-3.3%) and residual fuel oil (-6.1%).



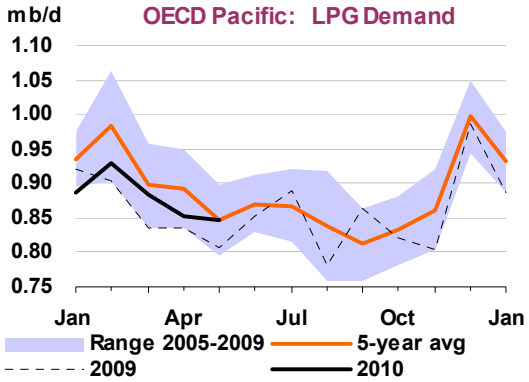
The increase in LPG demand, together with modestly rising naphtha deliveries (+0.1%), suggests that the petrochemical-led economic recovery remains relatively resilient, despite concerns of a forthcoming slowdown in China, the region's main recipient of petrochemical supplies. The rise in kerosene deliveries, used for heating in both Japan and Korea, was due to continued unseasonably cold temperatures (HDDs were higher than both the ten-year average and the same month in the previous year).

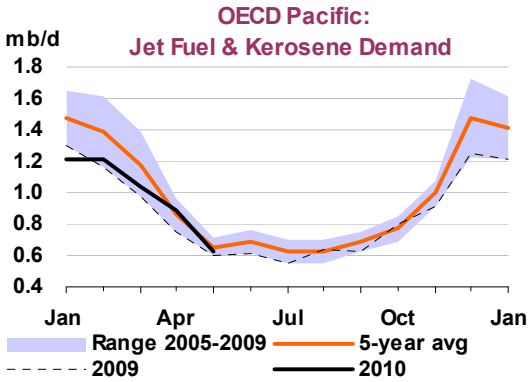




The surge in 'other products', driven entirely by Japan, is more difficult to interpret. An increase in direct crude burning for power generation is implausible, given cheaper natural gas and rising utilisation rates in nuclear power plants. Most likely, this figure reflects some statistical issues with preliminary data – different sources have provided widely different estimates for May – and thus may be revised.

April data revisions came to -70 kb/d, mostly centred on naphtha and jet fuel/kerosene. As such, OECD Pacific oil demand rose slightly less than anticipated in that month (+1.7% vs. +2.3% year-on-year). Together with adjustments to 2009 data (-20 kb/d), oil product demand in 2010 is revised down by 60 kb/d to 7.6 mb/d (-0.6% or -50 kb/d year-on-year). Despite accelerating GDP growth (+2.8% year-on-year), regional oil demand for 2011 is assessed at 7.5 mb/d (-1.3% or -100 kb/d compared with the previous year), with most product categories resuming their structural decline, offsetting modest growth in LPG, naphtha and diesel demand.

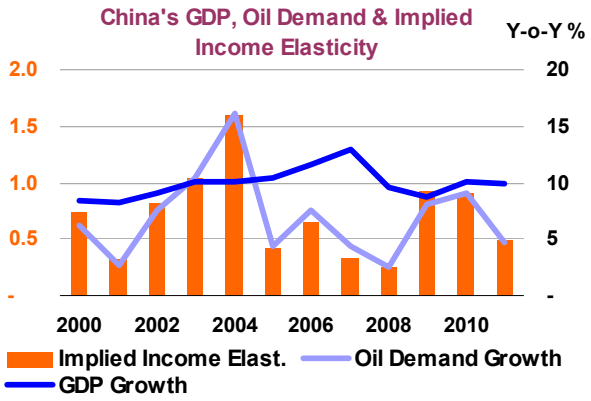




Non-OECD

China

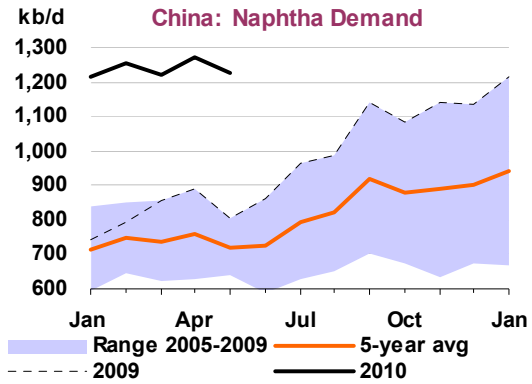
According to preliminary data, China's apparent demand (refinery output plus net oil product imports) rose by 9.5% year-on-year in May. Demand continues to be led by naphtha (+52.3%), jet fuel/kerosene (+15.7%), gasoil (+12.3%) and 'other products' (+11.8%). Meanwhile, gasoline demand is again featuring counter-intuitive weakness (-2.4%), since monthly sales of new vehicles remain strong (+10% year-on-year) – although admittedly growth has slowed down slightly when compared to previous months.

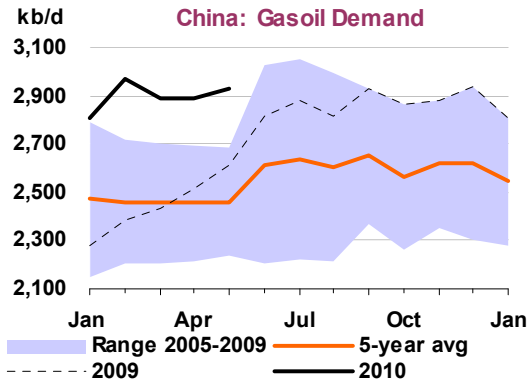


This brings back to the fore concerns about Chinese data (in terms of both quality and comprehensiveness, particularly regarding independent refining activity and stocks of crude and oil products). Indeed, finalised 2008 data have been submitted, lowering the baseline by 140 kb/d and indicating lower growth than suggested by monthly figures. Moreover, the calculation of the overall implied income elasticity shows that demand data for 2001, 2007 and 2008 are arguably too low, assuming that at its current stage of development China's average income elasticity should be around 0.5. Alternatively, if oil demand data are accurate, this could suggest that GDP readings may be inflated, as repeatedly argued by numerous observers.

Aside from these data puzzles, May's growth, albeit respectable, is much lower when compared to the average of the previous eight months (+17.4%). This may suggest a gentle slowdown in 2H10, as the

government attempts to cool down the economy. Recent moves towards allowing a gradual appreciation of the renminbi vis-à-vis the dollar – the re-introduction of a crawling peg – have been interpreted in such a light. However, the move – announced a week before the G20 meeting in late June – was limited in extent. Had the appreciation been much larger – +10% or more, rather than the +3% expected by most observers over the next 12 months – the effects would have probably been more significant. Under a more dramatic appreciation, imports, notably of commodities, would become cheaper, and a widely called-for global economic rebalancing (mainly through rising domestic Chinese consumption and greater US savings) would have a better chance of happening. In addition, a greater revaluation would have the additional advantage of helping to curb mounting inflation and slowing down the accumulation of foreign exchange reserves (of which at least two-thirds are estimated to be in dollars). But exports, the country's main economic engine, would also probably suffer, the more so considering that China's main trading partner – Europe – has effectively become more competitive with the euro's recent slide.





In the short term, the Chinese government will continue to face the challenge of maintaining export-driven economic growth while allowing for greater currency flexibility as requested by its trading partners, which find themselves at a comparative disadvantage relative to China. However, having so far denied itself the use of the exchange-rate tool, the government may be obliged to tighten fiscal and monetary policies to a greater degree than intended in order to control inflation and prevent asset bubbles. Thus, assuming that the government gradually unwinds its stimulus programme, oil demand growth is likely to slow down from its current pace (+9.0% in 2010). In fact, the pace of growth should moderate from 2H10 (to around +4% year-on-year versus +14% in 1H10).

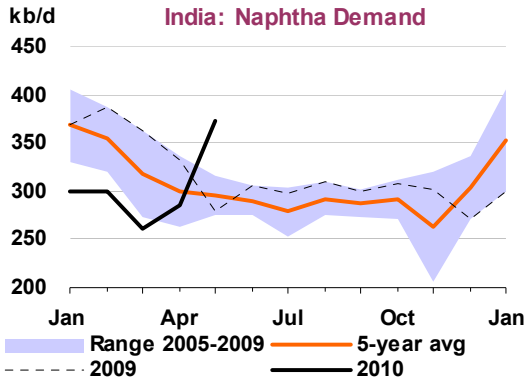
China: Demand by Product
(thousand barrels per day)

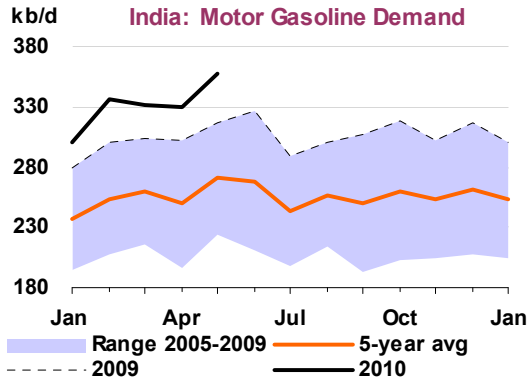
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	739	701	686	-38	-15	-5.2	-2.1
Naphtha	952	1,215	1,300	264	85	27.7	7.0
Motor Gasoline	1,507	1,544	1,627	38	82	2.5	5.3
Jet Fuel & Kerosene	335	382	416	48	34	14.2	9.0
Gas/Diesel Oil	2,697	2,970	3,138	273	167	10.1	5.6
Residual Fuel Oil	580	495	439	-85	-56	-14.6	-11.4
Other Products	1,560	1,821	1,959	261	137	16.8	7.5
Total Products	**8,369**	**9,130**	**9,564**	**761**	**434**	**9.1**	**4.8**

In 2011, with GDP expanding by 9.9% year-on-year, oil demand is projected to average 9.6 mb/d, +4.8% or +430 kb/d versus 2010. Growth will be driven predominantly by transportation fuels (gasoline, diesel and jet fuel/kerosene) and much less by government-supported categories (such as naphtha and 'other products'), which largely underpinned 2010 growth. Both LPG and fuel oil should continue to slide given rising natural gas penetration in urban areas and the ongoing consolidation of independent refiners, notably the 'teapots'.

Other Non-OECD

India's oil product sales – a proxy of demand – surged by 6.5% year-on-year in May. In addition to prevailing strong gasoline, gasoil and LPG readings (+12.6%, +11.1% and +7.0%, respectively), naphtha demand registered a spike (+33.3%) due to the gradual start-up of a 3 million metric tonnes/year naphtha cracker at Indian Oil's Panipat refinery, in the northern state of Haryana. Nonetheless, naphtha demand is set to fall further, although the pace of decline will probably slow down as the scope for further substitution gradually diminishes. The shift from naphtha to natural gas in the power sector, which began in April 2009, is now probably close to completion, while gas production from the KG basin is approaching production capacity (although LNG imports will admittedly help meet demand).





Gasoil demand, meanwhile, was underpinned by the agricultural sector amid high temperatures (boosting water irrigation with gasoil generators), industrial activity (output rose by 17.6% year-on-year, the strongest since last December) and by ever-rising commercial vehicle sales (+57%). Similarly, gasoline consumption continued to be driven by buoyant passenger vehicle sales (+30%). Both fuels, though, may have also been boosted by anticipatory purchases ahead of forthcoming end-user price hikes.

Indeed, on 25 June, the Indian government, through its Empowered Group of Ministers, finally decided to tackle the issue of fuel price controls, almost three weeks after the last – and inconclusive – attempt. As anticipated in last month's report, the changes were partial, reflecting a compromise between the *status quo* and full liberalisation. Only gasoline was fully liberalised, both at the refinery gate and at retail outlets, entailing an 8% rise. Prices for gasoil, LPG and kerosene, meanwhile, were hiked (+5%, +11% and +32%, respectively), but remain under government control. Subsidies for LPG and kerosene will be maintained at least until early 2014. Gasoil prices, by contrast, will be eventually freed up, a move that would arguably have a much greater impact (gasoil consumption is four times as large as gasoline demand). Some industry observers argue that gasoil deregulation will happen over the next few months, but disruptive demonstrations in several cities, spearheaded by political parties opposed to the ruling coalition, could prompt the government to delay it further.

The political effects of rising inflation – which is already hovering at around 10% – arguably concern the government, yet a short-term spike is probably unavoidable. However, India's central bank may opt to lift interest rates in order to cool down the economy or the government may seek to moderate price hikes, notably of gasoil, through taxes or other means if they reach a yet-to-be-specified threshold – but this would effectively mean re-imposing price controls. Looking ahead, the move towards partial deregulation – if maintained – could bring significant macroeconomic benefits. Both the country's fiscal deficit and the state-owned companies' financial burden should diminish, albeit gradually. Moreover, private players would likely expand their retail operations, thus encouraging competition.

In terms of demand, these price changes are unlikely to have a significant impact in the short term, as Indian oil demand growth has been related largely to rising incomes – and as such is highly price

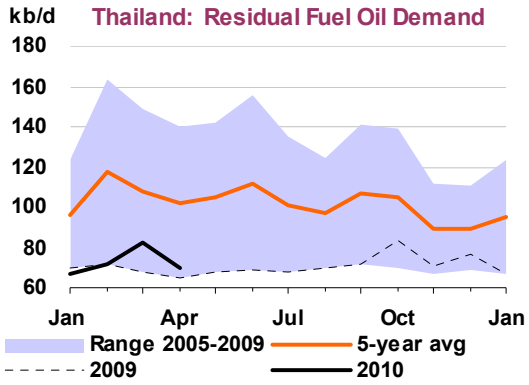
inelastic. However, in the longer term, demand will arguably become more sensitive to crude oil price rises, setting the stage for efficiency gains and more rational energy use. Looking ahead, total oil demand is expected to rise by 2.0% year-on-year to 3.3 mb/d in 2010. Although economic growth is expected to slow down slightly to 8.4% year-on-year, oil demand growth should accelerate slightly to 3.2% in 2011 (with demand reaching 3.4 mb/d), as naphtha and residual fuel oil decline at a somewhat lower pace.

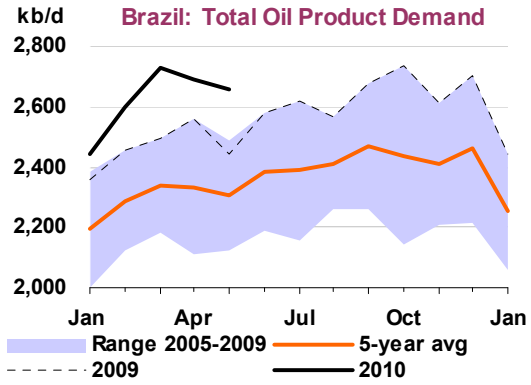
India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	436	464	29	27	7.2	6.2
Naphtha	318	270	237	-49	-33	-15.2	-12.1
Motor Gasoline	305	335	364	30	29	9.7	8.6
Jet Fuel & Kerosene	294	299	301	5	3	1.6	0.9
Gas/Diesel Oil	1,167	1,269	1,360	102	91	8.8	7.2
Residual Fuel Oil	407	364	344	-43	-19	-10.6	-5.3
Other Products	361	352	362	-9	9	-2.5	2.6
Total Products	**3,260**	**3,325**	**3,432**	**65**	**107**	**2.0**	**3.2**

Elsewhere in Asia, **Thailand** registered two consecutive spikes in residual fuel oil demand in both March and April (+22.2% and +7.8% year-on-year, respectively). This was reportedly due to lower natural gas imports from neighbouring Myanmar, which is diverting the fuel to meet its own domestic needs. Facing peak power demand – March and April are usually the hottest months of the year – Thailand was thus forced to use more fuel oil. As such, Thai fuel oil demand in 2010 is likely to be virtually unchanged from the previous year, stalling the steady decline observed since 2006 (currently, about a third of the country's electricity generation depends upon natural gas). Yet Thailand's oil demand is primarily driven by LPG and gasoil, which account for almost 60% of the total. Demand for both fuels is expected to remain strong, underpinning total oil use, which should reach 990 kb/d in 2011 (+2.5% over 2010), commensurate with GDP growth (+5.5%).



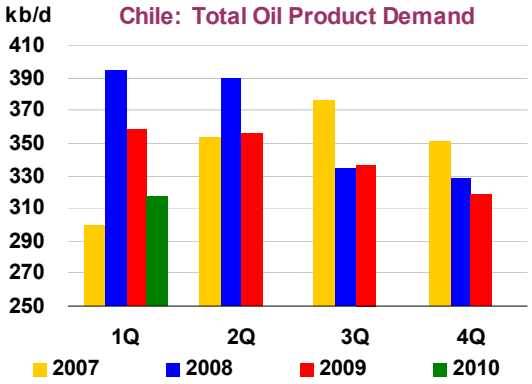


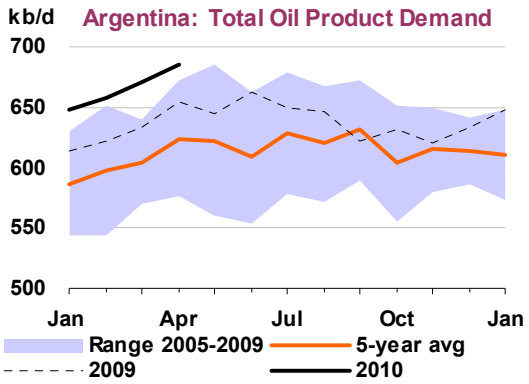
Recent demand readings in Latin America strengthened as regional economic output improved. Still, concerns of overheating in some countries combined with a worsening outlook in others point to slower regional oil demand growth ahead (+3.4% in 2011 versus 4.0% in 2010). In **Brazil**, total oil demand grew by 8.7% year-on-year in May, led by surging demand for gasoil (+14.7%), jet fuel/kerosene (+16.0%) and gasoline (+9.6%). The country's economy grew by a stronger-than-expected 9.0% in 1Q10, while unemployment fell to historically low levels (7.3% in April). However, worries over overheating and inflation have led the central bank to tighten interest rates twice thus far this year. In 2011, with GDP growth moderating to 4.1%, total oil product demand is projected to grow by 3.9% to 2.8 mb/d, led by middle distillates and gasoline.

Brazil: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	212	218	222	6	4	2.9	1.7
Naphtha	165	165	166	0	1	0.1	0.5
Motor Gasoline	749	794	840	45	46	6.0	5.7
Jet Fuel & Kerosene	96	106	114	10	7	10.6	6.9
Gas/Diesel Oil	802	872	920	69	49	8.6	5.6
Residual Fuel Oil	192	194	191	3	-4	1.3	-1.9
Other Products	351	351	355	0	4	0.0	1.1
Total Products	**2,567**	**2,700**	**2,807**	**134**	**106**	**5.2**	**3.9**

Chile has also started to rein in economic growth. The central bank raised interest rates in the wake of surging economic activity following February's destructive earthquake. Although Chile's JODI submissions run only through March, showing a yearly 1Q10 decline in total oil product demand, March readings were abnormally low due to the earthquake. This results in expectations of an overall fall in 2010 (-1.5%), but demand should rebound in 2011 by 3.1% to almost 350 kb/d. Growth should be led by transportation fuels, with gasoil, jet fuel/kerosene and gasoline all posting strong gains (+6.4%, +3.2% and +2.9%, respectively).





Argentina posted strong economic and industrial indicators in 1Q10, with GDP growing by 6.8%. Still, there are concerns that such readings overstate activity and rely on unsustainable public spending in the face of lacklustre private investment. Moreover, the official inflation rate may understate true inflation by over 10 percentage points. Still, oil demand readings for May were strong, with 11.0% year-on-year growth. While oil demand should rise strongly in 2010 (+7.0%) to 680 kb/d, the pace should moderate in 2011, at 3.9% on the back of more moderate GDP growth. The transportation and petrochemicals sector will drive growth, with gasoil, gasoline, jet fuel/kerosene and LPG all rising (+5.8%, +4.6%, +3.2% and +3.8%, respectively).

Meanwhile, **Venezuela's** economy has deteriorated, with the country re-entering recession in 1Q10, dragged down by an electricity crisis and price/currency controls that have sharply eroded private investment. A downward revision to baseline oil product demand, based on 2008 annual submissions, has resulted in a slightly lower forecast for 2010 (720 kb/d, 15 kb/d lower than previously estimated). The country's JODI submissions have been erratic, complicating efforts to gauge the monthly demand picture. With marginal GDP growth – but highly subsidised end-user prices and increasing use of oil for power generation – total demand should rise to 730 kb/d in 2011. However, the downside risk to this prognosis is considerable given the precarious state of the economy.

SUPPLY

Summary

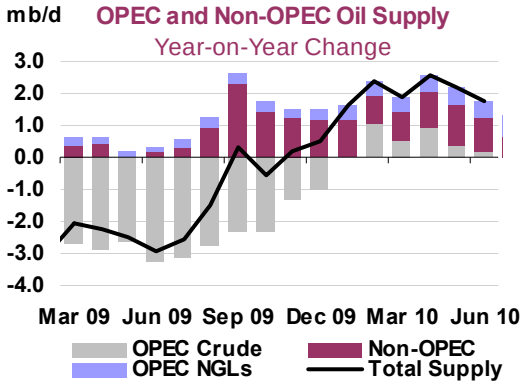
- **Global oil supply fell by 255 kb/d to 86.1 mb/d in June**, on both lower non-OPEC and OPEC crude output. Year-on-year, global supply is up by 1.8 mb/d on higher non-OPEC (1.0 mb/d), OPEC NGLs (0.6 mb/d) and OPEC crude (0.2 mb/d).

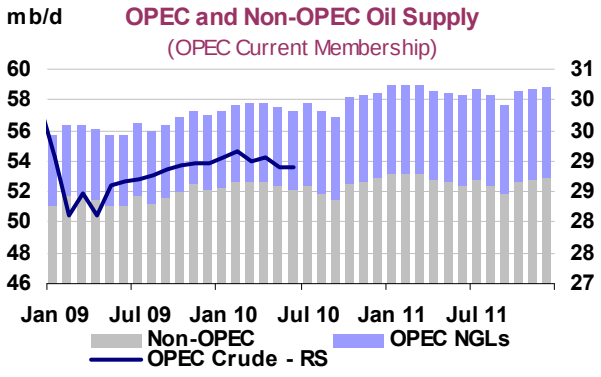
- **Non-OPEC supply estimates for 2008-2010 are revised up by 0.1 mb/d**, largely due to the inclusion of new historical data for non-OECD, but also on stronger US NGL and Canadian bitumen production reported for April. This was partly offset by lower near-term production in the OECD Europe and Pacific. 2009 non-OPEC supply is estimated at 51.6 mb/d, rising to 52.4 mb/d in 2010.

- **2011 non-OPEC supply is forecast to grow to 52.8 mb/d**, with increments from Brazil, global biofuels, Azerbaijan, Colombia, Ghana and Oman partly offset by further decline in Mexico and the North Sea. This continues the resurgence in growth seen in 2009-2010, following weaker (and hurricane-affected) 2005-2008 levels. The US Gulf of Mexico is also forecast to grow in 2011, albeit less than previously forecast, as delays due to the uncertainty surrounding drilling permits begin to register.

- **Crude oil supply from OPEC averaged 28.9 mb/d in June, down by 65 kb/d** compared with the previous month. Output by OPEC-11, which excludes Iraq, was up by 40 kb/d to 26.6 mb/d, with compliance with targets estimated at 59%. The 'call on OPEC crude and stock change' for 2010 has been revised up by 100 kb/d, to 28.8 mb/d. It averages 29.2 mb/d in 3Q10 and 29.2 mb/d for 2011.

- **OPEC crude capacity is set to decline to 35.4 mb/d in 2011 from a 2010 level of 35.6 mb/d,** largely due to lower volumes from Iran and Venezuela. OPEC condensate and natural gas liquids (NGL) production is projected to increase by 600 kb/d on average in 2011, to 5.8 mb/d, after a similar rise in 2010. Estimates are slightly lower than those in MTOGM 2010 based on slower project start-ups primarily in Iran and Saudi Arabia.





Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

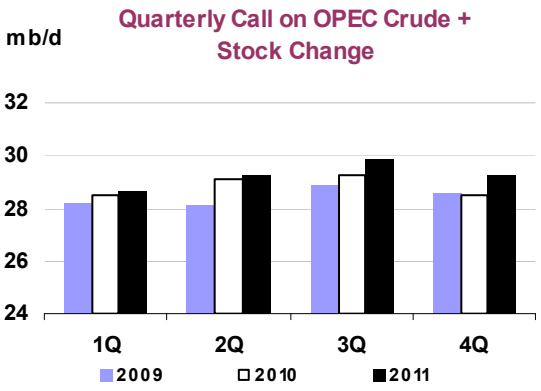
All world oil supply figures for June discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Indonesia and Russia are supported by preliminary June supply data.

This month the non-OPEC supply overview and OPEC NGL section focuses on the roll out of our forecast to 2011, with discussion of key changes in production. However, to avoid duplication, several of the themes underpinning this analysis are elaborated upon in the MTOGM 2010*, released on 23 June 2010. Readers should consult the* MTOGM *for more detailed discussion of factors affecting supply in 2011 and beyond.*

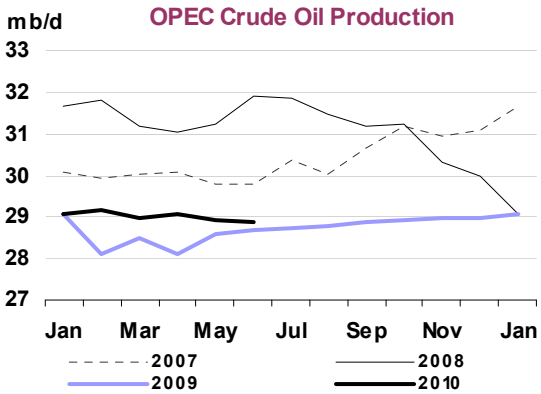
OPEC Crude Oil Supply

OPEC crude oil supply was down marginally in June, with lower Iraqi output partially offset by increased output by Saudi Arabia and Nigeria. Total OPEC output in June declined by 65 kb/d to 28.9 mb/d. Production by OPEC-11, which excludes Iraq, rose by 40 kb/d, to 26.6 mb/d in June, with the group pumping 1.74 mb/d above the 24.845 mb/d collective target. Relative to targeted production cuts, compliance rates were unchanged at 59% in June.

The 'call on OPEC crude and stock change' for 2010 has been raised 100 kb/d, to 28.8 mb/d due to a downward revision in OPEC NGLs, although the 'call' reaches a 2010 high point of 29.2 mb/d this quarter. For 2011, the 'call' is projected to average a higher 29.2 mb/d, up 400 kb/d over the 2010 average.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Sabotage and operational problems combined to reduce **Iraqi** supply in June by 105 kb/d, to 2.31 mb/d. Total exports fell to 1.78 mb/d last month versus 1.89 mb/d in May, with the decline split evenly between the northern and the southern regions of the country.

Exports of Kirkuk crude from the northern Turkish port of Ceyhan fell to 355 kb/d in June from 420 kb/d in May after sabotage and a bomb attack forced SOMO to curtail loadings. While most attacks on this pivotal pipeline are carried out by insurgents and smugglers, unusually in early July the latest bombing was claimed by separatist Kurdish rebels. The attack by the Kurdistan Workers Party (PKK) follows the end of a ceasefire agreement with Turkey, and has raised alarm bells that the pipeline could be vulnerable from 3Q10 and beyond.

In the south, Basrah exports were down 50 kb/d to 1.43 mb/d, in part due to lower output and in part due to weather disrupting loadings. State marketer SOMO cut allocations of Basrah Light by 10% to 30% to Asian term buyers in both June and July, reportedly due to production problems at the southern fields.

Saudi Arabia's production was estimated at 8.25 mb/d, up by 50 kb/d from a revised 8.20 mb/d for May. OPEC's largest producer pumped 200 kb/d above target, with compliance just over 90%, second only to the UAE at 95%.

UAE production fell by 20 kb/d to 2.29 mb/d in line with lower June contract allocations. Supplies are expected to rebound in July after state-run ADNOC eased curbs on contract allocations for Asian buyers. Supply allocations for Murban, the UAE's primary export crude, were reduced to just 3% below contract volumes in July versus a 12% discount in June. ADNOC tightened allocations again for August liftings.

Iranian crude oil production was assessed lower by 20 kb/d, at 3.7 mb/d in June. Some tanker trackers estimated Iranian crude and condensate held in floating storage declined by 4-6 mb last month but the volume of unsold barrels stored in tankers was still a considerable 44-46 mb at end-June. The build up of unsold barrels has largely been attributed to unattractive price formulas set by state-run National Iranian Oil Co. (NIOC), with many customers expecting the company to lower prices in order to move the barrels. But NIOC has in fact raised them for July.

OPEC Crude Production

(million barrels per day)

	Apr 2010 Supply	May 2010 Supply	Jun 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs June 2010 Supply	Forecast OPEC Crude Production Capacity 4Q10	Average OPEC Crude Production Capacity 2011	Capacity Increment 4Q10 v 2011
Algeria	1.24	1.24	1.25	1.40	0.15	1.40	1.38	(0.02)
Angola	1.86	1.79	1.78	2.00	0.22	2.02	2.02	(0.00)
Ecuador	0.47	0.46	0.45	0.48	0.03	0.48	0.45	(0.02)
Iran	3.75	3.72	3.70	3.95	0.25	3.91	3.79	(0.12)
Kuwait[2]	2.30	2.30	2.31	2.60	0.29	2.59	2.55	(0.03)
Libya	1.54	1.55	1.56	1.75	0.19	1.77	1.81	0.04
Nigeria[3]	2.00	1.90	1.94	2.25	0.31	2.70	2.70	(0.00)
Qatar	0.82	0.82	0.82	1.00	0.18	1.02	1.02	0.00
Saudi Arabia[2]	8.25	8.20	8.25	12.10	3.85	12.21	12.04	(0.17)
UAE	2.29	2.31	2.29	2.72	0.43	2.72	2.72	0.00
Venezuela[4]	2.25	2.25	2.23	2.45	0.22	2.43	2.33	(0.10)
OPEC-11	**26.77**	**26.54**	**26.58**	**32.70**	**6.12**	**33.25**	**32.82**	**(0.43)**
Iraq	2.28	2.41	2.31	2.50	0.20	2.55	2.55	(0.00)
Total OPEC	**29.05**	**28.95**	**28.89**	**35.20**	**6.31**	**35.80**	**35.36**	**(0.44)**
(excluding Iraq, Nigeria, Venezuela					*5.59)*			

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria current capacity estimate excludes some 0.5 mb/d of shut-in capacity. The 2010 & 2011 foercast inlcudes shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in June.

Nigeria's June production rebounded by 40 kb/d, to 1.94 mb/d, as shut-in crude streams were brought back on line. The 100 kb/d EA offshore field operated by Royal Dutch Shell resumed production in the first week of June after a six-week closure, though the company said the *force majeure* remains in place. Forcados output is also slowly recovering as repairs are made to long-damaged infrastructure. Output of Qua Iboe also appears set to rise based on export allocations for the next several months. Operator ExxonMobil had earlier declared *force majeure* on 12 May.

Crude oil production in **Angola** was down by a further 10 kb/d, to 1.79 mb/d in June due to a combination of scheduled maintenance work as well as operational problems. Angolan production hit a record peak of 1.95 mb/d in February this year but has fallen each month since. July is likely to be even lower given planned two-week maintenance at the Greater Plutonio field.

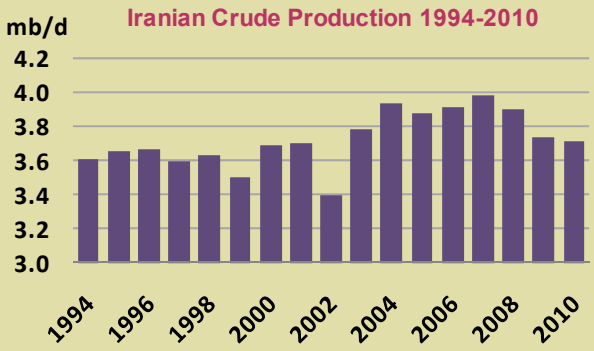
Output of Nembe crude is still constrained following a fire at the Nemba South platform at the Cabinda Block 0 in early May. Field maintenance work on the Palanca field continued last month, affecting a net 25-30 kb/d in June. Greater Plutonio continues to operate below capacity at 170 kb/d due to problems with the water injection system. The complex of five fields, a joint venture between BP and China's Sinopec, has a nameplate capacity of 200 kb/d but only rarely reaches this level due to operating problems.

Venezuelan production in June declined by 20 kb/d, to 2.23 mb/d, due to lower Orinoco output. Maintenance work on the Petrocedeno heavy oil upgrader was behind the decline in Orinoco output to 460 kb/d in June versus 480 kb/d in May.

New Sanctions Target Iran's Energy Sector

Tighter sanctions were imposed on Iran in June by the United Nations, the European Union and the US, in response to its refusal to halt its nuclear fuel enrichment programme. While the fourth round of sanctions agreed at the UN is significant in that China and Russia, after months of debate, finally agreed to be signatories, in the end the resolution did not include specific measures targeting Iran's energy sector. However, in part to counter the weaker UN measures, the EU and US sanctions are considered much tougher and expected to have a material impact on the country's energy industry. In the near term, sanctions are expected to curtail much-needed imports of gasoline and other products. The new sanctions exclude crude oil sales.

Longer term, development of the country's oil and gas industry will clearly be adversely impacted. Iran's growing gas and natural gas liquids projects are expected to be hardest hit. The June MTOGM forecast Iran's production capacity of NGLs and condensates expanding from around 520 kb/d in 2009 to just over 1.0 mb/d by 2015. While most foreign partners have withdrawn from the gas projects on the drawing board, further constraints on procuring equipment and materials for active development projects now increase the downside risk to our forecast. Following are some details of the sanctions:



- On 9 June, the UN Security Council passed a resolution that tightens the financial restrictions between Iranian banks and the international community. It also broadens the current arms embargo to include blacklist companies linked to Iran's powerful Islamic Revolutionary Guard Corps (IRGC). In addition, the UN resolution imposes stricter regulations on shipping entities, including a provision that allows third parties to inspect all ships coming from or going to Iran if there are suspicions that banned cargo is onboard. Equally, under the umbrella of new UN sanctions, Iran's traditional foreign business partners are expected to limit activity rather than risk being shut out of the US market. Authorities in the UAE, one of Iran's major trading partners, have already begun investigating businesses linked to Iran, including trading companies that supply gasoline and other refined products.
- The EU proposed a sanctions regime on 17 June that could come into force by end July, specifically targeting Iran's transportation sector and the oil and gas industry. Proposed sanctions on the oil and gas sector will bar "new investment, technical assistance and transfers of technologies, equipment and services related to these areas, in particular related to refining, liquefaction and liquefied natural gas technology". Targets in the transport sector include shipping and air travel.
- On 1 July, the US put in place the toughest sanctions yet, broadening the scope of existing sanctions on US companies to include stiff penalties against foreign firms supplying Iran with refined products, which have a market value exceeding $1 million or that during a 12-month period have an aggregate fair market value of $5 million or more. Foreign companies that sell refined products or invest in the country's oil and gas sector are to be barred from doing business with US companies and financial institutions, and risk having their assets in the US frozen. The new law also sanctions international banking institutions involved with Iran's Islamic Revolutionary Guard Corps, its nuclear enrichment programme or its support for terrorist activity. Earlier in June, the US Treasury Department singled out around 20 petroleum and petrochemical companies as being under Iranian government control—an action that puts them off limits to US businesses under a general trade embargo.

New Sanctions Target Iran's Energy Sector (continued)

New US sanctions target companies that sell refined products all along the trading chain, including shipping, financing and insurance firms, and are likely to have an immediate impact. International oil companies and trading firms have been scaling back their business activities with Iran for months in anticipation of stiffer sanctions. Royal Dutch Shell, Petronas, Lukoil, Vitol, Trafigura, Reliance, and Glencore have halted gasoline exports to Iran. Total, which has reportedly been selling about 20-25 kb/d to Iran in recent months, has also said it has ceased sales. It is unclear whether some Chinese suppliers, including CNPC and Sinopec trading subsidiaries Chinaoil and Unipec, will continue to export refined products to Iran. In anticipation of sanctions, Iran has said it has built up stocks of gasoline imports but this is a short-term solution at best, especially given that the country imports around 100 – 130 kb/d of gasoline. Plans to start curtailing subsidies for gasoline in an effort to curb demand are expected to be enacted in late September.

Even without the new round of sanctions, interest in working with Iran in its oil sector has been tepid at best, given its notoriously poor contract terms and difficult operating environment. Italian ENI for example dropped out of the next phase of the Darkhovin oil field project. However, longer term, the new sanctions could severely limit the potential of the country's gas development plans. In response to the new sanctions, South Korea's GS Engineering & Construction South cancelled its massive $1.2 billion dollar contract for work on a critical gas sweetener project at South Pars Phases 6, 7 and 8. The contract delay will have a knock on effect to South Pars 9 &10 (see *OPEC NGLs*). Shell and Repsol also walked away from their problematic South Pars 13-14 development. In response to contract cancellations and the new sanctions, Iran announced in June that it awarded the final six phases of the massive South Pars gas development to domestic companies, especially the country's Islamic Revolutionary Guard Corps or companies affiliated to it.

OPEC Crude Capacity 2010-11

OPEC is on course to increase installed crude oil production capacity by a net 1.9 mb/d by 2015, but the outlook for 2011 is one of decline. OPEC sees strong growth in capacity in 2010 but decline sets in during 2011-2012 before posting a recovery starting in 2013. Crude capacity additions from new projects for 2011 are eclipsed by natural declines at mature fields, especially in Iran and Venezuela. On an annual basis, total production capacity is estimated at 35.4 mb/d for 2011 versus 35.6 mb/d in 2010.

Forecast OPEC Crude Production Capacity

(thousand barrels per day)

Country	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Algeria	1.33	1.36	1.38	1.40	1.35	1.38	1.38	1.40
Angola	2.06	1.99	2.05	2.02	2.02	1.94	2.07	2.04
Ecuador	0.48	0.48	0.48	0.48	0.45	0.45	0.45	0.45
Iran	3.91	3.95	3.96	3.91	3.81	3.81	3.80	3.76
Kuwait	2.59	2.59	2.59	2.59	2.55	2.55	2.55	2.55
Libya	1.77	1.78	1.78	1.77	1.80	1.79	1.82	1.82
Nigeria	2.72	2.71	2.69	2.70	2.73	2.71	2.70	2.66
Qatar	0.97	0.98	1.02	1.02	1.02	1.02	1.02	1.02
Saudi Arabia	11.96	11.96	12.21	12.21	12.04	12.04	12.04	12.04
UAE	2.70	2.70	2.72	2.72	2.71	2.71	2.73	2.73
Venezuela	2.33	2.45	2.47	2.43	2.35	2.34	2.34	2.29
OPEC-11	**32.82**	**32.96**	**33.35**	**33.25**	**32.83**	**32.75**	**32.91**	**32.77**
Iraq	2.45	2.45	2.55	2.55	2.52	2.52	2.57	2.57
Total OPEC	**35.27**	**35.41**	**35.90**	**35.80**	**35.35**	**35.28**	**35.48**	**35.34**

New OPEC production capacity coming on stream in 2011 period is minimal, with only Angola expected to post a significant increase with the start up of its 200 kb/d PAZFLOR project in Block 17. Capacity estimates are based on a combination of new project start-ups and assessed base load supply, net of

mature field decline. The implied decline rates for the 2010-2015 period were slightly higher, at -3.9%, than last year's -3% forecast, partly reflecting a shift in OPEC's production slate to offshore production, where decline rates can range from 15-30%, compared with 1-3% at onshore fields.

OPEC NGLs

OPEC condensate and natural gas liquids (NGL) production is forecast to increase by 610 kb/d on average in 2011, to 5.87 mb/d. That is a downward revision of 385 kb/d from our MTOGM 2010 estimate and is based on slower project start-ups primarily in Iran and Saudi Arabia. The 2010 forecast was lowered by a smaller 140 kb/d on average for the year, to 5.26 mb/d. The lower estimates for the current year largely reflect further delays in the start-up of **Saudi Arabia's** massive Khursaniyah natural gas liquids processing facilities, expected on line in early 2010 but now projected to come on sometime in 3Q10. Nameplate capacity is 210 kb/d of NGLs and 80 kb/d of condensate, but a slow ramp up is expected. Saudi Arabia's condensate and NGL production is estimated at 1.48 mb/d in 2010, rising to 1.56 mb/d in 2011, up about 80 kb/d year-on-year.

In **Iran**, NGL and condensate capacity estimates have been lowered by 200 kb/d for 2011 following repeated work delays on the Bid Boland gas processing plant and South Pars 9 & 10. Latest reports are that the Bid Boland facility is only around 10% complete and is not expected on line now until end-2013/2014 at the earliest. Previously, we had expected start-up in 2011. When completed, Bid Boland is slated to produce 120 kb/d of NGLs and 20 kb/d of condensate.

Iran's problematic South Pars 9 & 10 project is delayed yet again despite official forecasts that it will be fully operational in 2H10. Indeed, the facility's sweetening capacity is operational, but it is processing sour gas produced from South Pars 6-8. Gas production from South Pars 6-8 was earmarked for reinjection at the country's oldest field, Aghajari, but getting the gas to the northwest has been fraught with problems. The sour gas has reportedly led to corrosion of the pipeline due to inferior quality of pipeline materials used as a result of sanctions. Iran had awarded South Korea's GS Engineering & Construction South the contract for work on a critical gas sweetener project at South Pars Phases 6, 7 and 8 but the company withdrew from the project this month following the latest round of sanctions (see *New Sanctions Target Iran's Energy Sector*). Start-up of Pars 9 & 10, with capacity of 80 kb/d of condensate and 80 kb/d of NGLs, has now receded until sometime in 2011 and all indications are that this timeline could slip into 2012. Development of Iran's South Pars has been particularly hard hit by sanctions due to problems procuring needed equipment and materials. Overall, growth in Iran's natural gas liquids capacity will be a more modest 45 kb/d, from 560 kb/d to a little over 600 kb/d in 2011.

Estimated Average Condensate & NGL Production

(thousand barrels per day)

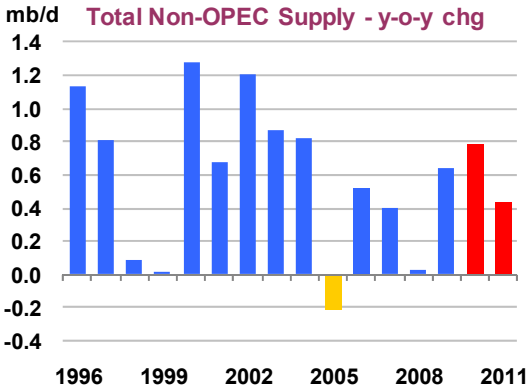
	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	2010	2011	Δ 2010-11
Algeria	667	667	667	667	705	705	705	705	667	705	38
Angola	50	50	50	50	50	50	50	50	50	50	0
Ecuador	2	2	2	2	1	1	1	1	2	1	-1
Iran	542	552	567	577	579	579	619	639	560	604	45
Iraq	56	56	56	56	59	59	59	59	56	59	3
Kuwait	195	195	195	195	205	205	205	205	195	205	10
Libya	113	113	110	110	112	112	109	109	111	111	-1
Nigeria	355	355	355	355	349	349	369	369	355	359	4
Qatar	870	885	960	1,015	1,185	1,185	1,195	1,195	933	1,190	257
Saudi Arabia*	1,435	1,435	1,520	1,520	1,570	1,570	1,545	1,545	1,478	1,557	80
UAE	532	562	662	812	768	828	828	828	643	813	171
Venezuela	211	211	211	211	213	213	213	213	211	213	2
Total OPEC	**5,027**	**5,082**	**5,355**	**5,570**	**5,796**	**5,856**	**5,899**	**5,919**	**5,260**	**5,868**	**607**

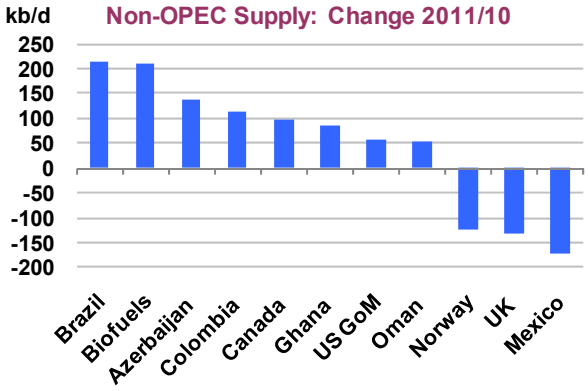
** Includes 85 kb/d of non-conventional oil.*

The 2011 Outlook for Non-OPEC Supply

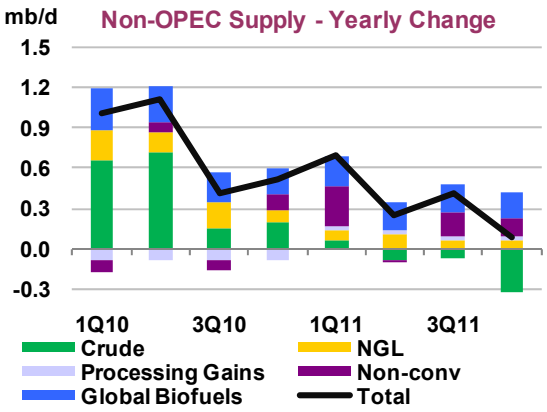
Overview

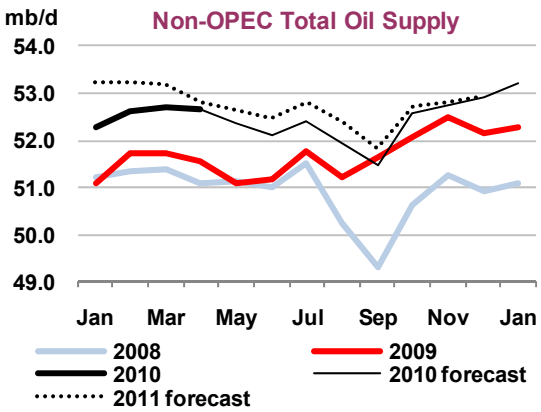
Following estimated non-OPEC supply growth of 0.7 mb/d and 0.8 mb/d in 2009 and 2010 respectively – the strongest increments since 2003/04 – 2011 output is forecast to rise by a more modest 0.4 mb/d. This implies growth from 52.4 mb/d in 2010 to 52.8 mb/d in 2011. As reviewed extensively in our recent *MTOGM*, relatively high oil prices in a stable range of $65-85/bbl over the past year and lower upstream development costs have prompted companies to boost upstream investment again. Indeed, recent surveys confirm a rise in 2010 upstream investment in the 8-12% range and possibly even higher in 2011. Observed baseload decline has also been slowed.





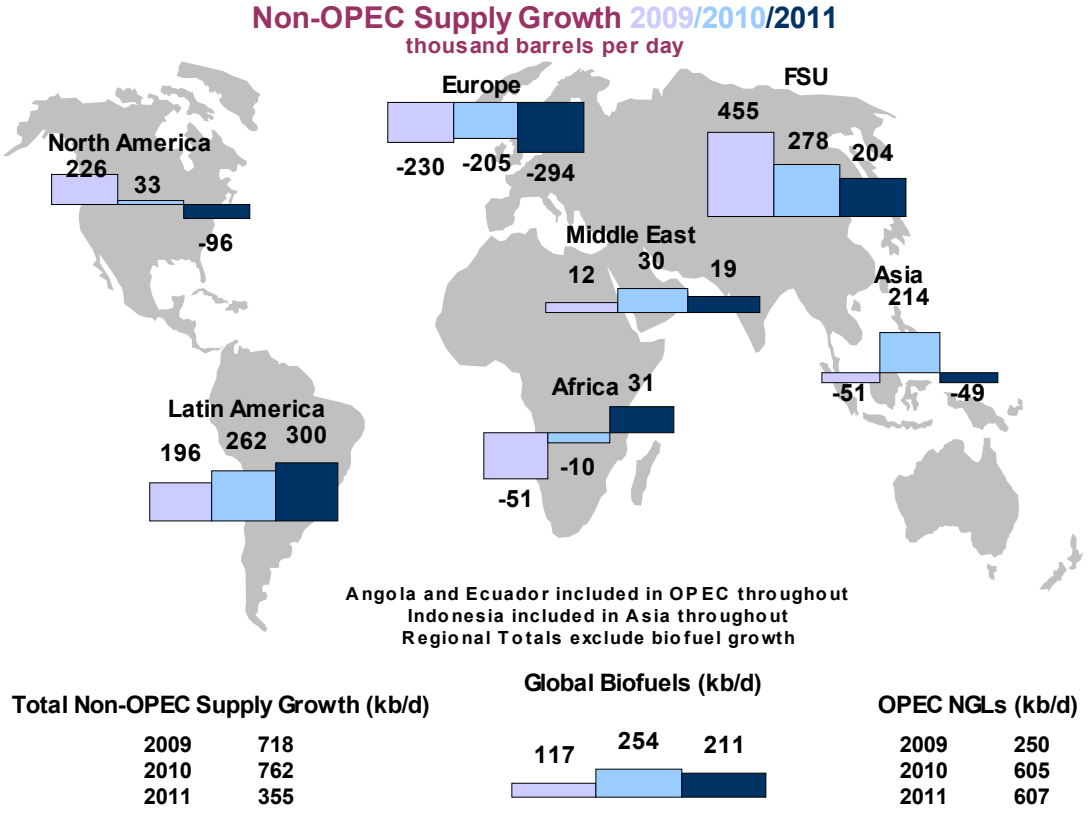
Growth in non-OPEC supply remains concentrated in a handful of long-standing investment bright spots – notably Brazil, Azerbaijan, Colombia, Oman, and to a lesser extent, Canada. 2011 will also see the start-up of production at the large Jubilee field offshore Ghana and continued growth in what remains a key source of growth for non-OPEC liquids – biofuels. Our forecast also estimates an incremental 55 kb/d of crude oil from the US Gulf of Mexico, despite evidence of slowing growth there as the uncertainty surrounding the deepwater drilling moratorium begins to have an impact on new upstream projects. The first named storm of the season, Hurricane Alex, caused no damage to oil infrastructure, but still forced the brief precautionary shut-in of 25% and 15% respectively of regional crude oil and natural gas production from the end of June until early July. We carry forward our usual five-year average hurricane adjustment, but note that 2010 is forecast to be the stormiest hurricane season since 2005, when Katrina and Rita hit the Gulf coast with devastating effect.





Compared to last month's report, 2009 and 2010 non-OPEC supply numbers are little changed, with revisions mostly related to consolidated data through 2008 for key non-OECD countries, including

Argentina, Bahrain, Brunei, China, Egypt, India, Indonesia, Malaysia, Pakistan, Turkmenistan, Ukraine, Uzbekistan and Yemen. The two most sizeable adjustments were to China (average +80 kb/d for 2008-2010) and Egypt (+65 kb/d).



As discussed in the recent *MTOGM*, a key feature of forecast non-OPEC growth is the net decline expected for conventional crude overall (-110 kb/d), offset by increases in other sources of supply, including global biofuels (+210 kb/d), other non-conventional production (+150 kb/d), NGLs (+75 kb/d) and refinery processing gains (+30 kb/d). In sum, and as is apparent from the graph below, the expected seasonal pattern of non-OPEC supply in 2011 is similar to 2010. Risks to the downside or upside from this profile will depend upon whether hurricane and other outages more closely resemble those of 2008 or 2009 respectively.

Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.6	13.4	13.5	13.7	13.6	13.8	13.8	13.3	13.5	13.6	13.7	13.5	13.3	13.5	13.5
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.2	4.3	4.3	4.3	3.9	3.9	4.0	4.0
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.1**	**18.5**	**18.5**	**18.9**	**18.7**	**18.9**	**18.7**	**18.2**	**18.5**	**18.6**	**18.7**	**18.1**	**17.9**	**18.2**	**18.2**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.9	3.9
Other Asia	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.2	4.3	4.1	4.4	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.0**	**29.6**	**29.7**	**29.7**	**30.1**	**29.8**	**30.3**	**30.2**	**30.2**	**30.3**	**30.3**
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.9	1.9	1.8	2.0	2.0	2.1	2.1	2.0
Total Non-OPEC	**51.5**	**51.3**	**51.5**	**52.2**	**51.6**	**52.5**	**52.4**	**51.9**	**52.7**	**52.4**	**53.2**	**52.6**	**52.3**	**52.8**	**52.8**
Annual Chg (mb/d)	0.2	0.2	1.2	1.3	0.7	1.0	1.1	0.4	0.5	0.8	0.7	0.2	0.4	0.1	0.4
Changes from last OMR (mb/d)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					

Change to Biofuels Reporting

Henceforward US, Brazil and related oil subtotals no longer include fuel ethanol production. This affects around 0.7 mb/d of US output and 0.4 mb/d for Brazil, based on 2009 production levels. A new global biofuels line is included in all tabulated non-OPEC supply data.

OECD

Total OECD production is forecast to decline by 350 kb/d in 2011, with a small dip in North America and stronger decline in Europe only partly offset by a small increment in the Pacific, where Australian crude output is set to grow. Oil production in **North America** is expected to decline by 100 kb/d, with growth in Canada offset by steep decline in Mexico, while US output holds flat.

In the **US**, compared to modest growth of 50 kb/d estimated in 2010, total supply is set to decline slightly in 2011. For 2010 and 2011, we retain our hurricane adjustment, based on five-year average shut-in volumes, which amount to -210 kb/d and -240 kb/d for 3Q10 and 4Q10 respectively. Precautionary shut-ins due to the recently-passed Hurricane Alex, which briefly reached as much as 420 kb/d of crude (or around 25% of regional production) curbed June output by 27 kb/d, though fields were brought back onstream rapidly. For now, the short-term impact resulting from the Macondo spill in the US Gulf is limited to around 30 kb/d worth of project delays in both 2010 and 2011. As noted in earlier analysis however, extended project delays, if they occur, could reduce regional supply by 100-300 kb/d by 2015 compared to our existing outlook.

US Gulf of Mexico: Project Delays Already Curbing Output

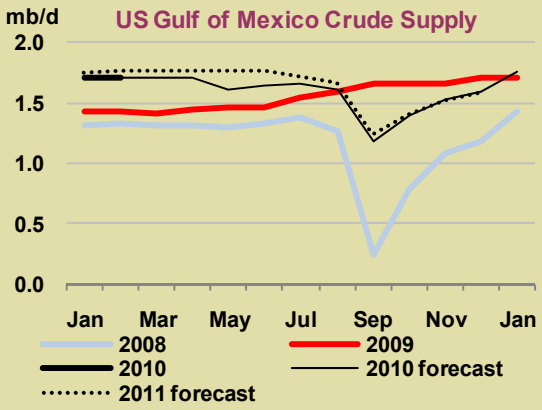
We estimate that delays to new projects resulting from the Macondo oil spill have already shaved 30 kb/d off both 2010 and 2011 US crude production. Until more clarity prevails over new regulatory and operating procedures and whether the deepwater drilling moratorium will stay in place, we refrain from including a broader downward adjustment to our US production forecast. But extended project delays, if they occur, could reduce our 2015 projection for US Gulf production by 100-300 kb/d.

The BP-led team has not yet managed to plug the Macondo well, which has been leaking since a well blowout led to the sinking of the *Deepwater Horizon* drilling rig in late April. Currently, an estimated 35-60 kb/d of crude oil continue to flow from the wellhead (in mid-June, the figure was substantially raised from a previous estimate of 20-40 kb/d). Of this, an average 25 kb/d have been siphoned off by means of two containment systems. In turn, around one-third of this has been flared (with associated gas), while the other two-thirds have been collected, cleaned and sent ashore. Large-scale efforts are ongoing to skim, burn and disperse the oil leaking into surrounding waters, with several thousand vessels and several tens of thousands of personnel involved in clean-up operations. We estimate that something in the range of 2.3-4.5 mb of crude oil have been spilled in total, *excluding* the volumes contained, making this the largest oil spill in US history.

At the time of writing, BP was in the process of installing further containment systems, which should bring its capacity to siphon off oil to 80 kb/d (current capacity is around 28 kb/d) and thus in theory enough to catch all the leaking oil. Installation has required the uncoupling of existing containment systems, thus causing more oil to escape freely while installation takes place. Meanwhile, the drilling of two relief wells nearby continues. The first is reportedly very close to the existing problem well, but may take until mid-August to intercept the leaking well bore. If this is successful, heavy drilling mud can be pumped in, staunching the pressure in the well, after which it can be capped, if all goes well. An additional backup plan is to connect the Macondo well to nearby platforms by pipeline, allowing a more permanent (and more hurricane-proof) means of capturing the leaking oil.

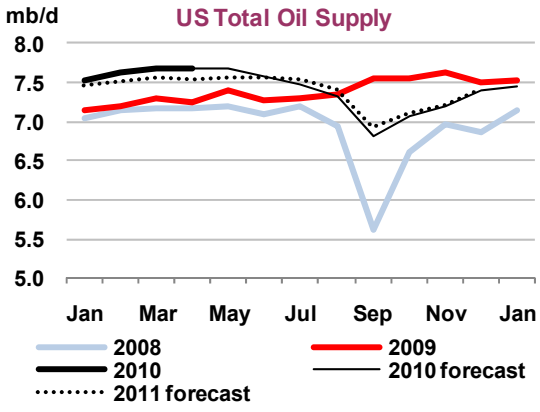
US Gulf of Mexico: Project Delays Already Curbing Output (continued)

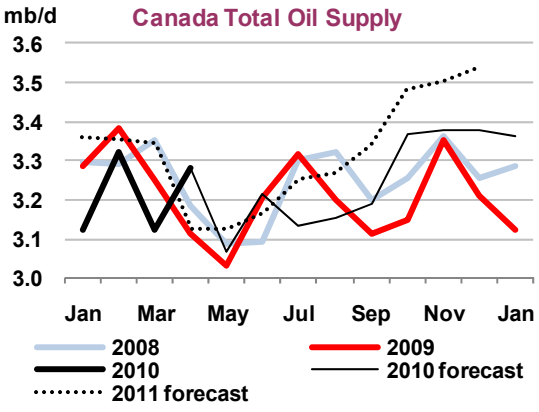
Onshore, the debate over how to deal with the challenges posed by deepwater offshore drilling continues. On 22 June, a district court judge lifted the partial deepwater drilling moratorium put in place in late May, deeming it to be too broad a measure aimed at preventing oil spills, while discriminating against companies with untainted safety records and harming the regional economy. On 8 July an appeals court backed this decision, but the Obama administration may formulate a narrower, more targeted moratorium.



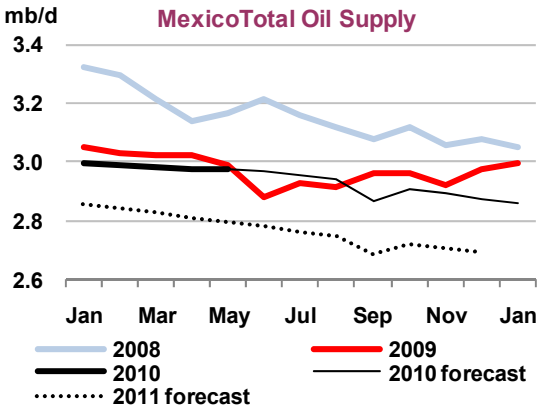
In practice, new deepwater drilling remains halted, though shallow-water, workover, well completion, waterfloods and some other drilling activities on existing, as opposed to new fields, continue. In Congress, a raft of proposed legislation is making its way through committees. Key proposals include new safety measures, stricter requirements on companies active in deepwater drilling, much-enhanced liability for companies and a possible ban on drilling within 75 miles of the coastline. Elsewhere, while other countries with offshore production continue to review their own procedures and regulations, most appear to consider systems in place to be sufficient, but are waiting for the outcome of the Macondo investigation. EU Energy Commissioner Oettinger recently called for an EU deepwater drilling moratorium, although this as yet shows no sign of being implemented. Moreover, it is worth noting that North Sea regulatory and operating procedures were dramatically tightened after the 1988 *Piper Alpha* disaster.

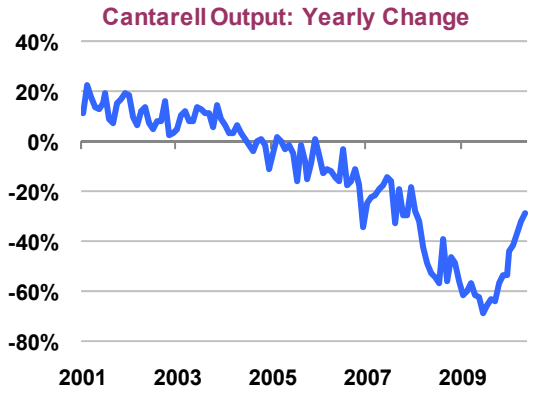
Canada is forecast to see output growth of nearly 100 kb/d to over 3.3 mb/d in 2011. Steadily rising output of both raw bitumen and mined, upgraded synthetic crude, will more than offset a decline in conventional crude from other areas, as well as lower NGL production. Sustained growth in oil sands-related output will ensure Canada remains one of the key sources of non-OPEC growth.



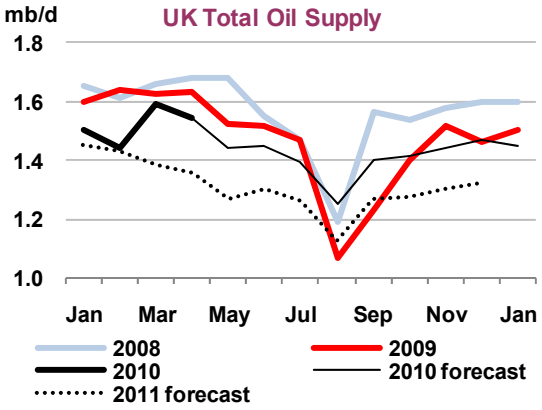


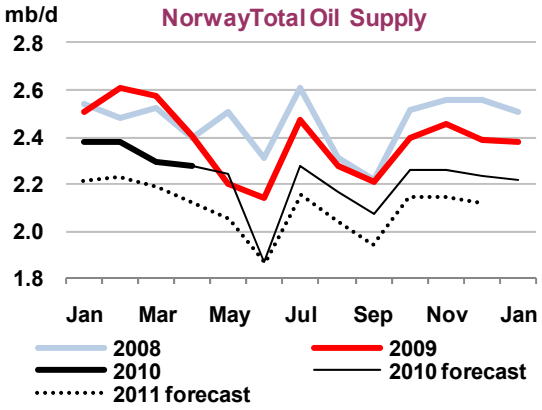
Oil production in **Mexico** is forecast to continue its steady decline, falling by 175 kb/d to 2.8 mb/d in 2011. Decline at its key Cantarell field has slowed over the past year, but remains near 22% year-on-year according to newest monthly data. Nonetheless, even further slowing in decline at Cantarell seems unlikely to completely halt a drop in national output, as other potential sources of growth are limited.





OECD Europe oil production is forecast to decline by 290 kb/d to just over 4 mb/d in 2011. Output, excepting biofuels, will fall across most countries. Oil production in the **UK** is set to drop by 135 kb/d to 1.3 mb/d in 2011, as decline at mature fields outstrips new production from development of the Alder, Auk, Bentley and Causeway fields, among others. The new UK government's declared ambition to maintain tax incentives to develop peripheral, difficult fields in the North Sea, was welcomed by industry.



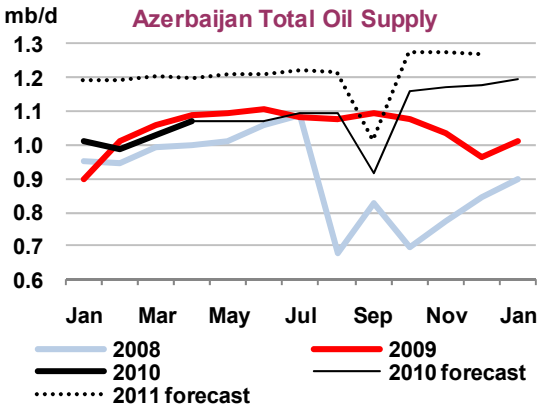


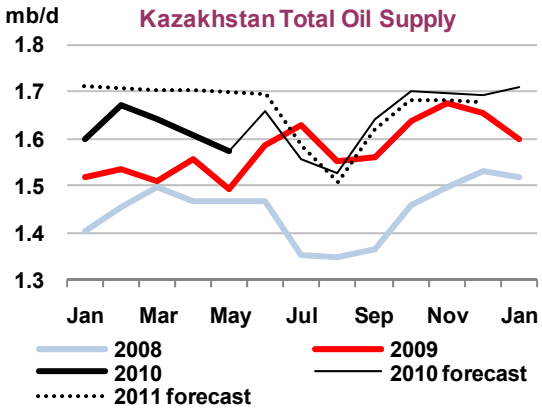
Norway's oil production is expected to fall by 125 kb/d to 2.1 mb/d in 2011, with new output from the Morvin, Oselvar, Skarv and other developments only partly serving to stem decline. Norwegian production is currently lower than usual due to shut-ins at the Gullfaks complex and some related fields. In mid-May, operator Statoil was forced to halt production and evacuate the Gullfaks C platform due to a gas leak. It remains unclear when operations will resume. As much as 100 kb/d of capacity is potentially affected.

The **OECD Pacific** is forecast to see a small increment of 30 kb/d in oil production, rising to 710 kb/d in 2011. Growth is centred on **Australia**, as production at the newly-online Pyrenees and Van Gogh, and at the Angel, Puffin and Vincent fields increases. Australian oil production is forecast to rise by around 20 kb/d and 40 kb/d in 2010 and 2011 respectively, hitting 610 kb/d in 2011, before declining again thereafter.

Non-OECD

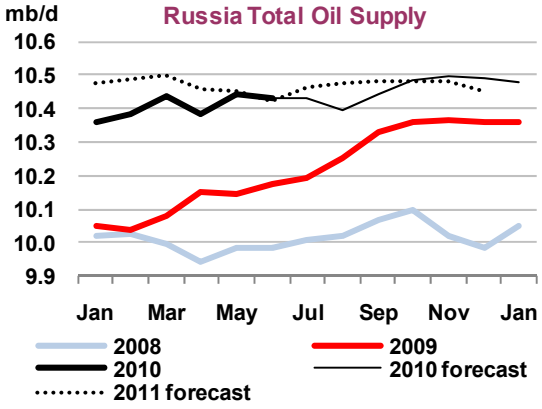
In contrast to the overall decline in the OECD, oil production in **non-OECD** countries is forecast to increase by 465 kb/d to 30.3 mb/d in 2011, with Latin America and the FSU contributing virtually all of the incremental output. Brazil is expected to see the single largest increase, of around 210 kb/d, followed by Azerbaijan, Colombia, Ghana and Oman.





Oil production in the **FSU** is forecast to increase by 200 kb/d to 13.8 mb/d in 2011, largely driven by Azerbaijan, but with smaller increments in Russia and Kazakhstan. In **Azerbaijan**, growth at the key Azeri-Chirag-Guneshli (ACG) complex in the Caspian Sea is expected to pick up again in 2011, boosting the country's output by 135 kb/d to 1.2 mb/d. ACG (and therefore total Azeri) production is then expected to stay relatively flat through 2015. **Kazakhstan** is forecast to see oil production rise by 35 kb/d in 2011, to 1.7 mb/d, with small increments at the Tengiz and Karachaganak fields partly offset by decline elsewhere. Kazakhstan will have to wait until 2014/15 for another surge in growth, when the super-giant Kashagan field is due to see first output.

Russia's total oil production is forecast to increase by 40 kb/d in 2011, to just below 10.5 mb/d. This follows two bumper years in 2009 and 2010, when output at key new fields, including Vankor, YK, Verkhnechonsk and the Uvat cluster boosted production, helped by an exemption to crude export duties. New greenfield output will begin to slow, and is expected to be more than offset by decline at mature assets. Moreover, the government recently announced plans to phase out the tax exemptions, prompting some companies to warn this could put new developments at risk (see *FSU: Taxing Times Ahead*).



FSU: Taxing Times Ahead

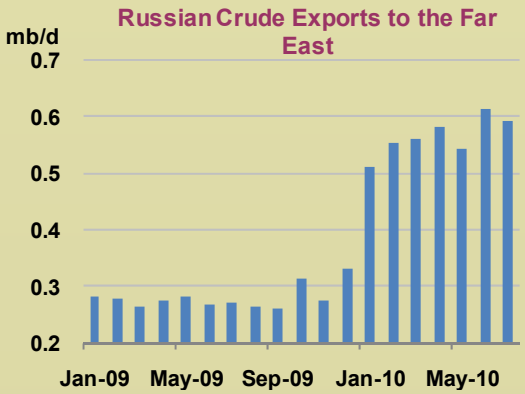
Following months of conflicting reports, the Russian government recently announced the introduction from 1 July of an export tariff on previously exempt East Siberian output exported through the ESPO pipeline. This had previously been a source of tension between the ministries of Energy and Finance (see *Further Uncertainty Over Eastern Siberian Tax Breaks* in *OMR* dated 11 February 2010) where the Ministry of Energy argued that introducing the full Russian export tax would curtail production. Therefore, it appears that a compromise was reached, since the new tax will be set at 45% of the price in excess of $50/bbl (in July this amounts to $9.50/bbl or 30% of the equivalent regular Russian export duty).

The tariff introduction was not unexpected given the success of the new grade since its launch in late 2009, as volumes have sold on the spot market with relative ease, and the Kozmino terminal is now shipping at its maximum 330 kb/d capacity. The blend has found favour with Pacific Basin refiners, notably in Japan, South Korea and the US West Coast, with a quality similar to Abu Dhabi's Murban but generally priced at a discount to benchmark Dubai. Looking forward, the 300 kb/d Chinese spur of the pipeline from Skovorodino to Daqing is expected to start flowing in 1Q11 with a contracted 300 kb/d to be supplied to CNPC by Rosneft. The ESPO-2 leg from Skovorodino to Kozmino, now scheduled for completion in 2012, one year ahead of the original target, will increase Kozmino ESPO export capacity to 1.3 mb/d.

FSU: Taxing Times Ahead (continued)

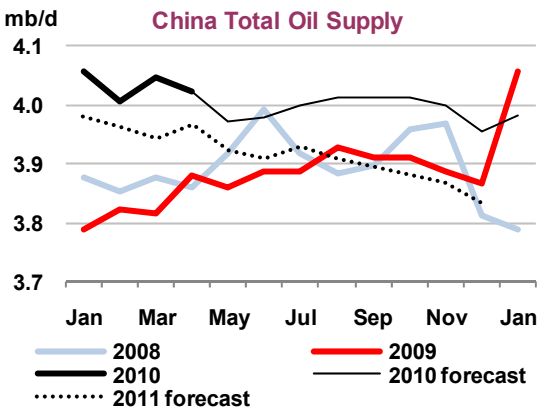
Despite the likelihood that part of the new tax will be passed on to buyers, therefore narrowing the discount to Dubai, it is not expected to initially deter purchasers, with 3Q10 loadings seen steady and the number of market participants buying the crude rising. Longer term, reports suggest that with the gradual phasing in of the full Russian tax level on East Siberian fields, and with most volumes sold on the spot market, it will likely be up to producers to absorb cost increases to assure that the grade stays competitive.

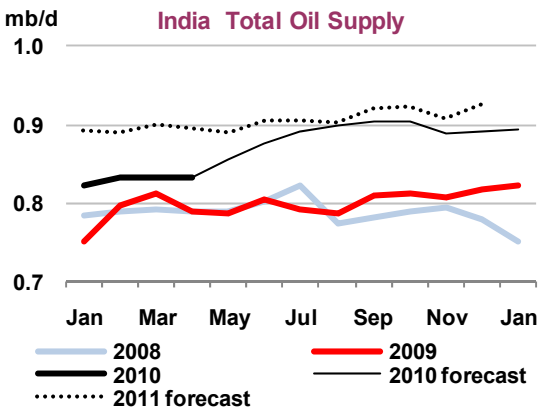
Separately, Russian pipeline operator Transneft recently announced plans for a 3.5% hike in tariffs to finance the purchase and installation of new fault diagnostic equipment for its network. Outside of Russia, Kazakhstan announced in June that in response to the stable and relatively high crude oil price it was re-introducing a $20/mt tariff on crude exports. This is significant, since the Kazakh government is likely to increase this tax further in line with oil prices as it did in the past. This will likely become an important revenue stream for the administration as exports rise following the ramp up of production from the Tengiz and Kashagan fields over the medium and longer term. As with ESPO, this development is not anticipated to have an immediate impact on exports, but risks undermining the competitiveness of Kazakh grades if producers cannot absorb the rise.



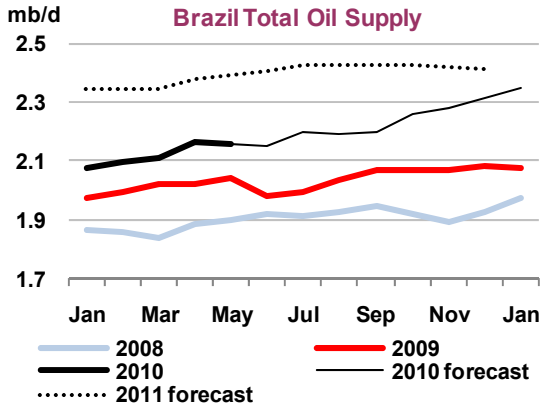
Total non-OPEC Asia including China is forecast to see production decline by 80 kb/d to 7.6 mb/d in 2011, with a drop in Chinese output exceeding limited increases elsewhere. **China** saw the largest baseline data adjustment (+110 kb/d), following the inclusion of some previously-undercounted output from smaller producers, according to the National Bureau of Statistics (NBS). We partly carry the upward adjustment forward into 2009 and 2010. Chinese crude oil production is now forecast to increase by 135 kb/d in 2010, falling by 90 kb/d in 2011, to average 4.0 mb/d and 3.9 mb/d respectively.

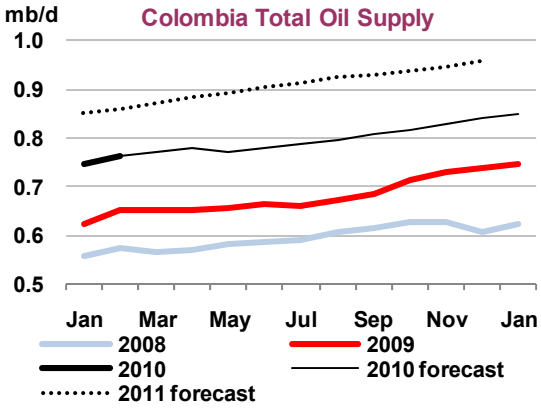
Changes elsewhere in Asia in 2010 and 2011 are more limited. **India** is forecast to increase production by 75 kb/d in 2010 and 35 kb/d in 2011 as output at the new Mangala/Aishwariya/Bhagyama complex onshore Rajasthan ramps up. Indian 2011 production is forecast to average 900 kb/d. **Vietnam**'s oil output is expected to grow by 15 kb/d and 12 kb/d in 2010 and 2011 respectively, to average 360 kb/d in 2011. In contrast, oil production in **Malaysia** is forecast to decline by 33 kb/d and 35 kb/d respectively in 2010 and 2011, averaging 670 kb/d next year.





Total oil supply in **Latin America** is projected to rise by 300 kb/d in 2011, to 4.4 mb/d, with growth in Brazil and Colombia only marginally offset by declining production elsewhere, notably Argentina. In **Brazil**, strong growth in offshore production, including first large volumes from the pre-salt, drives an increase of 210 kb/d in 2011, following an increment of 150 kb/d in 2010. State-controlled Petrobras recently released its finalised 5-year investment plan, which boosts spending to a total of $224 billion in 2010-2014, much of it to develop an estimated 50+ billion barrels of pre-salt reserves. In 2011, total Brazilian oil production (excluding fuel ethanol) will average 2.4 mb/d. **Colombia** is also forecast to experience strong growth of 115 kb/d in 2010 and 2011, to average 900 kb/d next year. Much of this incremental output is envisaged to come from rising output at the Rubiales, Castilla and other heavy oil fields.





Non-OPEC Middle East is forecast to see supply growth of only 20 kb/d in 2011, rising to 1.7 mb/d. Incremental production in **Oman** (+60 kb/d in 2010, +55 kb/d in 2011) will see the country's output average 930 kb/d in 2011. This is partly offset by declining output in **Syria**, **Yemen** and **Bahrain**, which see production dip to 350 kb/d, 265 kb/d and 185 kb/d respectively in 2011.

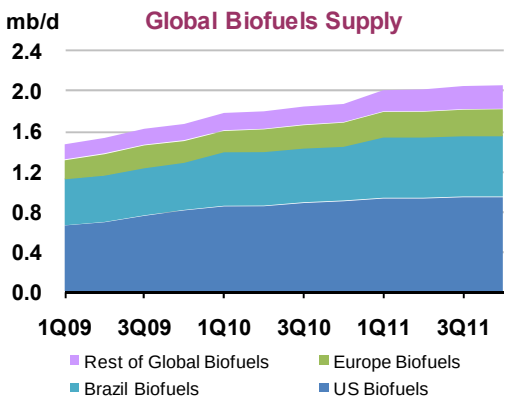
Africa's total oil production is adjusted up by an average 55 kb/d for 2008-2011 on higher historical data for Egypt. Following a marginal dip in 2010, regional production is forecast to rise by 30 kb/d in 2011 to average 2.6 mb/d. Despite a 65 kb/d higher baseline for **Egypt**, production here is nonetheless projected to decline marginally in 2010 and 2011, averaging 730 kb/d in 2011. **Ghana** will see oil production rise by a steep 85 kb/d to 90 kb/d in 2011 due to first output from the large offshore Jubilee field, expected to start production towards the end of 2010. Output in both **Equatorial Guinea** and **Sudan** is expected to decline by a combined 40 kb/d, averaging 250 kb/d and 450 kb/d respectively in 2011.

Biofuels – Matching Brazilian Crude as a Key Source of Supply Growth

After expected annual growth of 255 kb/d in 2010, global biofuels production should increase by a further 210 kb/d in 2011. Almost 30% of 2011 growth comes from Brazilian ethanol, over 20% from US ethanol, while OECD Europe biofuels account for 15%.

In the US, newly commenced weekly reporting suggests ethanol production over 840 kb/d in June. Recently, corn prices have risen sharply while ethanol demand and prices have remained constrained by an increasingly saturated domestic market. A potentially supportive US Environmental Protection Agency decision to allow a 15% ethanol blend in conventional autos has been delayed until autumn. US export opportunities may increase above the 30 kb/d level achieved in April, particularly if Brazilian supplies remain more geared towards their own domestic market. We see US ethanol production averaging 895 kb/d in 2011, up from 850 kb/d in 2010, driven by capacity additions over the next 18 months. Still, with the margin outlook less optimistic than in 1H10, risks to overall production lie to the downside.

In Brazil, robust gasoline demand growth (+5.7% year-on-year), an improved industry operating position and capacity expansions should help ethanol production to grow to 560 kb/d in 2011, after reaching 500 kb/d in 2010. With the introduction of higher domestic blends in 2010, biodiesel in Argentina and Brazil should also grow, with combined production at 65 kb/d in 2010 and 80 kb/d in 2011. Meanwhile, in OECD Europe, several large ethanol capacity additions in the Netherlands and the UK as well as Neste's biomass-to-liquids plant in Rotterdam should help total biofuels output to grow, from 225 kb/d in 2010 to almost 260 kb/d in 2011.



OECD STOCKS

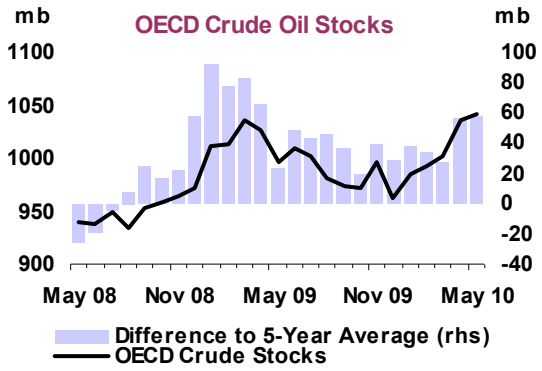
Summary

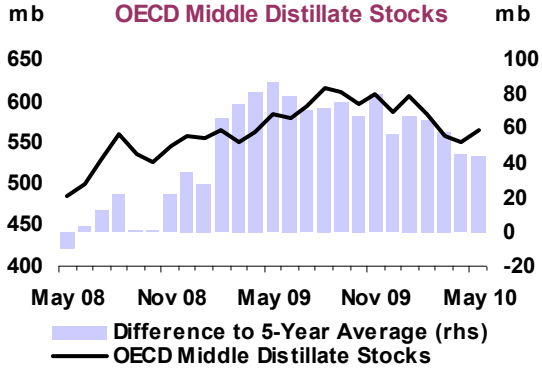
- **OECD industry stocks rose for a second consecutive month** across all regions by a combined 35.0 mb, reaching 2 757 mb in May. However, unlike last month, the increase was in line with the five-year average build of 39.7 mb. Product stocks rose by a sharp 17.4 mb, led by seasonal middle distillate restocking, while crude oil inventories built by 5.4 mb and other oils added a further 12.3 mb.

- **Forward demand cover stood at 61.0 days in May,** up from 60.3 days at end-April, and reached the previous year's level near the top of the five-year range.

- **Preliminary June data indicate total OECD industry stocks** rose by 3.5 mb, in contrast to the usual five-year average draw of 8.7 mb. Crude levels fell by 1.7 mb, while products gained 5.2 mb, as a build in the US outpaced declines in Japan and Europe.

- **Short-term oil floating storage fell to 115 mb at end-June**, from 127 mb in May. Large draws in Northwest Europe and the US Gulf Coast were behind the decline, partly offset by a product build off West Africa.





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

In May, OECD inventories rose for a second consecutive month, by 35.0 mb to 2 757 mb, slightly less than the five-year average build of 39.7 mb. Crude oil stocks grew in line with seasonal norms and posted a small increase even in the US, where stocks usually draw in May. This follows an atypically large gain of 33.5 mb in April, which doubled the surplus to the five-year average to above 55 mb. The stock build was amplified by an upward revision to April crude oil holdings (+12.6 mb), mainly in Europe.

Preliminary Industry Stock Change in May 2010 and First Quarter 2010

	May (preliminary) *(million barrels)*				May (preliminary) *(million barrels per day)*				First Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**0.5**	**5.2**	**-0.3**	**5.4**	**0.02**	**0.17**	**-0.01**	**0.17**	**0.40**	**-0.02**	**0.05**	**0.43**
Gasoline	-5.5	0.2	1.1	-4.2	-0.18	0.01	0.03	-0.14	0.07	0.02	0.02	0.11
Middle Distillates	1.8	7.6	6.0	15.4	0.06	0.24	0.19	0.50	-0.24	-0.05	-0.05	-0.34
Residual Fuel Oil	-1.3	1.7	0.4	0.8	-0.04	0.06	0.01	0.03	0.04	0.02	0.02	0.08
Other Products	1.5	0.4	3.5	5.4	0.05	0.01	0.11	0.17	-0.14	-0.05	-0.03	-0.21
Total Products	**-3.5**	**9.9**	**11.0**	**17.4**	**-0.11**	**0.32**	**0.35**	**0.56**	**-0.28**	**-0.06**	**-0.03**	**-0.36**
Other Oils[1]	9.6	-2.2	5.0	12.3	0.31	-0.07	0.16	0.40	-0.01	0.08	0.02	0.09
Total Oil	**6.6**	**12.9**	**15.6**	**35.0**	**0.21**	**0.42**	**0.50**	**1.13**	**0.11**	**0.01**	**0.03**	**0.15**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Meanwhile, seasonal post-winter stock building of middle distillates, residual fuel oil and other products, especially in Europe and the Pacific, led the increase on the product side in May. However, the level of restocking may be overstated in May, given that over the past three months middle distillates have been revised down by 10.9 mb on average. A downward April revision of 14.4 mb resulted in a monthly draw of 6.1 mb, reversing the previously reported 9.3 mb gain in that month.

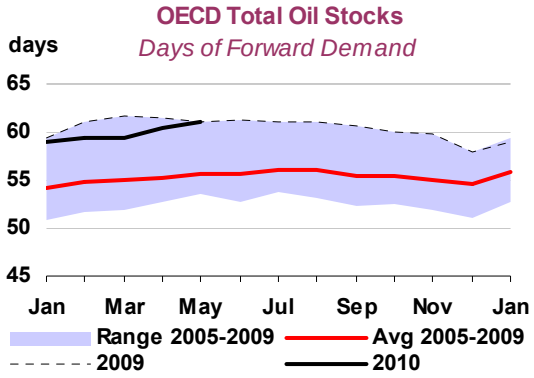
Revisions versus 10 June 2010 Oil Market Report

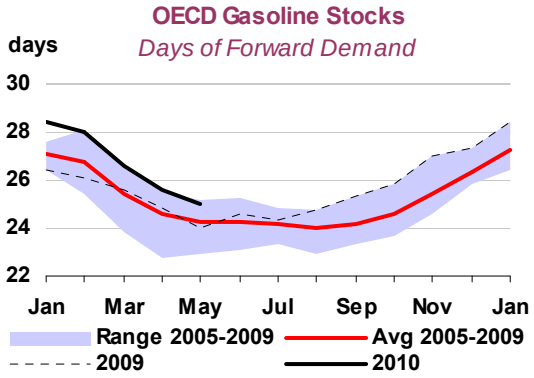
(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Mar 10	Apr 10	Mar 10	Apr 10	Mar 10	Apr 10	Mar 10	Apr 10
Crude Oil	**2.2**	**1.5**	**-2.3**	**9.6**	**0.3**	**1.5**	**0.2**	**12.6**
Gasoline	0.0	-8.1	-0.4	-2.8	0.0	0.4	-0.4	-10.4
Middle Distillates	0.0	-10.3	0.9	-3.6	0.1	-0.5	1.0	-14.4
Residual Fuel Oil	0.0	-1.7	0.1	1.9	0.0	0.0	0.1	0.2
Other Products	-2.8	-2.6	-1.3	2.6	0.0	0.0	-4.0	0.0
Total Products	**-2.8**	**-22.7**	**-0.6**	**-1.8**	**0.1**	**-0.1**	**-3.2**	**-24.6**
Other Oils[1]	1.4	8.8	2.1	-1.1	0.0	0.4	3.5	8.1
Total Oil	**0.9**	**-12.4**	**-0.8**	**6.6**	**0.4**	**1.8**	**0.5**	**-3.9**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Total OECD product holdings grew by 17.4 mb in May, less than the average seasonal build of 29.2 mb, as stronger gasoline draws with the onset of US driving season provided some offset. In terms of forward demand cover, gasoline stocks stood comfortably at the top of the five-year range at 25.0 days, suggesting an ample pre-summer buffer. Yet, gasoline levels have also been revised lower in the past four months, while April's revised assessment (-10.4 mb) implied a sharper stockdraw than reported last month.





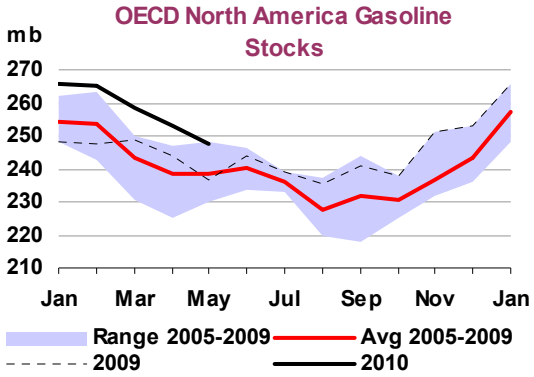
Preliminary June data point to a further 3.5 mb build in OECD inventories, contrasting with the five-year average draw of 8.7 mb. In Japan, where the seasonal build is usually driven by crude, inventories fell by 2.5 mb due to a product draw offsetting a crude gain. Meanwhile in the US, product builds, mainly concentrated in middle distillates, drove the 10.8 mb gain in stocks. In Europe, industry stocks fell by 4.8 mb in June, less than the five-year average draw of 18.3 mb, on draws in both crude and products.

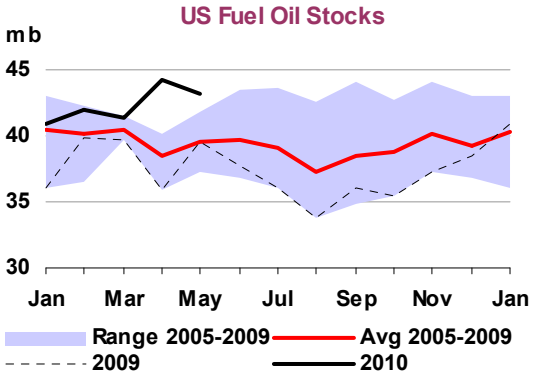
Crude oil held in floating storage decreased to 85 mb in June from 93 mb in May, following offloading in the US Gulf, Northwest Europe and Asia-Pacific. An offsetting increase came from Africa, where two VLCCs reportedly stored crude near Durban. Reports indicated that several tankers holding Iranian crude were moved or discharged but, according to available tanker data, the levels stored in the Middle East Gulf remained virtually unchanged, at around 50 mb at end-June. Meanwhile, product floating storage declined by 4 mb, to 30 mb, on a draw in products held off Northwest Europe. A build off West Africa partly cushioned the fall.

Analysis of Recent OECD Industry Stock Changes

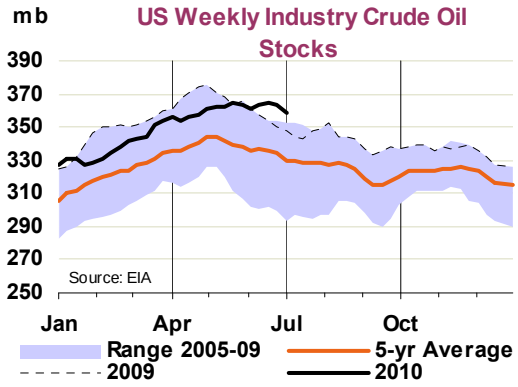
OECD North America

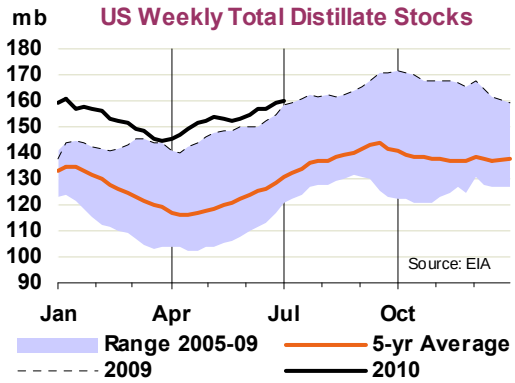
Industry stocks in North America rose by 6.6 mb to 1 342 mb in May, driven by an increase in US other oils, including NGLs and feedstocks. Crude oil inventories stood only 0.5 mb higher, as a build in the US outpaced a draw in Mexico stemming from increased crude exports after five years of decline. Regional product stocks contracted by 3.5 mb and thus narrowed the difference to the average level from 35.2 mb in April to 12.8 mb in May. Gasoline inventories fell by 5.5 mb and dropped below 2005 highs. However, in terms of forward demand cover, gasoline stood above the range at 22.6 days at the onset of the US driving season. Fuel oil drew by 1.3 mb following a strong build in the US during the previous month, while regional builds in middle distillate and other product stocks provided some offset to the overall product draw.





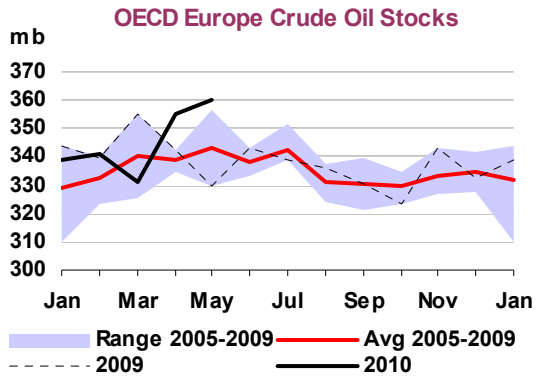
US weekly data point to a fourth consecutive monthly increase in industry stocks in June, this time by +10.8 mb, with more than half coming from middle distillates. Further support came from propane, jet kerosene and other oils, while offsetting draws occurred in crude oil and fuel oil. Crude inventories fell by 3.3 mb to 359 mb, with Cushing stocks falling from 37.6 mb to 35.8 mb at end-June.

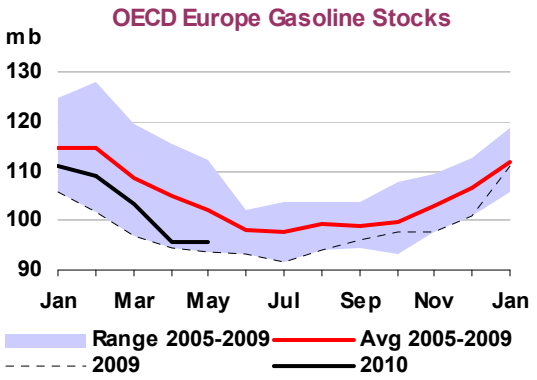




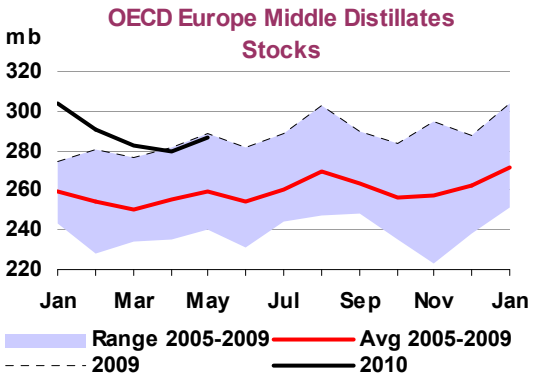
OECD Europe

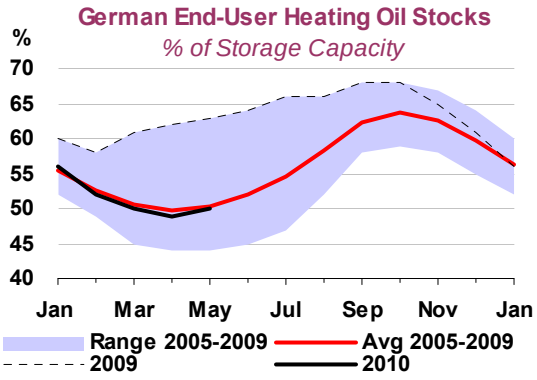
Commercial oil inventories in Europe rose by 12.9 mb to 1 002 mb in May, as both crude and products built by 5.2 mb and 9.9 mb, respectively. The increase in crude oil resulted from higher Norwegian stocks at end-May, most probably held in loading terminals ready for export. The sharpest offsetting draws occurred in the Netherlands and Italy, shedding 3.0 mb and 1.5 mb, respectively. French crude oil stocks fell by 0.7 mb to 29.8 mb, albeit from a lower base, as March and April levels were revised down by 2.5 mb on average.





On the product side, the builds stemmed from seasonal post-winter restocking of middle distillates and fuel oil (+7.6 mb and +1.7 mb, respectively), evident also in the increase of German consumer heating oil stocks from 49% to 50% of capacity in May. Both middle distillates and gasoline stood at around 40.5 days of forward demand cover. In absolute terms, middle distillates hovered at the top of the range, extending their surplus to 27.1 mb. Conversely, gasoline inventories remained 6.4 mb below average levels, close to the bottom of the five-year range, despite edging higher by 0.2 mb on average.

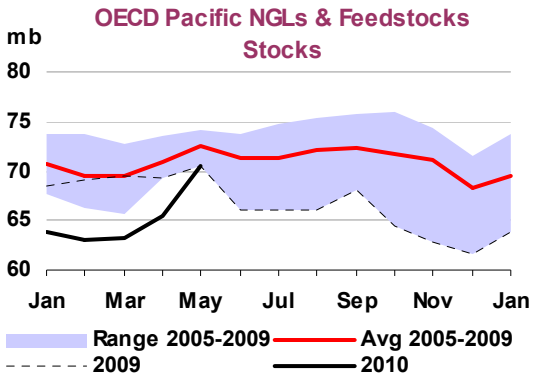


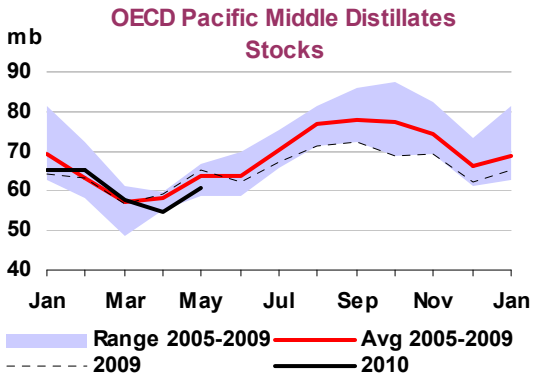


Inventories held in Northwest European independent storage rose in June, largely supported by higher imports of fuel oil and jet kerosene. Gasoline stocks stood above prior month levels as restocking before the start of the driving season continued, but drew in the second half of the month as exports to the US picked up. European summer driving demand for diesel pushed gasoil inventories lower. Preliminary data from Euroilstock point to a 4.8 mb draw in EU-16 inventories, slightly less than a seasonal 18.3 mb decline. Crude inventories fell by 1.8 mb, while a drop in middle distillates led products lower by 3.0 mb

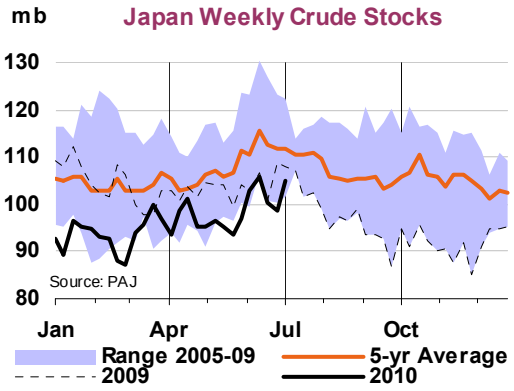
OECD Pacific

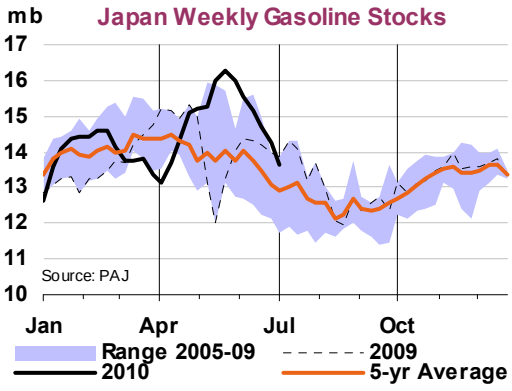
In May, OECD Pacific stocks increased seasonally by 15.6 mb to 412.2 mb, led by an 11.0 mb addition to products. More than half of the build came from middle distillate restocking (+6.0 mb), while gasoline and other products added a further 1.1 mb and 3.5 mb, respectively. Almost 5.0 mb came from a sharp build in NGLs and feedstocks. Meanwhile, crude oil inventories on average fell by 0.3 mb, but a seasonal increase in Japan partially balanced a larger, counter-seasonal draw in Korean inventories.





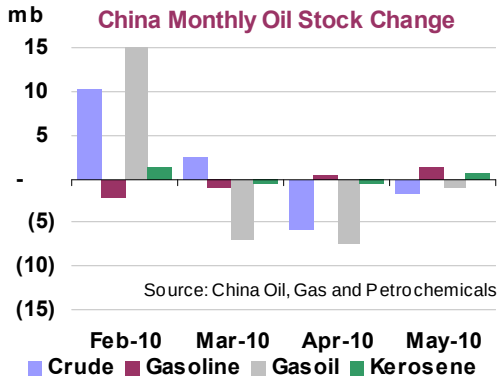
Weekly data from the Petroleum Association of Japan (PAJ) point to a 2.5 mb decline in Japanese industry inventories in June, largely driven by product draws. Gasoline stocks fell from 11-year highs back to 13.9 mb, in the upper part of the five-year range, while gasoil inventories shed 1.2 mb and kerosene fell by 0.5 mb. Crude oil stocks increased by 3.5 mb, while jet fuel inventories also rose after holding relatively stable levels during the past two months.

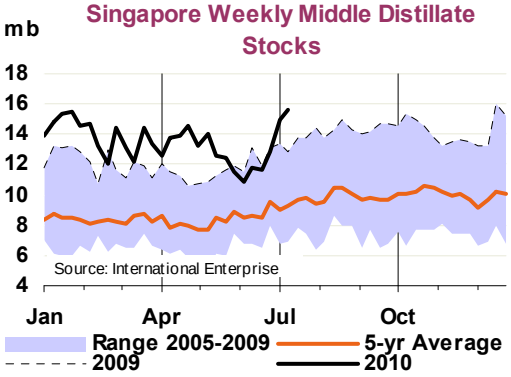




Recent Developments in China and Singapore Stocks

Chinese crude oil stocks fell by 1.8 mb in May, according to *China Oil, Gas and Petrochemicals (China OGP)*. The second successive monthly draw occurred amid high refinery runs and a dip in imports. Oil product inventories increased by 0.7 mb on builds in gasoline and kerosene. Gasoil inventories dropped slightly as domestic agricultural demand grew stronger.



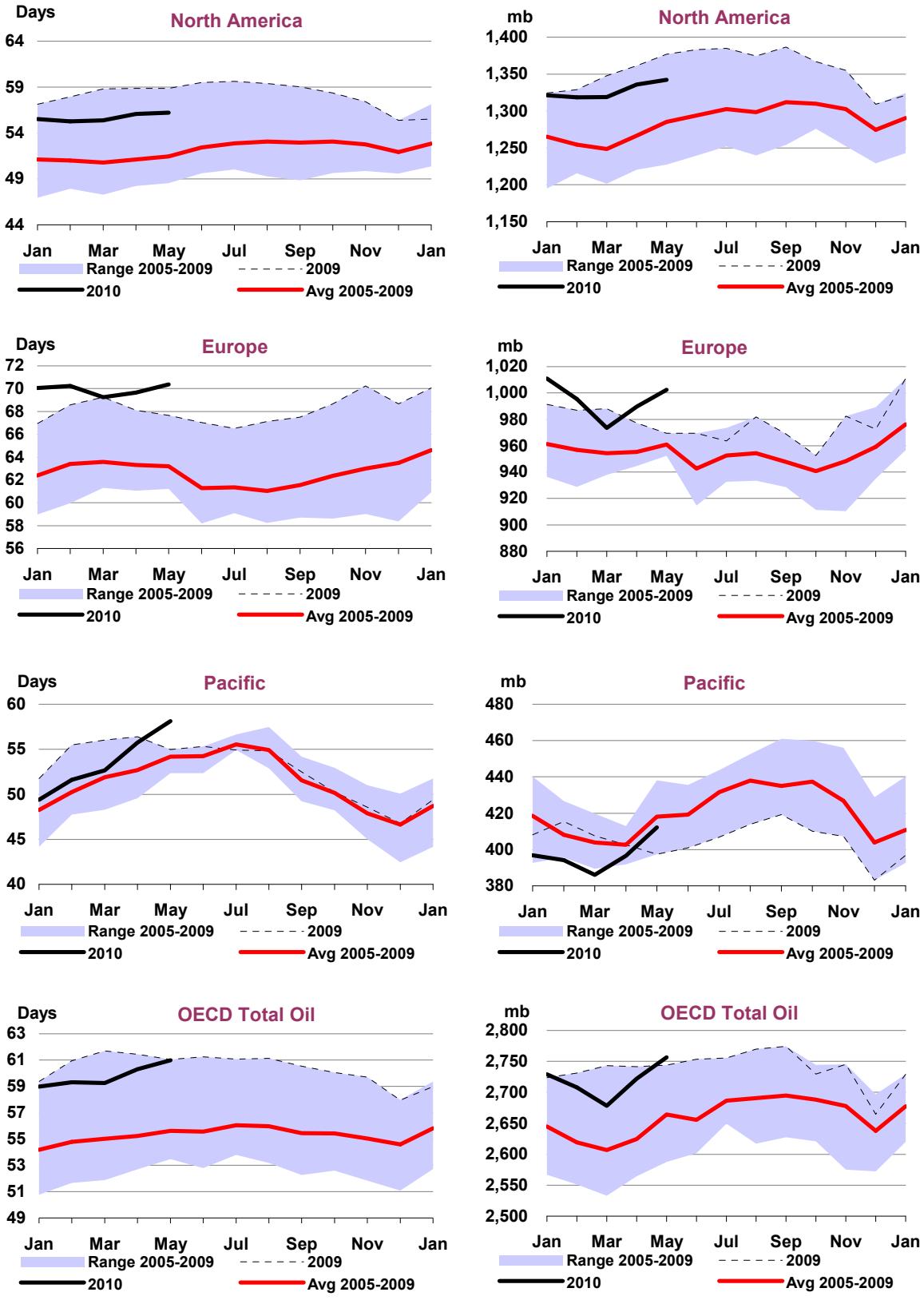


Oil inventories in Singapore rose by 5.6 mb to 48.2 mb in June, according to weekly data from International Enterprise. Nearly 4 mb came from middle distillates amid steady imports from China and Korea. Fuel oil inventories added a further 1.0 mb and light distillates including motor gasoline rose, despite reportedly higher exports to Indonesia ahead of Ramadan.

Regional OECD End-of-Month Industry Stocks

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

Days[1] Million Barrels



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

PRICES

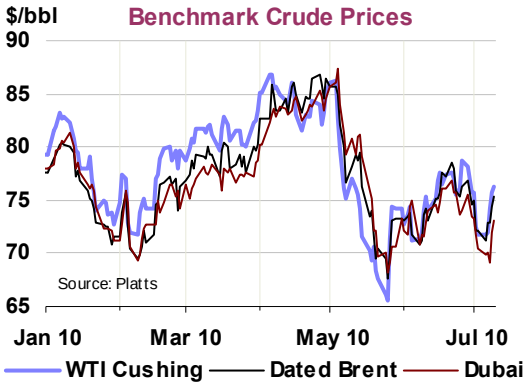
Summary

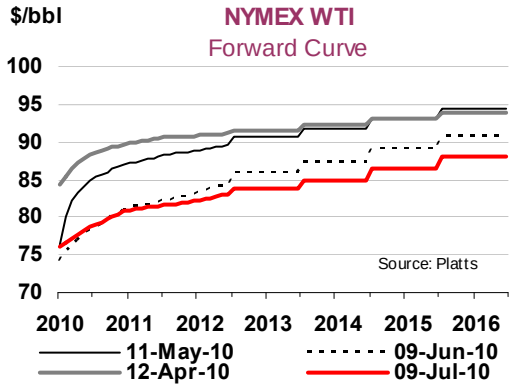
- **Benchmark crude oil prices in June traded in a relatively narrow range of around $71-79/bbl** compared with an unusually volatile May. The negative market sentiment that emerged in May continued to temper price moves to the upside in June. By early July both Atlantic basin benchmarks touched four-week lows before rebounding to $75.00-75.50/bbl by the 12th of the month.

- **Global financial and equity markets continued to dominate sentiment** in June, with traders and analysts acutely focused on macroeconomic data. The Eurozone crisis continued to fuel concerns that new austerity measures will lead to a double-dip recession. For much of June, China's macroeconomic data and statistics showing that the US recovery was losing steam also cast a bearish shadow.

- **US summer gasoline demand, while seasonally stronger, is showing only weak year-on-year growth** of 0.4% in June. NYMEX gasoline crack spreads fell in June to around $12/bbl on average, after reaching a peak near $18/bbl in May. The tepid start to the season may yet surprise and follow last year's trajectory, when preliminary data were later revised up. In Europe, gasoline cracks came under pressure from weak regional demand and reduced export opportunities to the US and Middle East.

- **The VLCC Middle East Gulf – Japan freight market was characterised by boom and bust**, as early month spot rates surged from $14/mt to peak above $20/mt on 22 June. The most likely driver was China, where increased tanker traffic resulted in severe congestion at Chinese ports, inflating prices by tying up vessels. However, rates slumped to under $13/mt by month-end on waning demand.





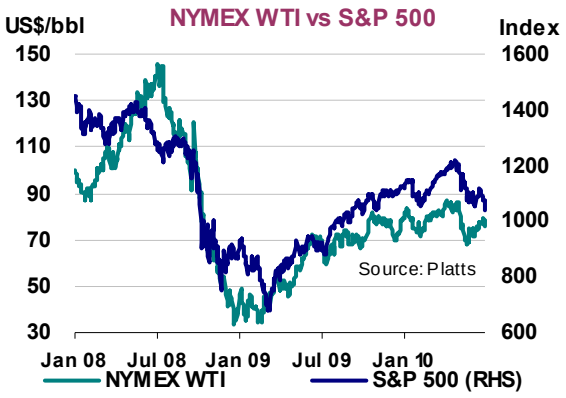
Market Overview

Following hard on the heels of one of the most turbulent months in the past year, June oil prices traded in a relatively narrow $8/bbl range compared with the $18/bbl range evident in May. WTI futures prices were up, on average, by $1.29/bbl to $75.40/bbl last month, while Brent prices were down on average by $1.34/bbl to $75.66/bbl. Spot prices for Middle East marker Dubai crude were down, on average, by $2.79/bbl in June to $73.99/bbl.

The negative market sentiment that emerged in May continued to temper price moves to the upside in June and July, with prices trading slightly below the January-June average of $78.35/bbl for both WTI and Brent. By early July both Atlantic basin benchmarks touched four-week lows before rebounding to $75.00-75.50/bbl by the 12th of the month.

Global financial and equity markets continued in June to be the primary drivers of market sentiment, with traders and analysts acutely focused on macroeconomic data. For much of June, China's

macroeconomic data and latest statistics showing that the US recovery was losing steam cast a bearish shadow. Prices came under pressure again at end June after the US Federal Reserve Bank opted to maintain interest rates near zero and cautioned that the US economic recovery was more sluggish than previous assessments.



Moreover, the Eurozone crisis continued to fuel concerns that new austerity measures will lead to a double-dip recession. The G-20 pushed for governments to reduce deficits at its end-June meeting in Toronto. The July release of the IMF's interim *World Economic Outlook Update* did little to allay concerns when it cautioned that Europe's economic woes are now the major threat to the global economic recovery. However, despite the IMF's sobering outlook for Europe, overall the fund raised its forecast for global GDP growth for 2010, to 4.5% versus its previous forecast of 4.1% (this report does not integrate the latest IMF partial update since it was released after our data freeze but the latest data do not materially change our views). Global oil demand is now expected to rise by 1.8 mb/d to 86.5 mb/d in 2010, but growth will ease in 2011 to 1.3 mb/d.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

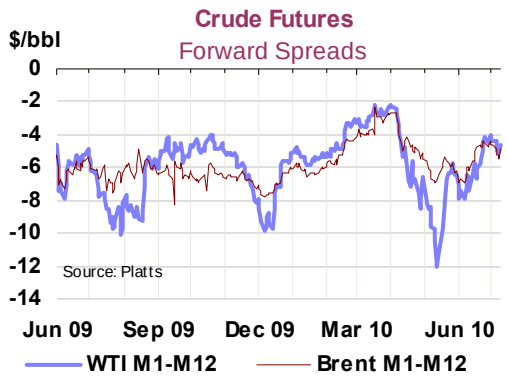
	Apr	May	Jun	Jun-May Avg Chg	% Chg	Week Commencing: 07 Jun	14 Jun	21 Jun	28 Jun	05 Jul
NYMEX										
Light Sweet Crude Oil	84.58	74.12	75.40	1.29	1.7	73.41	76.74	77.35	74.98	74.40
RBOB	97.38	88.45	87.39	-1.07	-1.2	85.21	89.50	89.21	86.06	85.24
No.2 Heating Oil	93.68	86.01	85.96	-0.04	-0.1	83.84	88.04	88.17	83.58	83.23
No.2 Heating Oil ($/mmbtu)	16.08	14.77	14.76	-0.01	-0.1	14.39	15.11	15.14	14.35	14.29
Henry Hub Natural Gas ($/mmbtu)	4.08	4.15	4.78	0.63	13.2	4.77	5.07	4.81	4.68	4.51
ICE										
Brent	85.75	77.00	75.66	-1.34	-1.8	73.67	77.29	77.54	74.41	73.31
Gasoil	96.23	88.39	88.29	-0.09	-0.1	85.78	90.15	90.61	86.42	84.99
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-1.18	-2.88	-0.25	2.63		-0.25	-0.55	-0.19	0.58	1.08
NYMEX No.2 Heating Oil - WTI	9.10	11.89	10.56	-1.33		10.43	11.30	10.82	8.60	8.84
NYMEX RBOB - WTI	12.80	14.34	11.98	-2.35		11.79	12.76	11.86	11.08	10.84
NYMEX 3-2-1 Crack (RBOB)	11.57	13.52	11.51	-2.01		11.34	12.27	11.51	10.25	10.17
NYMEX No.2 - Natural Gas ($/mmbtu)	12.00	10.61	9.97	-0.64		9.63	10.05	10.33	9.66	9.78
ICE Gasoil - ICE Brent	10.48	11.39	12.64	1.24		12.12	12.87	13.06	12.02	11.68

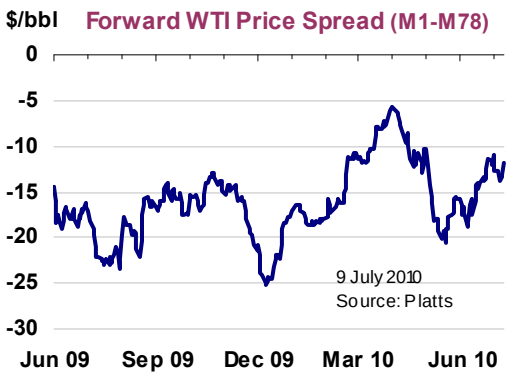
Source: Platts

Futures Markets

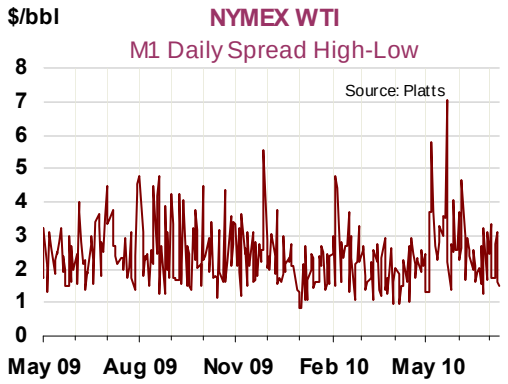
The contango between the front month contract and forward markets narrowed in June as prompt prices recovered from exceptionally weak levels in May. The WTI M1-M12 also narrowed, to $6.10/bbl in June from around $8.50/bbl in May. By early July, the spread was running about $4.75/bbl.

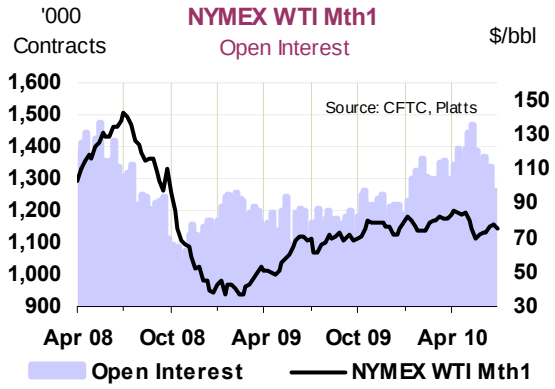
Longer dated futures contracts are also indicating more bearish market sentiment. The M1-M78 spread in early July was just under $13/bbl compared with around $15/bbl in June and around $18/bbl spread in May. Oil for delivery in December 2013 has dropped from more than $95/bbl in early May to an average $88/bbl in June. Technical traders argued that a bear market took hold once the price structure crossed a critical threshold in late June, with the 50-day moving average price dropping below the 200-day moving average. These traders argue that such price moves indicate risks are skewed to the downside.





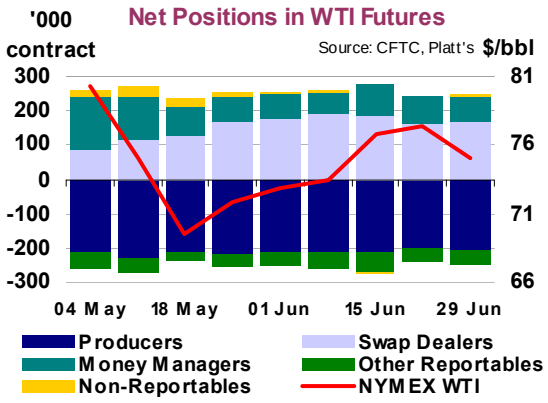
Trading activity on the NYMEX futures exchange was fairly muted in June given the narrow price range, with open interest in the NYMEX crude oil contract hitting the lowest level in July since the beginning of the year. That compares with record trading volumes posted in late April and early May, when prices surged above $18/bbl to over $86/bbl.

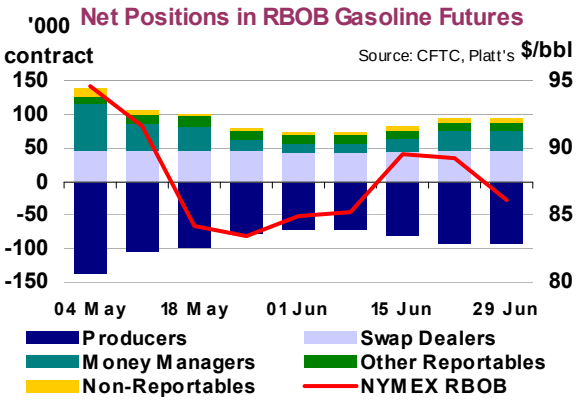




Open interest in NYMEX WTI futures fell by 8.5% to 1.26 million contracts in June, as oil prices rose on average by $1.30/bbl. After a heavy sell-off in May, money managers increased their net long holdings last month by 8 400 contracts on average. On the other hand, swap dealers offloaded some of their net longs accumulated since May, bringing their net long positions down by 13 100 contracts. Meanwhile producers and other reportables trimmed net short holdings slightly over the month.

In the gasoline futures market, money managers increased their net long positions by 18 400 lots, balanced by a 21 200 net shorts added by producers. However, after a sharp fall in May, RBOB Gasoline open interest slipped lower again to 226 500 contracts in June.





Unintended Consequences of New Market Regulation

Governments are moving apace with new regulations on financial markets, including energy derivatives. In June, the G-20 made headway in debating new regulations of over-the-counter (OTC) derivative markets, while the European Commission released a working draft for public comment on the issue. US regulators led the way in June with broad reforms of Wall Street, including proposed legislation that would require swaps and other over-the-counter (OTC) trades to move to regulated exchanges or clearing houses. US regulatory proposals on Wall Street reform prepared by the House of Representatives and the Senate were reconciled into a single rule and have already been approved by the lower chamber.

Proposed US legislation will set a number of new restrictions on the oil trading community. As it stands, the bill requires OTC trades be moved onto regulated exchanges or for trades to be processed by clearing houses. Exemptions will be made for end-users, refiners, producers and transport companies who hedge their commercial risk, such as exposure to market fluctuations. However, companies such as refiners, airlines and other commercial players may be required to post collateral for uncleared swaps and thus face substantially higher costs. The International Swaps and Derivatives Association (ISDA) calculates that as much as $400 billion could be tied up as collateral to cover derivatives exposure.

A new study commissioned by the OECD investigated the impact of index funds on the market and argues that changes to regulations could have unintended negative impacts. By way of example, the study reports that limiting participation of fund investors may unintentionally deprive futures markets of liquidity and risk absorption capacity (see '*The Impact of Index and swaps Funds on Commodity Futures Markets*,' http://www.oecd.org/dataoecd/16/59/45534528.pdf).

The US bill also gives the US Commodities Futures Trading Commission (CFTC) the authority to impose position limits on both cleared and non-cleared trades. While the CFTC already considered position limits for WTI, heating oil, RBOB gasoline and natural gas futures contracts earlier this year, it is unclear whether a common line will emerge among the five CFTC commissioners.

Following in the CFTC's footsteps in soliciting public comment on proposed legislation, a working document of the Internal Markets Directorate-General of the European Commission has been made available for discussion and consultation until 10 July. The paper outlines how to implement some policy actions announced in October 2009, namely:

- Mandatory clearing of all 'standardised' OTC derivatives;
- Mandatory reporting of all OTC derivatives to trade repositories;
- Common rules for Central Counterparties (CCPs) and trade repositories.

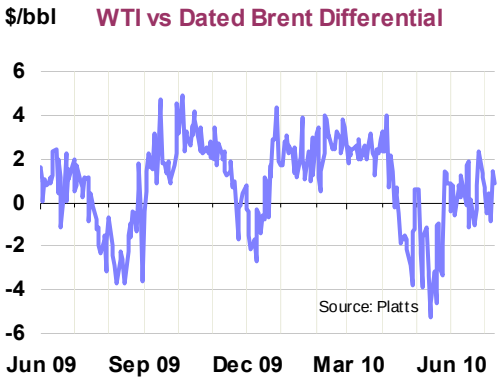
The EU's final regulatory proposal is scheduled to be published in September 2010. Other measures such as a revision to the Market in Financial Instruments Directive (MiFID) and the Market Abuse Directive (MAD) will follow later. Meanwhile, ten of Europe's largest industrial companies have warned that enactment of the EU's clearing threshold proposals risks sparking a new financial crisis. (For more information on global financial regulatory overhaul see '*Financial Market Regulation*' in the June *MTOGM 2010*.)

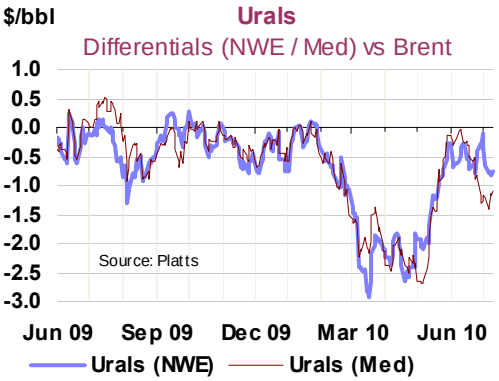
Spot Crude Oil Prices

Spot crude oil prices were mixed in June, with US and North Sea benchmark crudes tighter relative to amply supplied Asian markets. US WTI posted a month-on-month gain of $1.67/bbl to $75.29/bbl, Dated Brent a decline of $0.31/bbl to $74.85/bbl and Dubai was off by a steeper $2.79/bbl to $73.99/bbl.

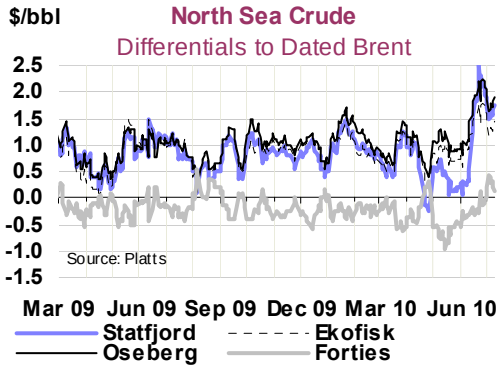
The spot WTI price recovered in June from depressed May levels, in tandem with the drawdown in stocks at the pivotal Cushing storage depot. As a result, WTI regained its premium over Brent in June, to $0.44/bbl versus -$1.54/bbl in May, a swing of $1.98/bbl. By early July, the crudes were trading at near parity. Cushing stocks fell by 1.8 mb from record monthly levels of 37.6 mb at end-May. The Cushing stock drawdown helped narrow the WTI contango between M1-M2 in June to just under $1/bbl versus $3/bbl in May. In Europe, the Urals-Brent differential narrowed in June, with the discount averaging just $0.50/bbl compared with $1.50/bbl in May. Reduced exports of Russian Urals again in June coupled with

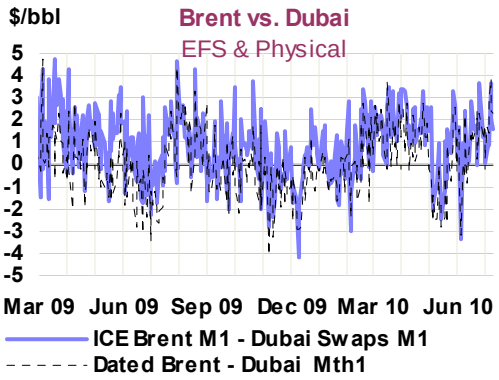
several cargoes being diverted to other regions, shored up prices. The loss of some medium-sour Iraqi Kirkuk crude due to another attack on the Ceyhan pipeline also helped support Urals differentials.





North Sea premiums to Brent crude rose in anticipation of reduced supplies of both UK and Norwegian supplies in August. Scheduled maintenance is expected to cut Forties output by 150 kb/d next month while Norway's crude production is forecast to decline by 105 kb/d in August. In addition to planned maintenance affecting the Statfjord and Oseberg crude streams, as much as 100 kb/d of production from the Gullfaks platform remains shut-in since end-May due to a gas leak.





In Asia, spot prices for Middle East crudes fell sharply relative to other regions on ample supply, especially of Russian ESPO crude. Moscow's decision to impose an export tax on the new ESPO crude is not expected to dent Asian refiners' appetite. Indeed, competition among Middle East producers for Chinese market share is only expected to increase following the opening of the 300 kb/d ESPO spur to China early next year (see *Non-OPEC Supply, 'FSU: Taxing Times Ahead'*).

Asian refiners also opted for regional crudes in June, given stronger Middle East VLCC freight rates and reduced buying interest for middle distillate-rich crudes. Asia-Pacific refiners instead have been buying heavy, sweet crudes favoured for power generation.

Underscoring the weakness for some Middle East grades, the price differential for Dubai minus Brent moved to a discount of $0.86/bbl in June versus a premium of $1.62/bbl in May. In addition, unsold Iranian crude and condensate in floating storage continued to weigh on markets. At end-June Iranian oil held offshore was estimated at around 45 mb, down from 50 mb at end May. However, while three Iranian VLCCs discharged cargo in June, the same tankers are now reportedly steaming back to reload more of the country's unsold crude.

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

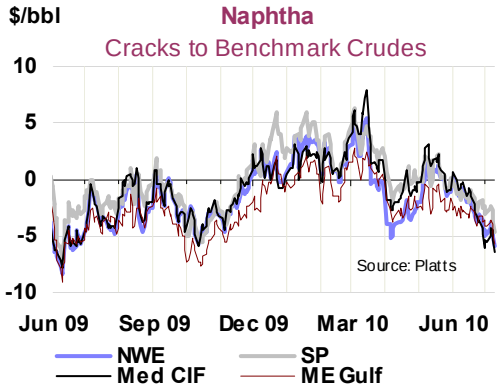
	Apr	May	Jun	Jun-May Avg Chg	%	Week Commencing: 07 Jun	14 Jun	21 Jun	28 Jun	05 Jul
Crudes										
Dated Brent	84.89	75.16	74.85	-0.31	-0.4	72.62	76.19	76.81	74.15	73.38
Brent (Asia) Mth1 adjusted	85.38	77.17	75.25	-1.91	-2.5	72.97	76.48	76.91	74.74	72.82
WTI (Cushing) Mth1 adjusted	84.44	73.62	75.29	1.67	2.3	73.33	76.66	76.97	74.77	74.57
Urals (Mediterranean)	82.62	73.68	74.37	0.69	0.9	72.50	75.86	76.08	72.93	72.13
Dubai Mth1 adjusted	83.59	76.78	73.99	-2.79	-3.6	72.19	75.07	75.16	72.93	70.81
Tapis (Dated)	87.40	78.88	77.32	-1.56	-2.0	74.57	78.72	79.51	77.36	75.42
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-0.45	-1.54	0.44	1.98		0.71	0.47	0.16	0.62	1.19
Urals (Mediterranean)	-2.27	-1.48	-0.48	1.00		-0.12	-0.33	-0.73	-1.22	-1.25
Dubai Mth1 adjusted - Dated Brent	-1.30	1.62	-0.86	-2.48		-0.43	-1.12	-1.65	-1.22	-2.57
Tapis (Dated)	2.51	3.72	2.47	-1.25		1.95	2.53	2.70	3.21	2.04
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.69	-1.17	-0.62	0.55		-0.70	-0.52	-0.63	-0.41	-0.27
Forward WTI Cushing Mth1-Mth2 adj.	-1.20	-3.00	-0.99	2.01		-1.22	-1.09	-0.54	-0.55	-0.55

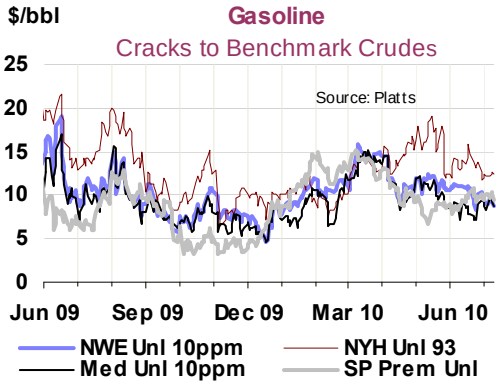
Source: Platts

Spot Product Prices

Spot prices for refined products were mostly lower in June, with gasoil in Europe the exception. Despite the onset of the peak summer driving season in the US, gasoline crack spreads were mostly lower in June, though differentials to Light Louisiana Sweet crude on the Gulf Coast posted a modest improvement. Preliminary data show June gasoline consumption year-on-year up a small 0.4%, leading some analysts to speculate that a strong gasoline season in the US may fail to materialise. NYMEX front-month RBOB cracks also fell in June to $12/bbl on average, after reaching a peak near $18/bbl in May, with heating oil cracks contra-seasonally trading at around parity with gasoline for several days in June.

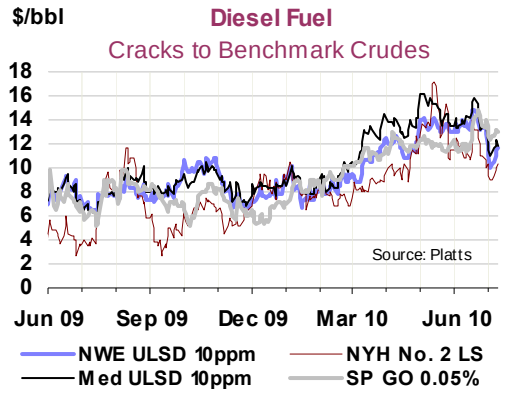
In Europe, gasoline cracks were under pressure from weak regional demand and reduced export opportunities to the US and Middle East at end month. Increased refinery runs due to the end of maintenance work also added to unwanted supplies. In Asia, gasoline crack spreads were the exception, rising versus May levels.

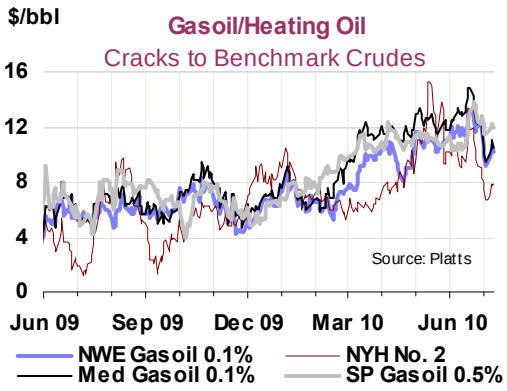




Naphtha markets weakened in all major regions in June, largely due to planned cutbacks at petrochemical units. In Singapore, naphtha crack spreads deteriorated from +$0.65/bbl in May to a loss of $1.57/bbl in June. Cracks came under pressure from increased flows from the Middle East as refiners there were offering an unusually high number of spot cargoes for July and August. Higher imports from Europe and reduced demand from China were also weighing on cracks in Singapore.

Middle distillate crack spreads were mixed but mostly hovered around a robust $12/bbl. Diesel cracks in the US posted modest increases in June, buoyed by higher exports to Latin America. In Europe the picture was mixed, with Northwest Europe diesel cracks for Brent up a few cents on the month, to $13.56/bbl, while ULSD differentials to Urals were down almost $1/bbl in the Mediterranean.





European high-sulphur fuel oil markets were down by around $0.60-1.20/bbl in June on ample supplies, with differentials to Brent in Rotterdam at $9.13/bbl versus $8.25/bbl in May and cracks to Urals in the Med at $8.90/bbl compared with $7.62/bbl the previous month. By contrast, HSFO margins in Singapore were relatively flat over the month, though they started to improve in early July on stronger bunker demand.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Apr	May	Jun	Jun-May Chg	Jun-May %	Week Commencing: 07 Jun	14 Jun	21 Jun	28 Jun	05 Jul	Apr	May	Jun
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	95.90	86.49	85.22	-1.27	-1.5	83.60	86.95	85.95	83.84	82.55	11.02	11.33	10.37
Naphtha	81.37	75.20	72.76	-2.44	-3.2	71.45	74.24	73.50	69.71	68.79	-3.52	0.04	-2.09
Jet/Kerosene	95.67	88.23	88.64	0.41	0.5	86.56	90.39	90.68	86.30	85.18	10.78	13.07	13.79
ULSD 10ppm	96.79	88.64	88.41	-0.24	-0.3	86.33	90.27	90.44	85.97	84.37	11.90	13.48	13.56
Gasoil 0.1%	94.53	85.95	86.74	0.78	0.9	84.35	88.49	89.00	84.85	83.42	9.64	10.79	11.89
LSFO 1%	77.08	70.51	69.55	-0.96	-1.4	68.15	69.94	71.22	68.74	69.35	-7.80	-4.65	-5.31
HSFO 3.5%	72.73	66.91	65.72	-1.19	-1.8	64.73	66.43	66.58	63.69	63.52	-12.15	-8.25	-9.13
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	93.18	84.07	82.79	-1.28	-1.5	81.01	84.22	83.72	81.92	81.21	10.57	10.39	8.42
Naphtha	81.33	74.92	72.61	-2.32	-3.1	71.61	74.46	73.05	68.56	67.45	-1.29	1.24	-1.76
Jet Aviation fuel	94.11	86.64	87.06	0.42	0.5	85.20	88.94	88.76	83.88	82.94	11.49	12.96	12.69
ULSD 10ppm	96.28	88.48	88.35	-0.13	-0.1	86.49	90.72	90.05	85.32	83.91	13.66	14.80	13.99
Gasoil 0.1%	94.33	86.18	87.33	1.16	1.3	85.24	89.75	89.18	84.67	82.97	11.71	12.50	12.96
LSFO 1%	77.29	70.13	68.38	-1.75	-2.5	66.83	69.17	69.66	68.00	69.83	-5.33	-3.55	-5.99
HSFO 3.5%	72.44	66.06	65.47	-0.58	-0.9	64.50	66.29	66.49	63.31	62.94	-10.17	-7.62	-8.90
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	99.06	89.74	88.77	-0.97	-1.1	86.72	91.05	90.54	86.90	86.96	14.62	16.12	13.48
Unleaded	93.11	84.23	84.12	-0.11	-0.1	82.09	86.78	85.51	82.26	82.63	8.67	10.61	8.82
Jet/Kerosene	95.13	88.03	88.02	0.00	0.0	86.40	90.01	89.16	84.80	85.01	10.69	14.41	12.73
No. 2 (Heating Oil)	92.79	85.69	85.41	-0.28	-0.3	83.06	87.59	87.40	82.64	82.18	8.35	12.07	10.11
LSFO 1%†	76.41	69.64	67.89	-1.74	-2.5	66.38	68.94	69.48	67.06	68.53	-8.03	-3.98	-7.40
No. 6 3%†	73.90	67.15	66.69	-0.46	-0.7	64.88	67.75	68.43	66.01	66.30	-10.54	-6.47	-8.61
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	94.06	85.12	83.26	-1.86	-2.2	81.02	84.88	84.99	82.72	80.69	10.47	8.34	9.28
Naphtha	83.13	77.43	72.42	-5.01	-6.5	70.88	73.58	72.90	70.33	67.55	-0.46	0.65	-1.57
Jet/Kerosene	94.82	88.12	86.64	-1.48	-1.7	84.00	87.57	89.10	85.75	83.02	11.23	11.34	12.65
Gasoil 0.5%	94.77	87.91	85.67	-2.24	-2.5	82.78	86.74	88.47	84.99	82.72	11.18	11.13	11.68
LSWR Cracked	72.78	68.40	67.05	-1.35	-2.0	64.12	69.02	68.23	69.47	70.09	-10.81	-8.38	-6.94
HSFO 180 CST	75.70	70.73	67.87	-2.86	-4.0	66.68	68.52	69.04	67.27	66.76	-7.89	-6.05	-6.11
HSFO 380 CST 4%	76.56	72.09	69.21	-2.88	-4.0	68.13	69.89	70.18	68.21	67.52	-7.03	-4.69	-4.78

Source: Platts * CIF † Cargoes

Refining Margins

In June, benchmark refining margins fell in NW Europe and the Mediterranean, bar Brent hydroskimming, for which the crude price decline narrowly offset a lower net product worth. A sharper fall in naphtha and gasoline crack spreads than for fuel oil favoured simple configurations. For the rest of the benchmark crudes, wider differentials for gasoil/diesel and jet fuel/kerosene were more than offset by lower crack spreads for other products.

In the USGC, margins were mixed. All light crude cracking margins improved, supported by stronger spreads across the product slate. Even though margins for heavier crudes processed in more complex refineries fell, depreciation more than offset by lower product prices, they continued to outperform lighter crude margins.

US West Coast margins were supported by stronger crack spreads for light products, particularly gasoline. Only the Kern cracking margin fell as a weaker fuel oil crack spread and this crude's high fuel oil yield offset light product gains. In Singapore, relative changes in feedstock values allowed Dubai margins to rise while Tapis margins fell.

Selected Refining Margins in Major Refining Centres

($/bbl)

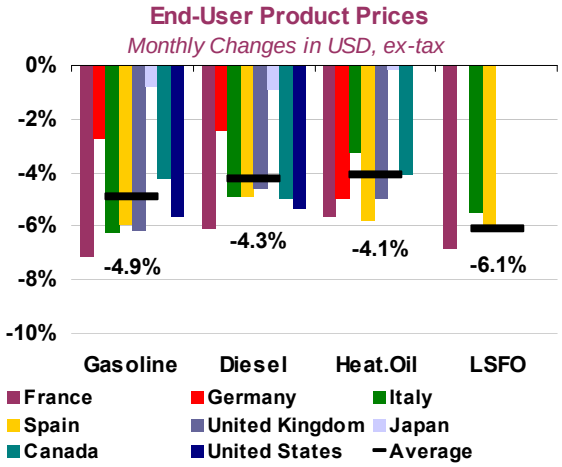
		Monthly Average				Change	Average for week ending:				
		Apr 10	May 10	Jun 10		Jun 10-May 10	11 Jun	18 Jun	25 Jun	02 Jul	09 Jul
NW Europe	Brent (Cracking)	1.82	3.30	3.29	↓	-0.01	3.90	3.50	2.63	2.06	1.76
	Urals (Cracking)	3.17	4.23	3.10	↓	-1.13	3.73	3.28	2.50	1.63	1.86
	Brent (Hydroskimming)	-1.24	0.72	0.76	↑	0.04	1.39	0.77	0.21	-0.46	-0.31
	Urals (Hydroskimming)	-2.85	-0.85	-1.96	↓	-1.11	-1.23	-2.03	-2.53	-3.48	-2.93
Mediterranean	Es Sider (Cracking)	1.43	1.91	1.29	↓	-0.62	1.63	1.49	0.58	1.28	1.63
	Urals (Cracking)	1.35	2.74	1.67	↓	-1.08	1.89	1.63	1.23	1.35	1.30
	Es Sider (Hydroskimming)	-3.56	-2.59	-3.26	↓	-0.67	-2.82	-3.18	-3.97	-3.11	-2.13
	Urals (Hydroskimming)	-5.43	-3.16	-4.17	↓	-1.00	-3.68	-4.37	-4.66	-4.70	-4.55
US Gulf Coast	Bonny (Cracking)	-1.73	-1.15	-0.70	↑	0.45	-0.58	-0.61	-0.77	-1.10	-0.32
	Brent (Cracking)	-2.42	-1.25	-0.78	↑	0.48	-0.70	-0.54	-1.06	-1.42	-0.88
	LLS (Cracking)	-0.35	0.05	0.06	↑	0.01	0.05	0.28	0.08	-0.40	-0.09
	Mars (Cracking)	0.39	0.53	0.15	↓	-0.38	0.08	0.14	0.25	-0.04	0.25
	Mars (Coking)	2.52	2.50	2.03	↓	-0.47	1.81	2.19	2.14	1.82	1.96
	Maya (Coking)	5.88	6.77	5.77	↓	-0.99	5.71	6.01	5.83	4.61	4.06
US West Coast	ANS (Cracking)	-0.21	0.54	1.84	↑	1.30	1.06	0.96	2.24	1.43	1.28
	Kern (Cracking)	3.28	7.48	5.55	↓	-1.93	5.98	5.13	4.94	2.97	4.94
	Oman (Cracking)	-3.57	-2.41	1.45	↑	3.86	0.68	0.79	1.89	1.92	3.65
	Kern (Coking)	11.48	12.98	15.74	↑	2.75	14.78	15.94	16.50	13.06	15.27
Singapore	Dubai (Hydroskimming)	-4.29	-2.77	-2.73	↑	0.04	-2.70	-3.14	-2.44	-2.29	-1.67
	Tapis (Hydroskimming)	-5.04	-2.73	-3.32	↓	-0.59	-2.86	-3.45	-3.80	-3.70	-3.44
	Dubai (Hydrocracking)	-1.71	-0.79	-0.66	↑	0.13	-0.84	-0.96	-0.19	-0.25	0.01
	Tapis (Hydrocracking)	-2.55	-0.63	-1.44	↓	-0.81	-0.80	-1.73	-1.84	-2.45	-2.70
China	Cabinda (Hydroskimming)	-9.23	-6.09	-6.52	↓	-0.43	-7.00	-6.67	-6.74	-4.22	-3.70
	Daqing (Hydroskimming)	-8.64	-5.94	-4.52	↑	1.42	-4.73	-4.03	-5.14	-2.53	-0.45
	Dubai (Hydroskimming)	-4.11	-2.54	-2.48	↑	0.06	-2.45	-2.88	-2.17	-1.99	-1.40
	Daqing (Hydrocracking)	-3.73	-1.82	-0.72	↑	1.11	-0.55	-0.42	-1.36	0.34	1.65
	Dubai (Hydrocracking)	-1.45	-0.50	-0.32	↑	0.17	-0.51	-0.63	0.16	0.16	0.39

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in June

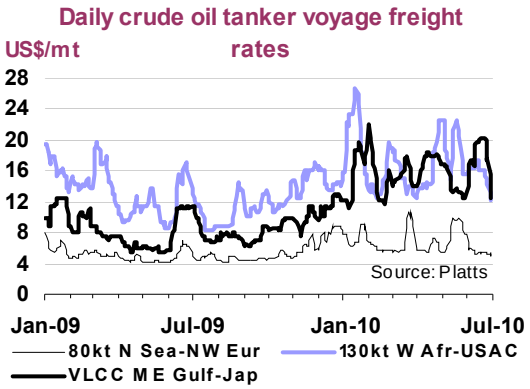
IEA regional end-user prices continued on a downward trend in June, decreasing by an average 4.9% in US dollars, ex-tax. On this basis, declines were reported for all products and across all surveyed countries, driven by the weakening crude oil price and strengthening US dollar. The influence of the latter factor was evidenced by the strong average fall on a US dollar basis in surveyed Eurozone countries (-5.2%) which was markedly weaker (-1.5%) when examining the monthly price changes in Euros.

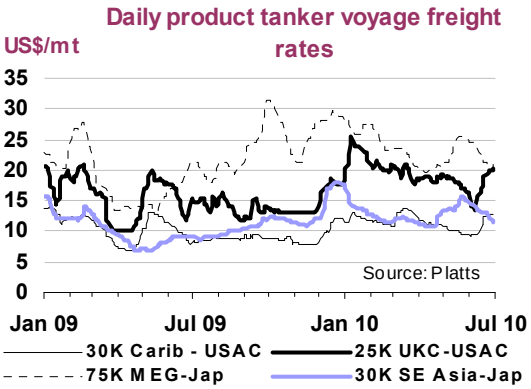


Transport fuel retail prices declined again in June, with the US reporting the steepest falls in gasoline (-4.9%) and diesel (-4.5%) prices. In comparison, end-user prices in Eurozone countries declined on average by -0.9% and -0.5% in gasoline and diesel, respectively. Gasoline pump prices averaged $2.79/gallon in the US, ¥138/litre in Japan and £1.18/litre in the UK. Continental European prices ranged from €1.43 in Germany to €1.17 in Spain. Automotive diesel prices averaged $2.95/gallon in the US, ¥117/litre in Japan and £1.20/litre in the UK. Eurozone diesel prices ranged from €1.24/litre in Italy to €1.08/litre in Spain. Despite the decreases, gasoline and diesel forecourt prices were still on average 8% and 14% above year ago levels, respectively.

Freight

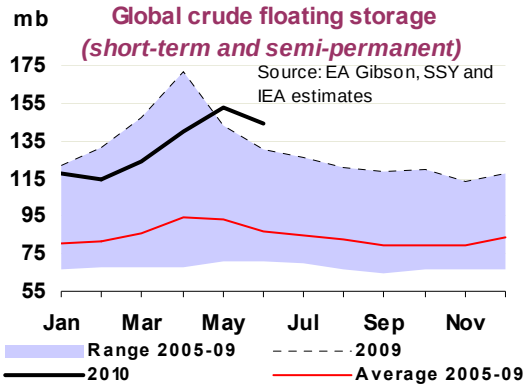
Dirty freight rates fell on all benchmark routes over the course of June. The VLCC Middle East Gulf – Japan route was characterised by boom and bust, as early-month spot rates surged from $14/mt on 1 June to peak above $20/mt on 22 June. Increased tanker traffic resulted in severe congestion at Chinese ports, inflating prices by tying up vessels for longer than expected. However, following waning demand, rates slumped to under $13/mt by month-end. Suezmax West Africa – US Atlantic Coast rates softened from approximately $16/mt to $12/mt over the month following subdued enquiries. In contrast, rates on the Aframax North Sea – NWE route remained relatively stable, falling by approximately $1/mt over the month.





Clean freight rates had mixed fortunes in June with Atlantic basin benchmark routes faring better than those in the Pacific. Prices firmed on the UK – US Atlantic Coast route following a seasonal increase in gasoline trade and a shortage of available vessels. East of Suez rates fell over the month as sluggish demand and ample tonnage weighed heavy on the market.

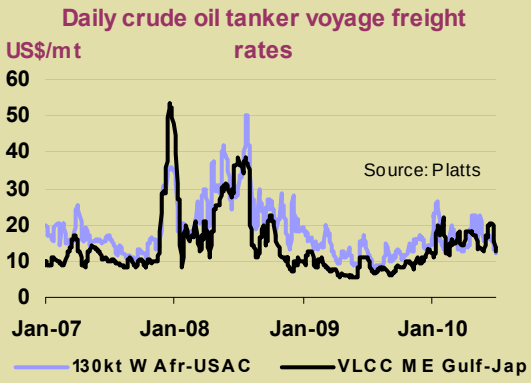
Floating storage of crude and products fell by 12.3 mb to stand at 115.1 mb at end-June, comprising falls of 8.2 mb of crude and 4.1 mb of products. The drop in crude was concentrated in the US Gulf (-7.2 mb) and NW Europe (-3.9 mb) with a likely seven VLCCs returning to the Atlantic Basin fleet, so that by end-month 37 VLCCs were storing crude and three storing product worldwide. Compared to a year ago, the storage fleet has shrunk by 38 vessels but now includes 11 more VLCCS, therefore underlining the trend of more oil being stored on the largest vessels.



Iranian crude continues to be stored at sea but the picture is becoming increasingly complicated, with mid-month reports surfacing of volumes, notably condensate, heading ashore. However, these tankers were re-deployed for storage in the Arabian Gulf by end-month with Middle East volumes only falling by 0.4 mb during June. Initial early-July reports also indicate that a net one vessel has been added to the VLCC fleet storing Iranian crude.

Lost in Translation: Improved Oil Demand Not Leading to Healthier Freight Rates

With the economic recovery continuing apace, global oil demand is now approaching levels last seen in early 2008, yet the tanker market is still subdued given oversupply. In early 2008, rates on the benchmark VLCC Middle East Gulf – Japan route stood at $47/mt and Suezmax West Africa – US Atlantic Coast reached $35/mt. Rates for each route now stand at $12/mt, representing falls of 74% and 66% respectively. The main driver behind this disparity is the increase in size of the tanker fleet. During the heady days of the 2007-08 tanker market boom, expectations of sustained high demand and inflated rates motivated many tanker operators to invest and expand their fleets. Tankers ordered during this period are now being delivered.



2009 was a record year with 31.3 mdwt delivered, but this will likely be eclipsed by deliveries of 35.8 mdwt and 37.5 mdwt in 2010 and 2011, respectively. Tanker Broker Simpson Spence and Young (SSY) estimates that the fleet expanded by a net 1.8% in 2008 but by 6.7% in 2009, with expansion maintained in the near-term despite the end-2010 phase out of single hulls, conversion to dry bulk and order slippage and cancellations. There is still localised market tightness but with such abundant tonnage, rate surges are unsustainable and have generally fallen away quickly.

Although the current picture looks gloomy for tanker owners, there are a number of factors which have supported rates above break-even levels: Firstly, demand from China and India surged, with both of these countries having sharply increased their refining capacity. As highlighted in the June 2010 *MTOGM* these are seen as the engines of import growth until 2015, causing many tanker operators to focus their attentions on East of Suez markets. Secondly, floating storage has remained at exceptionally high levels throughout the past two years, which has tied up tonnage on medium-term charters. If storage was to recede to the levels of 2008 it is conceivable that rates would crash, especially on VLCC routes. Nonetheless, the prospect of increased global oil demand in years to come has motivated bullish owners to again increase orders for new builds to take advantage if rates finally manage to catch up with demand.

REFINING

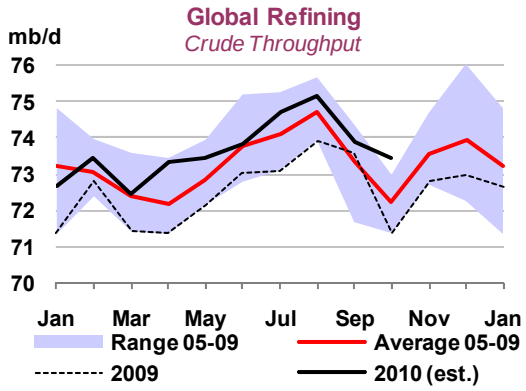
Summary

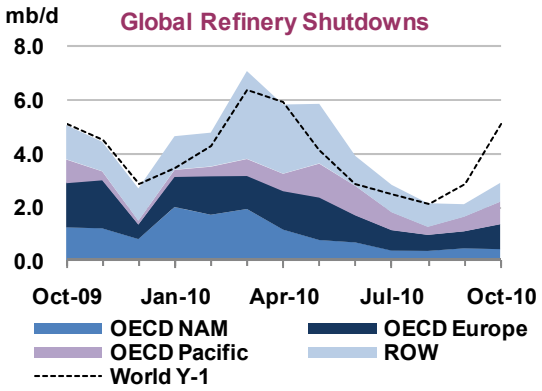
- **Global crude throughputs are estimated at 73.5 mb/d in 2Q10**, an increase of 1.3 mb/d over a year ago and 0.7 mb/d higher than in 1Q10. A year-on-year recovery in US throughputs, as well as continued expansions in non-OECD Asia, drive growth. OECD Europe continues its weak trend, with preliminary data for May posting yet another record-low. Operational problems in Latin America hamper runs there, but a recovery is expected in 3Q10.

- **Global refinery runs are expected to peak in August at 75.1 mb/d**, as maintenance and outages reach a seasonal low. The seasonal rise in the OECD Pacific in particular drives the increase, though year-on-year growth continues to be fuelled by the non-OECD. 3Q10 runs reach 74.6 mb/d, 1.1 mb/d above the same period a year earlier.

- **Global crude distillation capacity is on track to increase by 1.3 mb/d in 2010 and a further 1.0 mb/d in 2011.** Growth is largely accounted for by China and Other Asia, augmented by smaller expansions in the Middle East. OECD capacity is seen growing overall for the two years, as Marathon's 180 kb/d Garyville expansion on the US Gulf Coast in 1Q10 offset refinery closures elsewhere. Upgrading and desulphurisation investments add 2.1 mb/d and 3.3 mb/d, respectively, by 2011.

- **April OECD refinery yields increased for gasoil/diesel, while they remained unchanged for gasoline and the 'other products' category.** Total product gross output depicts an upward trend and is approaching the lower end of the five-year range, at 42.8 mb/d, 160 kb/d or 0.4% below year-ago level. Gasoil/diesel yields were close to their five-year average, with North American yields increasing strongly at the expense of gasoline.





Global Refinery Throughput

Global refinery throughputs are estimated to have averaged 73.5 mb/d in 2Q10, 0.7 mb/d higher than in 1Q10 and 1.3 mb/d above 1Q09. Quarterly growth is dominated by North America, as runs there rose by 1.0 mb/d from 1Q10 lows. Refiners exiting turnarounds were encouraged to run at higher rates by healthy distillate cracks and stronger margins. Offsetting North America's stronger runs, throughputs in OECD Europe remained weak, while the Pacific fell sharply as maintenance peaked there. Outside of the OECD, runs in China and Other Asia continued their upward trend, while the Middle East rebounded on the back of stronger runs in Saudi Arabia.

Our 2Q10 estimate is unchanged since last month's report, with lower runs in the OECD offsetting a higher non-OECD baseline. While final US data for April were higher than weekly figures, preliminary May data for the OECD Europe, and weekly data for both the US and Japan for June, came in weaker

than expected. In all, OECD 2Q10 runs have been lowered by 120 kb/d since last month's report. Changes to the non-OECD are dominated by Other Asia, as a reassessment of Indian runs has raised the baseline going back to early 2009. Chinese refinery runs were stronger than expected in May, while smaller downward adjustments have been made to the FSU and Latin America.

Global Refinery Crude Throughput[1]

(million barrels per day)

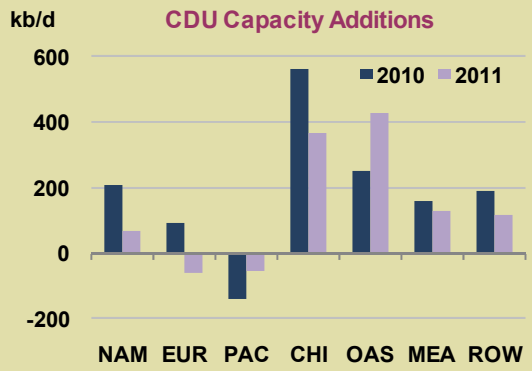
	Mar 10	1Q2010	Apr 10	May 10	Jun 10	2Q2010	Jul 10	Aug 10	Sep 10	3Q2010	Oct 10
OECD											
North America	17.3	17.0	18.0	18.0	18.0	18.0	18.2	18.0	17.0	17.7	17.2
Europe	12.3	12.1	11.9	11.9	12.2	12.0	12.3	12.4	12.4	12.4	12.1
Pacific	6.4	6.7	6.6	6.2	5.9	6.2	6.2	6.5	6.3	6.3	6.0
Total OECD	35.9	35.8	36.5	36.1	36.2	36.3	36.7	36.9	35.6	36.4	35.3
NON-OECD											
FSU	6.3	6.2	6.2	6.2	6.2	6.2	6.4	6.4	6.3	6.4	6.1
Non-OECD Europe	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.1	8.1	8.4	8.5	8.5	8.5	8.6	8.5	8.6	8.6	8.7
Other Asia	8.7	8.8	8.7	8.8	8.8	8.8	8.9	8.8	8.9	8.9	8.9
Latin America	4.9	5.1	4.9	5.0	5.1	5.0	5.1	5.4	5.4	5.3	5.4
Middle East	5.7	5.8	5.6	6.1	6.0	5.9	6.1	6.1	6.1	6.1	6.0
Africa	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total Non-OECD	36.5	37.0	36.8	37.4	37.6	37.3	38.0	38.2	38.3	38.2	38.2
Total	72.5	72.8	73.3	73.4	73.8	73.5	74.7	75.1	73.9	74.6	73.4

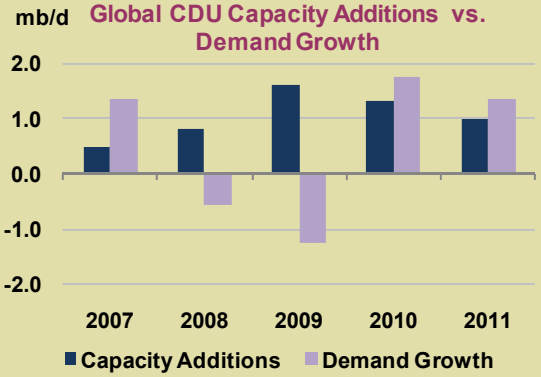
Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

Global crude runs are estimated to increase by a further 1.1 mb/d in 3Q10, to average 74.6 mb/d. An expected rebound in OECD Europe and the Pacific as refiners exit maintenance, continued growth in non-OECD Asia and a resumption of operations at several refineries in Latin America underpin the quarterly growth. The inclusion of a five-year average hurricane outage assumption to US Gulf Coast operations lowers North American runs in 3Q10. Amid expectations of a heavier-than-usual storm season, this remains the largest risk to the forecast.

Refinery Expansions in 2010-2011 Eclipsed by Demand Growth

Global refinery crude distillation (CDU) capacity is expected to increase by 2.3 mb/d from 2009 to 2011. The largest increases come from China (which alone accounts for 40% of growth), India, and the US. Smaller increases take place in the Middle East and Africa. The OECD Pacific, notably Japan, leads the capacity consolidation drive by shutting 190 kb/d of capacity during these two years. Investments in upgrading and desulphurisation are expected to add 2.1 mb/d and 3.3 mb/d to capacity, respectively. While the additions are significant, expected demand growth of 3.1 mb/d for the same period mean that the currently large spare capacity surplus could be reduced over the coming years, before increasing again thereafter.





Refinery Expansions in 2010-2011 Eclipsed by Demand Growth (continued)

OECD CDU capacity is seen increasing by 120 kb/d in total. The commissioning of Marathon's 180 kb/d Garyville refinery in 1Q10 and Pemex's 150 kb/d expansion of Minatitlan later this year offset the closure of Shell Canada's Montreal refinery at the end of 2010. In all, North American CDU capacity is lifted by 280 kb/d by the end of 2011. Although there has been much talk of refinery closures in Europe, limited capacity reductions have so far taken place. Except for UK's Teesside refinery, which closed in 2009, only France has been able to reduce surplus capacity, with the closure of Dunkirk (which we assume to remain shut despite recent legal challenges) and one CDU at its Gonfreville refinery expected next year. Two expansion projects in Spain, however, adding 105 kb/d in 2010, as well as some smaller projects in Poland and Greece, offset the closures in France. The Pacific is the only region that will see total distillation capabilities diminish by 2011, as Japan has so far committed 275 kb/d for closure. This number could increase significantly as plans are firmed up, as discussed extensively in the *MTOGM* and in the feature box below: *New Legislation Could Speed up Refinery Restructuring in Japan.*

The non-OECD provides 95% of capacity additions this year and next. Of the 2.2 mb/d capacity expected by end-2011, China accounts for almost half. Noteworthy projects include Sinopec's 200 kb/d Tianjin plant which started operation earlier this year, as did the new CDUs at the company's Qilu refinery and CNPC's 200 kb/d Qinzhou, which started test runs in June in order to start commercial operations in September. Next year, we expect the commissioning of CNPC's Fushun and Yinchuan refineries to add around 100 kb/d each, and smaller projects a further 150 kb/d.

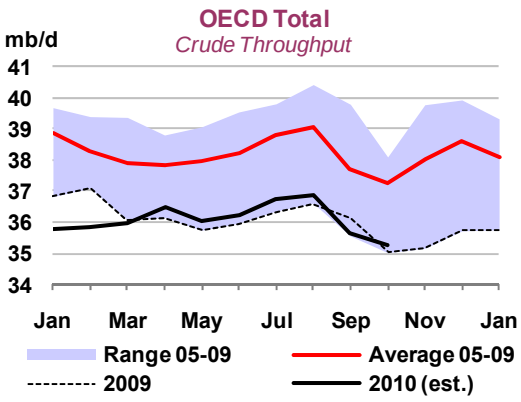
In Other Asia, expansions are led by India, accounting for 78% of regional growth. The government's dual policy goals of ensuring growing domestic product demand is met at affordable prices over time, and establishing the country as a major global refined product exporter, drive the expansions. Tighter fuel specifications have also led existing refineries to undertake significant upgrading and expansion projects. Despite delays in several projects, Bharat Petroleum's Bina refinery expansion is now expected to be fully commissioned in September, earlier than our 1Q11 assumption underpinning the June *MTOGM* forecast as presented here. Elsewhere in the region, Byco Petroleum Pakistan is increasing the capacity of its Karachi refinery from 30 kb/d to 150 kb/d by mid-2011, as it is currently reassembling the ex-Chevron Milford Haven plant it bought and shipped from the UK.

Middle Eastern capacity is augmented by smaller expansions to Iraqi refinery capacity in particular. Iraqi State Oil Marketer, SOMO, is expected to add processing units to both the Basrah and Daura refineries, while a smaller refinery is being constructed by the Kurdistan Government in Erbil to improve product supplies in the North.

Other additions come from Brazil, where Petrobras is expected to add some 70 kb/d over three refineries in 2010, (the Clara Camarao, Paulina and Sao Jose dos Campos plants). In Africa, we have included Sonangol's upgrade to its Luanda refinery for 2010 and an expansion of Morocco's Mohammedia refinery in 2011. In the FSU, a series of smaller expansions are expected, adding a combined 100 kb/d by end-2011.

OECD Refinery Throughput

OECD refinery throughputs averaged 36.1 mb/d in May, a drop of 450 kb/d from the previous month, but 310 kb/d higher than the previous year. The monthly decline stemmed from the Pacific region, where runs were constrained by maintenance, while both North America and Europe saw steady throughputs. European crude runs were nevertheless weaker than expected in May, with preliminary data pointing to another record low, of only 11.9 mb/d. Weekly June data for the US and Japan were also weaker than expected, leading to a total 2Q10 downward revision of 120 kb/d for the OECD. 2Q10 OECD runs are estimated at 36.3 mb/d, 310 kb/d higher than a year earlier.



3Q10 OECD throughputs are estimated at 36.4 mb/d, up 170 kb/d from 2Q10, as European and Pacific runs are expected to rebound from recent lows. Maintenance in both these regions traditionally peaks in 2Q, with sharp fall-offs over the summer. North American runs, on the other hand, are seen falling by almost 300 kb/d, due to the inclusion of a five-year average hurricane outage assumption on the US Gulf Coast. The Atlantic hurricane season might be the most severe since 2005, according to the US top weather agency, with a first storm, Hurricane Alex, already hitting the region, albeit with no impact on regional refinery activity.

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

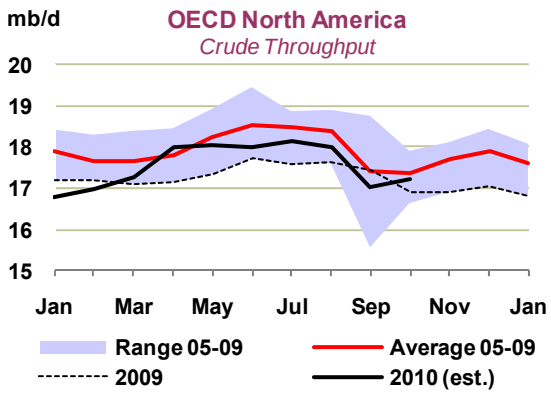
							Change from		Utilisation rate[1]	
	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	*Apr 10*	*May 09*	May 10	May 09
OECD North America										
US[2]	13.98	13.67	13.97	14.30	15.12	15.12	0.00	0.66	84.7%	81.8%
Canada	1.76	1.81	1.75	1.73	1.61	1.70	0.08	0.05	84.2%	81.7%
Mexico	1.33	1.32	1.24	1.25	1.26	1.23	-0.03	-0.01	79.7%	80.1%
Total	17.07	16.80	16.96	17.29	17.99	18.04	0.05	0.70	84.3%	81.7%
OECD Europe										
France	1.34	1.24	1.30	1.45	1.46	1.35	-0.11	-0.31	68.9%	84.6%
Germany	1.88	1.92	1.83	1.76	1.89	1.93	0.03	-0.13	79.7%	85.1%
Italy	1.56	1.60	1.59	1.65	1.60	1.52	-0.08	-0.06	65.0%	67.7%
Netherlands	1.04	1.05	1.08	1.10	1.05	0.96	-0.09	-0.03	79.1%	81.8%
Spain	1.01	1.06	0.85	1.02	1.08	0.90	-0.18	-0.11	71.0%	79.5%
UK	1.49	1.39	1.38	1.40	1.38	1.45	0.07	0.10	76.6%	71.4%
Other OECD Europe	3.62	3.79	3.92	3.90	3.49	3.75	0.26	-0.02	79.9%	80.4%
Total	11.94	12.05	11.96	12.27	11.95	11.85	-0.10	-0.56	75.1%	78.7%
OECD Pacific										
Japan	3.68	3.77	3.79	3.57	3.50	3.19	-0.31	-0.02	68.2%	68.5%
Korea	2.28	2.38	2.40	2.21	2.31	2.29	-0.02	0.21	83.8%	76.1%
Other OECD Pacific	0.74	0.75	0.74	0.60	0.75	0.68	-0.07	-0.02	83.7%	86.1%
Total	6.71	6.91	6.93	6.38	6.56	6.16	-0.41	0.18	74.9%	72.8%
OECD Total	35.72	35.76	35.85	35.95	36.50	36.05	-0.45	0.31	79.4%	79.0%

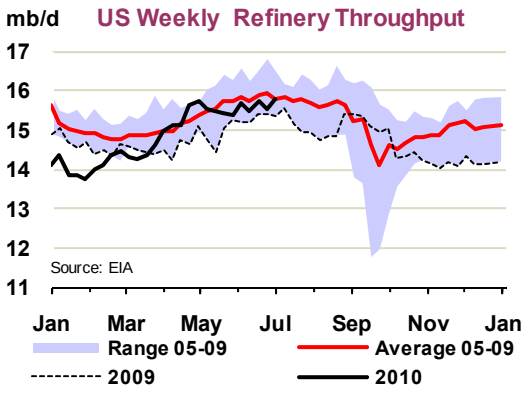
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

Crude throughputs in **North America** look to have trended sideways in 2Q10, with preliminary data showing runs steady at 18.0 mb/d from April through June. Relatively healthy refining margins in the Atlantic basin, supported by stronger demand growth coinciding with a heavy maintenance schedule, drove the 1.2 mb/d increase in runs from January's low of only 16.8 mb/d. We expect runs to remain at these levels through August, before falling off. For the US Gulf Coast, we incorporate a five-year average outage adjustment to refinery throughputs. The extent of this year's hurricane season, and its impact on regional refinery operations, remain the key uncertainty for the 3Q10 refinery forecast.

US refinery throughputs averaged 15.2 mb/d in June, relatively unchanged from recent months, but 310 kb/d higher than the same month in 2009. Runs have been particularly strong on the US Gulf Coast, with rates actually above recent historical ranges in April and part of May, though they have more recently fallen on deteriorating economics and are now trending within their five-year range.





OECD Capacity Rationalisation Faces Hurdles

Recent developments in the OECD seem to put into question assumed refinery closures, and in some cases reverse company plans. Although refinery shut-down decisions in Canada and Europe have recently been overturned by local courts, for now, we do not expect these refineries to resume operations. In the US, however, we have already seen Valero's decision to permanently close its Delaware refinery undone, as this plant was sold, and the restart of the Aruba refinery (which we had assumed permanently closed) could follow shortly.

Shell Canada was ordered on 7 July to halt any dismantling work at its 130 kb/d East Montreal refinery, which it is converting into a fuel-distribution terminal. The refinery's union claimed that the company has contravened a provincial law that requires the permission from the Ministry of Natural Resources before any dismantling work of a refinery can go ahead. The judge accepted the claim and issued a temporary order. The company has already applied for the government's authorisation and expects to get it shortly, enabling them to continue the process of closing the refinery. At the request of the Quebec government, Shell had extended the deadline for potential buyers to submit offers, and although some bids were made, no agreement on a sale was reached.

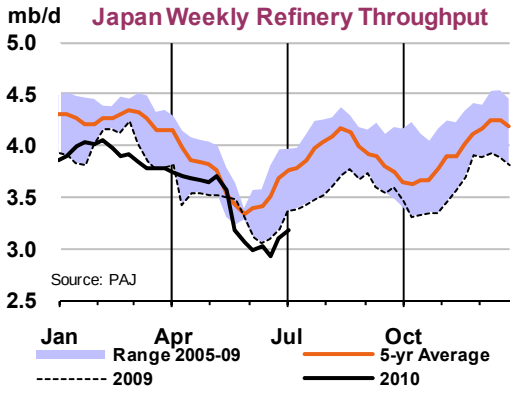
In France, a court ordered on 30 June the restart of Total's 140 kb/d Dunkirk refinery, after the main trade union, the CGT, appealed in March against the planned closure of the refinery. The court ordered the company to restart the refinery within 15 days and to pay a €100 000 fine. Total issued a statement noting the ruling, but said it was contradictory as it did not specifically reverse the approval already given to halt operations at the plant. The company said it is currently "examining as quickly as possible ways of obtaining the necessary clarification".

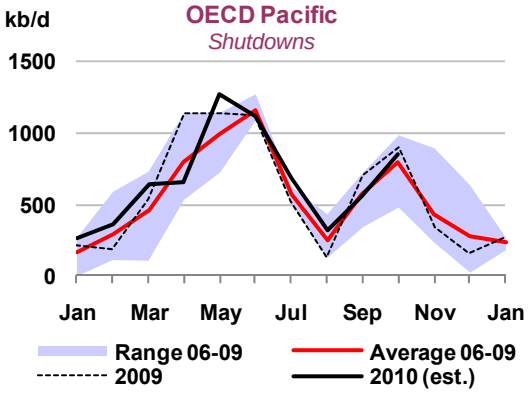
In the US, refinery closures such as Valero's Delaware and Aruba refineries are already in doubt. The company announced in November 2009 that it would permanently shut its Delaware 190 kb/d refinery on poor economics. The April sale to Petroplus-led PBF group, however, means the plant will likely be re-commissioned in spring 2011, after extensive refurbishment.

Valero furthermore announced in June that it is starting a 90-day maintenance programme at its 235 kb/d Aruba refinery, with the aim to restart the plant later this year. The refinery has been shut since July 2009 due to poor economics and a tax dispute between Valero and the Aruban government, although the latter has since been resolved and the company considers economic conditions to have improved to the point where a restart is possible. News reports even state that a potential buyer has emerged for the 40 kb/d Ingleside refinery in Texas, which has been shut for 24 years.

OECD Pacific throughputs averaged 6.2 mb/d in May, in line with expectations. The month-on-month decline of 400 kb/d came from Japan, where maintenance picked up, while South Korean refinery runs were steady at 2.3 mb/d. **Japanese** refinery runs continued to slide in June, dragging OECD Pacific runs to their seasonal low of just 5.9 mb/d. The June total is 200 kb/d lower than last month's forecast, and it is now evident that some of the maintenance scheduled for May slipped into June, rather than other

refiners making up the difference. Weekly data from the Petroleum Association of Japan show Japanese runs, at 2.92 mb/d for the week ending 19 June, hitting their lowest level since at least the beginning of 2003, at only 61.5% of capacity. Scheduled maintenance information, and indeed the latest weekly data, point to a sharp rebound in runs in July and August, before a second round of work will lower runs again in September and October.





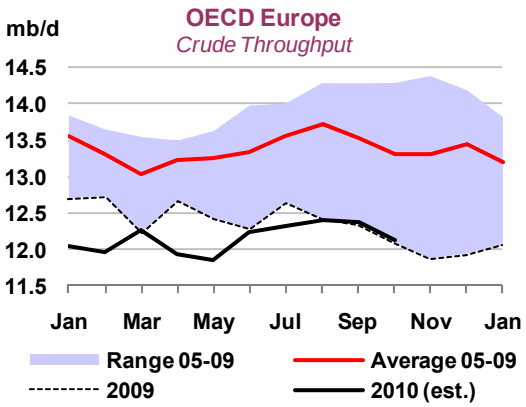
New Legislation Could Speed up Refinery Restructuring in Japan

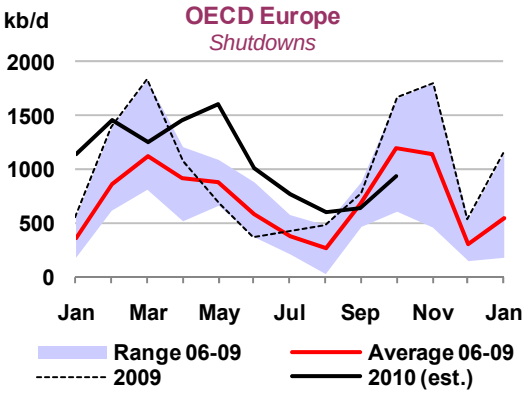
As discussed in detail in the *MTOGM* published in June 2010, Japanese refiners face the dual challenge of rapidly shrinking domestic demand and increased export competition from new capacity in China and Other Asia. Despite more than 1.1 mb/d of announced capacity reductions in the last year, refiners have been reluctant to permanently close capacity, and less than 400 kb/d of the announced closures have so far been assigned to specific refineries or units and are considered firm at this stage.

New regulation introduced on 5 July might speed up refinery consolidation and restructuring, however. The Ministry of Economy, Trade and Industry (METI) introduced a new law, requiring all refiners to increase coking or cracking capacities to process heavy crudes from 10% of distillation currently to 13% by the end of the fiscal year ending March 2014, on the expectation that heavy and unconventional crude production will increase in coming years. Refiners will have to submit plans by 31 October on how they plan to increase their upgrading ratio, with fines set for companies failing to file plans by this date. Refiners not willing to invest in expensive upgrading units in the current weak margin environment, could instead reduce crude distillation capacity, speeding up industry consolidation in the process.

European crude runs were once again reported at record lows in May, at only 11.85 mb/d, as seasonal maintenance peaked. A total of 1.5 mb/d of capacity is thought to have been offline in May (including the permanently closed refineries of Dunkirk in France and Teesside in the UK). In Germany, runs have been revised lower from May onwards, as the planned restart of ConocoPhillips' Wilhelmshaven refinery has been delayed. The 260 kb/d refinery, which had been closed since October 2009 on poor economics, was to restart in May, but was shut only days after resuming operations due to a fire at the plant. The plant had still not restarted in early July, and it appears the refinery could be down for months.

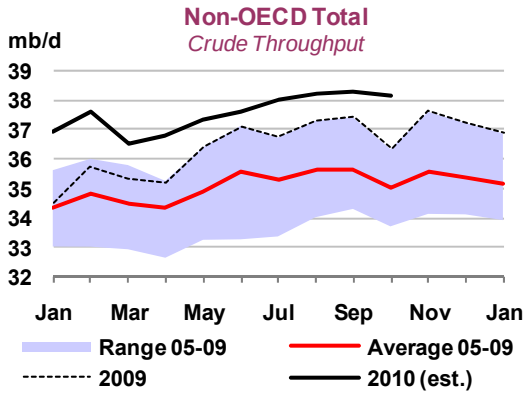
European refinery throughputs are nevertheless expected to increase in June, as maintenance activity dropped significantly and margins remained healthy. Refinery economics improved during March and April, spurred by stronger middle distillate demand on both sides of the Atlantic Basin and reduced refinery run rates. In Europe, the improved margins likely encouraged higher runs in June, although in early July refiners were talking about economic run cuts again, following apparent oversupply and sharp falls in cracking margins.

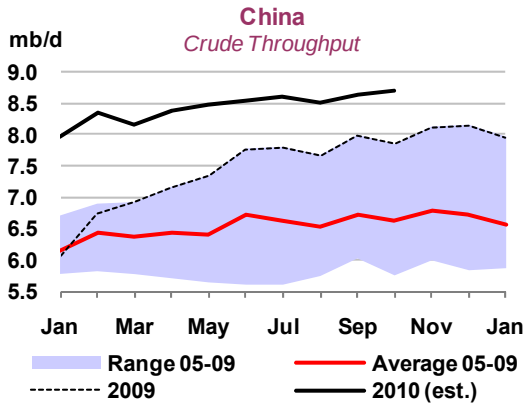




Non-OECD Refinery Throughput

Non-OECD refinery crude throughputs have been revised higher by 130 kb/d for 2Q10, following a reassessment of Indian refinery runs for 2009 and 1H10. Higher-than-expected runs in China and in Singapore in May further lift the estimate. Total non-OECD throughputs are now thought to have averaged 37.3 mb/d in 2Q10, 1.0 mb/d higher than the same period a year earlier. Year-on-year growth continues to be centred in Asia, with China and India providing 1.0 mb/d and 0.3 mb/d of the annual increase, respectively.





According to data from the National Bureau of Statistics (NBS), **Chinese** refinery runs hit yet another record high in May. Throughputs were reported at 8.46 mb/d, or 90 kb/d higher than in April and 1.1 mb/d above May 2009. Preliminary trade data and estimates indicate product exports were relatively stable in the month, just shy of 800 kb/d, while product imports fell slightly. Industry surveys show that state refiners increased utilisation rates further in June. China's largest refinery, Sinopec's 460 kb/d Zhenhai refinery, reported raising run rates to 95% of capacity, from 92% in May, to meet increasing summer oil product demand.

While PetroChina reportedly started test runs at its new 200 kb/d Qinzhou refinery at the end of June, commercial runs are not expected until August or September following testing of secondary units. The plant was designed to process low-sulphur crude oil as well as acidic grades such as Dar Blend and Nile imported from Sudan, where parent company CNPC is an equity investor. Recent reports, however, indicate that the US-listed company has abandoned these plans following pressure from the US government, which is accusing the Sudanese regime of being complicit in serious human rights abuses. As a result, Qinzhou might have to source spot feedstocks from West Africa, which could raise supply costs.

Iranian Gasoline Shortage – Improvements Ahead?

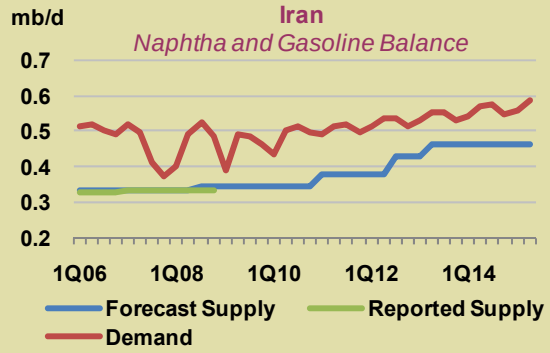
Tougher US sanctions aimed at squeezing Iran's energy and banking sectors have deepened the Islamic Republic's international isolation and significantly reduced its sources of fuel (see *OPEC Supply, 'New Sanctions Target Iran's Energy Sector'*). As a result, French major Total has joined Shell, BP, Reliance, and Glencore in suspending sales of refined products to Iran. The void left by international companies has until now been filled by Chinese traders, Unipec and Chinaoil, and more recently by Turkish refiner Tupras. However, the limited number of traders willing to supply Iran with gasoline and jet fuel is driving up the cost of fuel, casting doubt on the republic's ability to source the full volumes required.

Iran's demand for gasoline is estimated around 400 kb/d in 2009, and it relies on imports for up to 40% of its requirements as it lacks the refining capacity to meet domestic needs. The Iranian government's plans to double the country's refinery capacity, by building seven new refineries by 2013, looks unrealistic as international sanctions also prevent technology transfers and funding needed for expansions. According to IHS CERA, in the calendar year ending 20 March 2010, Iran managed to attract only $8 billion of the required $35 billion in foreign investment into the oil and gas sector. Of the seven projects, only the Persian Gulf Star project remains active, but even there, work seems to have stalled due to funding problems, and is thus excluded from our capacity assessments. Some smaller expansion and upgrading projects could go ahead however, as listed below. Risk to these projects remain, but for now we have assumed they will be completed within the timeframe.

Iranian Refinery Capacity and Projects Assumed Completed by 2015

Refinery	Current CDU Capacity	CDU Expansion	Upgrading/ Desulphurisation project	Upgrading Additions	Desulph. Additions	Assumed Completion
Abadan	385		Vacum Distillation, FCC, Hydrotreating	45	107	1Q2011
Tehran	250		CCR, Isom			4Q2011
Arak	170	80	CCR, Hydrotreating, RFCC, isom	94	171	3Q2012
Bandar Abbas	355		CCR, Hydrotreating, isom		50	4Q2012
Tehran			Hydrotreating		65	4Q2012
Lavan Island	30	21	CCR, Vacuum distillation, Isom			1Q2013
Isfahan	375		CCR, RFCC, hydrotreating, isom	75	211	2Q2013
Kermanshah	25					
Shiraz	55					
Tabriz	110					
Total	1755	101		214	604	

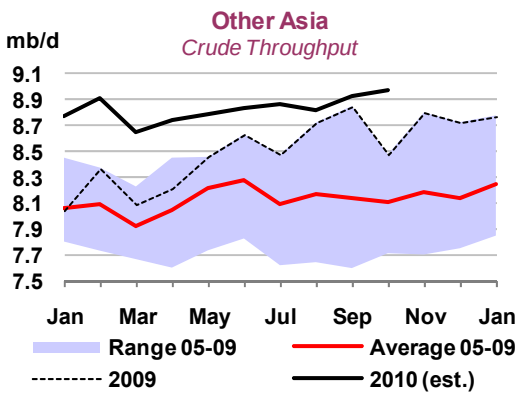
The implication of the expansions listed above, and the absence of any further progress on expanding capacity, is that Iran's gasoline import requirement will shrink over the medium-term but still average about 100 kb/d in 2015. This forecast does not only hinge on development of refinery expansions though; changes to the path of demand growth could have equally significant implications. Demand growth, forecast to grow by 115 kb/d from 2009 to 2015 (4.3% average per year), is stimulated by substantial government subsidies, now in question. Attempts to tackle fuel subsidies – and ultimately lower demand – do appear to be moving forward with the intention to fully eliminate subsidies by 2011, but face fierce opposition in the Iranian society. This situation has led the government to ration gasoline and to develop alternatives, such as natural gas vehicles (NGV). By establishing the Iranian Fuel Conservation Organisation (subsidiary of NIOC), the government aims (among others) to promote NGV market development. In recent years, the number of NGV and fuelling stations has expanded dramatically due to government-supported conversion. As of May 2008, Iran had over 1.8 million NGV, so far mostly paid for by the government. Official targets to have 2.4 million NGVs on the road and 2 400 CNG stations by the end of the next Iranian year (20 March 2012) and 3.5 million NGV by 2015 demonstrate that what may have started as a technology to solve a short-term problem is now part of a longer-term strategy. The question is, if attempts raise prices and lower oil demand or increased investments fail to materialise, could NGV sufficiently fill the gap in Iran's gasoline balance?

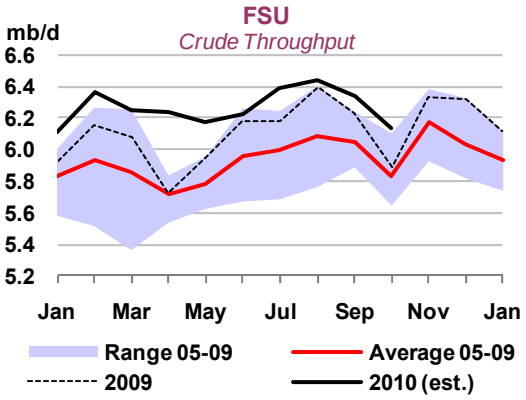


Preliminary oil ministry statistics for May show **Indian** refiners increased runs by 4.6% from April, and 7.7% year-on-year, to 3.25 mb/d. The data continue to exclude throughputs at Reliance's new 580 kb/d Jamnagar refinery, which started production in March 2009. Recent company statements however have led us to reassess our estimates, and it seems we had assumed too slow a ramp-up and too low utilisation rates at the new plant. Reliance's Chairman, Mukesh Ambani, told shareholders in May that the refinery's capacity has been stretched from its initial design to a capability to run at 700 kb/d in its very first year, and that these rates have been tested. The company's latest earnings report further states that the overall utilisation rates at its refineries were 98.3% in the year ending March 2010, with 1Q10 running at 108% of capacity, leading us to raise run estimates going back to early 2009. In all, total Indian throughputs are estimated at 3.8 mb/d in 2Q10.

State-run Bharat Petroleum reportedly started processing crude at its 120 kb/d Bina refinery in early July and full scale commissioning is expected by September. This is more than one quarter ahead of our assumptions, as we were only expecting the refinery to start commercial operations in 1Q11.

Elsewhere in the region, we have revised crude runs in Singapore higher in May by about 140 kb/d, as it seems we had over-estimated offline capacity. ExxonMobil shut part of its 285 kb/d Jurong refinery from 1 May for 6 weeks, and we had assumed a full shutdown instead of only partial. Runs are nevertheless estimated at 13-month lows. Singapore refining margins improved somewhat in May and June, supported by the lower runs, but remain in negative territory on a full-cost basis.



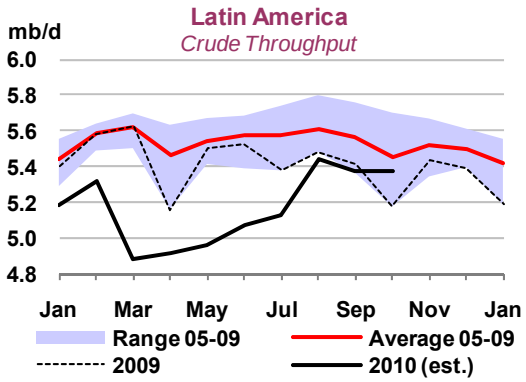


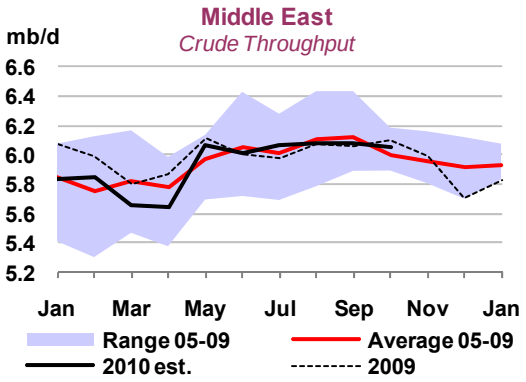
May **FSU** crude throughputs have been revised slightly lower from the last report's estimate, on the back of lower runs in the Ukraine. TNK-BP's Lisichansk refinery undertook its regular maintenance programme in May and first half of June, curtailing runs. Russian throughputs were flat in May, at 4.8 mb/d, and in line with previous estimates. Runs were expected to increase in June and over the summer as maintenance, in Russia and elsewhere in the region, winds down.

Refinery activity in **Latin America** is estimated to have averaged 5.0 mb/d in May, a slight improvement from March and April's low levels. **Chilean** state oil company, ENAP, released a statement in late May announcing the resumption of operations, albeit at reduced rates, at the 116 kb/d Bio Bio refinery, which had been closed since an earthquake hit the country in February this year. The smaller Aconcagua refinery, which sustained less severe damage during the quake, restarted in mid-March at reduced rates.

Although the exact state of affairs at PDVSA's 320 kb/d Isla refinery on the island of Curaçao is unclear, we are assuming that the refinery will restart operations in July, and that runs will remain at reduced rates for some months. The refinery was shut after a power outage on 1 March and several attempts to restart the refinery in May failed following problems with compressed air, steam, water and electricity. The Curaçao government owns the near-100-year-old refinery, which has been operated by PDVSA since 1985 when Shell pulled out. Capital expenditure requirements have been estimated at $1.5 billion by

PDVSA, but the company has been reluctant to invest this much money in a refinery it does not own, and reliability has suffered as a result. Elsewhere in the region, **Brazilian** throughputs were up 100 kb/d in April, to average 1.7 mb/d, slightly higher than our expectations. Maintenance at Petrobras' Repar and Reffaf refineries in July is expected to lower runs for that month by 165 kb/d.

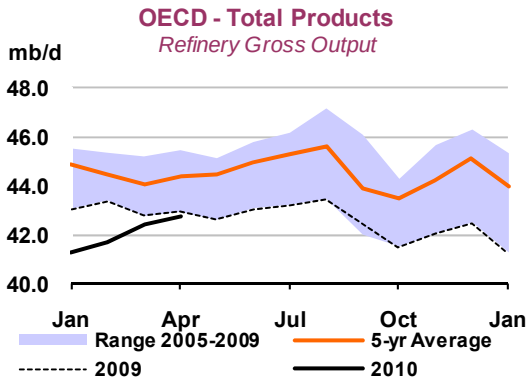


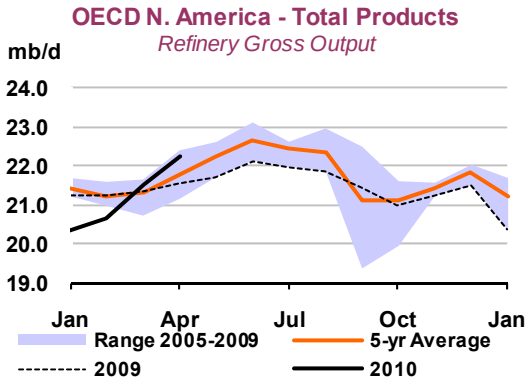


Middle Eastern crude runs rose sharply in May, mostly in line with our previous assessment. Saudi Arabia, in particular, saw runs increase as maintenance at the 400 kb/d Aramco/Exxon JV Yanbu refinery was completed in mid-April. Saudi runs were reported at 1.78 mb/d in the month, 235 kb/d higher than the previous month. Middle Eastern April runs were also curtailed by maintenance at Syria's 140 kb/d Banias refinery for the entire month.

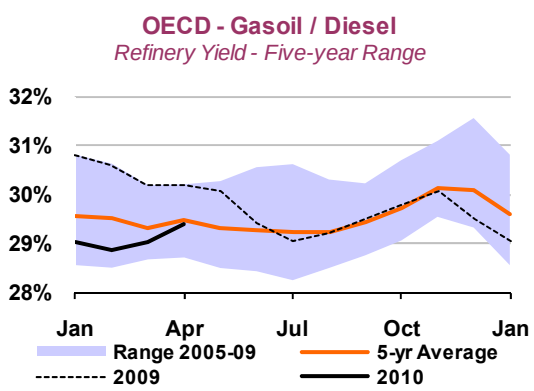
OECD Refinery Yields

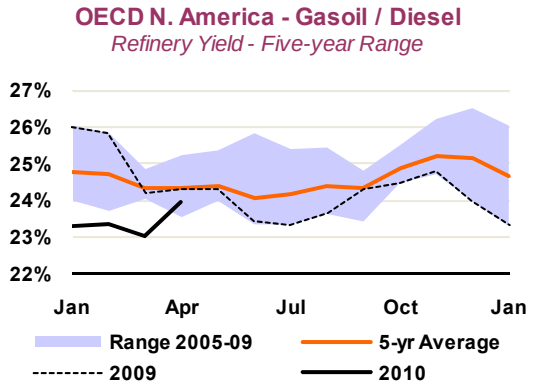
April OECD refinery yields increased for gasoil/diesel and remained unchanged for gasoline and the 'other products' category. Total product gross output depicts an upward trend and is approaching the lower end of the five-year range. Year-on-year, total product gross output fell by 160 kb/d or 0.4% to 42.8 mb/d. North American supply rose by 3.1% (680 kb/d) and was close to the high-end of its five-year range, European gross production fell 6.6% (-950 kb/d) while Pacific output increased by 1.5% (100 kb/d). Month-on-month, total gross product supply increased by 320 kb/d (0.8%), with North American output rising 710 kb/d and European output falling by 300 kb/d.



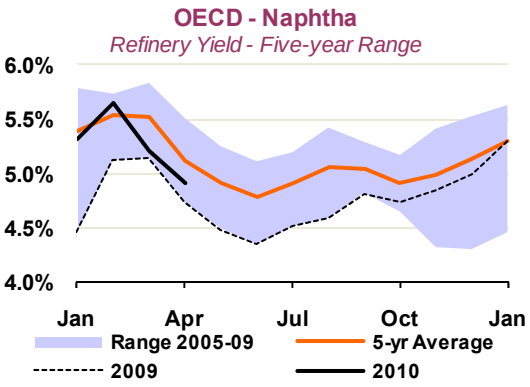


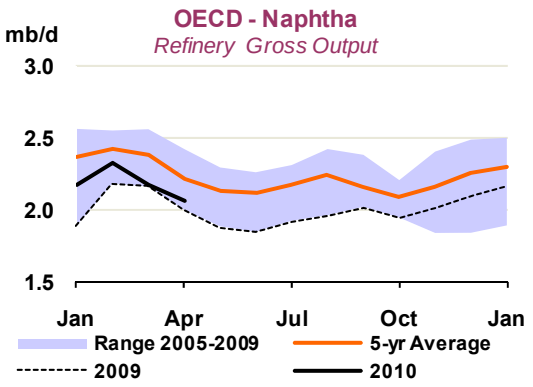
OECD gasoil/diesel yields were close to their five-year average level. Yields increased in all OECD regions, with North American yields increasing strongly, by 0.9 percentage points (pp), from levels well below their five-year range. Gross output increased by 240 kb/d, with North American output increasing by 360 kb/d and Europe falling by 120 kb/d. However, gross output is still 375 kb/d (2.9%) below year-ago levels, with Europe contracting by 525 kb/d (9.3%) and North America increasing by 90 kb/d.



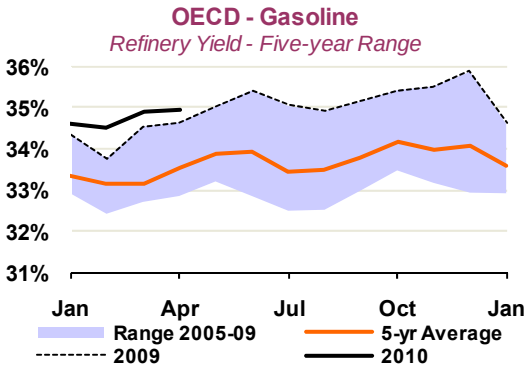


Naphtha yields fell in accordance with seasonal patterns and were trending close to last year's level, which defines the lower end of the five-year range for April. Naphtha yields had increased from five-year lows in June 2009 to close to five-year highs in February 2010, supported by petrochemical feedstock demand. Gross output fell by 115 kb/d on a monthly basis, but was 70 kb/d higher year-on-year (+3.4%) as North American output rose by 28% (90 kb/d).





OECD gasoline yields remained unchanged at 34.9%. Yields in North America fell by 1.0 pp, while increasing by 1.0 pp in the Pacific. Gross output rose by 110 kb/d, with North America increasing by 100 kb/d and the Pacific by 65 kb/d. On a yearly basis, European output fell by 9.1% (-280 kb/d) with North American output almost offsetting this fall with a 2.8% increase, while output increased 5.1% (80 kb/d) in the Pacific.



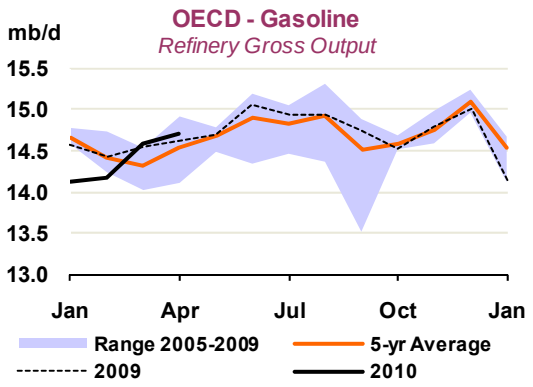


Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.5	22.9	23.3	23.5	23.3	23.6	23.8	23.6	23.5	23.6	23.7	23.5	23.7	23.4	23.6
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.4	14.4	14.3	14.2	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.1	7.8	7.6	8.1	7.2	7.0	7.7	7.5
Total OECD	49.3	47.6	46.5	44.5	45.0	45.8	45.4	46.0	45.2	45.1	45.7	45.5	45.9	44.7	45.1	45.5	45.3
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.4	4.3	4.3
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.3	9.1	9.1	9.1	9.4	9.8	9.6	9.5	9.6
Other Asia	9.5	9.6	9.9	10.0	9.8	10.1	9.9	10.1	10.2	9.9	10.3	10.1	10.5	10.6	10.3	10.5	10.5
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.3	6.3	6.2	6.2	6.5	6.5	6.5	6.4
Middle East	6.5	6.8	6.6	7.1	7.6	6.9	7.1	7.0	7.5	7.8	7.2	7.4	7.3	7.9	8.2	7.5	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.4
Total Non-OECD	37.2	38.4	37.7	39.4	40.1	39.8	39.3	40.1	41.4	41.4	41.1	41.0	41.7	43.0	43.0	42.5	42.5
Total Demand[1]	86.5	86.0	84.3	83.9	85.1	85.6	84.7	86.0	86.6	86.5	86.8	86.5	87.6	87.7	88.1	88.0	87.8
OECD SUPPLY																	
North America[4]	13.9	13.3	13.6	13.4	13.5	13.7	13.6	13.8	13.8	13.3	13.5	13.6	13.7	13.5	13.3	13.5	13.5
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.2	4.3	4.3	4.3	3.9	3.9	4.0	4.0
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.1	18.5	18.5	18.9	18.7	18.9	18.7	18.2	18.5	18.6	18.7	18.1	17.9	18.2	18.2
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.9	3.8	3.9	3.9	3.9	3.9	4.0	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.9	3.9
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.2	4.3	4.1	4.4	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.5	28.7	29.0	29.2	29.4	29.0	29.6	29.7	29.7	30.1	29.8	30.3	30.3	30.2	30.3	30.3
Processing Gains[3]	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[4]	1.1	1.5	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.9	1.9	1.8	2.0	2.0	2.1	2.1	2.0
Total Non-OPEC[2]	50.9	50.9	51.5	51.3	51.5	52.2	51.6	52.5	52.4	51.9	52.7	52.4	53.2	52.6	52.4	52.8	52.8
Non-OPEC: Historical Composition[2]	50.4	49.9	51.5	51.3	51.5	52.2	51.6	52.5	52.4	51.9	52.7	52.4	53.2	52.6	52.4	52.8	52.8
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	29.0	28.7	29.1	29.0								
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.7	5.0	5.1	5.4	5.6	5.3	5.8	5.9	5.9	5.9	5.9
Total OPEC[2]	34.6	35.6	33.2	33.0	33.5	33.8	33.3	34.1	34.0								
OPEC: Historical Composition[2]	35.1	36.6	33.2	33.0	33.5	33.8	33.3	34.1	34.0								
Total Supply[6]	85.5	86.6	84.7	84.3	85.0	86.0	85.0	86.6	86.4								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.5	0.1	0.2	-1.2	-0.1	0.2									
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0									
Total	-0.2	0.3	0.8	0.3	0.3	-1.2	0.0	0.2									
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2									
Miscellaneous to balance[7]	-0.8	0.2	-0.9	-0.1	-0.4	1.1	-0.1	0.6									
Total Stock Ch. & Misc	-1.0	0.6	0.4	0.4	-0.1	0.4	0.3	0.6	-0.1								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.3	30.6	28.2	28.1	28.9	28.6	28.4	28.5	29.1	29.2	28.5	28.8	28.6	29.2	29.8	29.2	29.2
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.0	28.5	29.7	28.4	29.1	29.3	29.4	28.7	29.1	28.8	29.4	30.0	29.4	29.4

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-					
Europe	0.1	-	-	-	-	-	-	-	0.1	-	-	-					
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1					
Total OECD	0.2	-	-	-	-	-	-	-	0.2	-0.1	-0.1	-					
NON-OECD DEMAND																	
FSU	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Latin America	-	-	-	-	-	-	-	-0.1	-	-	-	-					
Middle East	-	-	0.1	-	-	-	-	0.1	0.1	-	-	-					
Africa	-	0.1	-	-	-	-	-	0.1	-	-	-	-					
Total Non-OECD	-	-0.1	-	-	-	-0.1	-	0.1	0.2	0.1	-	0.1					
Total Demand	0.1	-	-	-	-0.1	-0.1	-	-	0.4	-	-0.2	-					
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	0.1	-	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
Pacific	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-					
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	-	-	-	-	-	-	-	-	-	-					
Africa	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1					
Total Non-OECD	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1					
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-					
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OPEC	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Non-OPEC: historical composition	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
OPEC																	
Crude	-	-	-	-	-	-	-	-									
NGLs	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.1					
Total OPEC	-	-	-	-	-	-	-	-0.1									
OPEC: historical composition	-	-	-	-	-	-	-	-0.1									
Total Supply	-	0.1	0.1	0.1	0.1	0.1	0.1	-									
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-									
Government	-	-	-	-	-	-	-	-									
Total	-	-	-	-	-	-	-	-									
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-									
Miscellaneous to balance	-0.2	0.2	0.1	0.1	0.2	0.2	0.2	-									
Total Stock Ch. & Misc	-0.1	0.2	0.1	0.1	0.2	0.2	0.2	-									
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-	0.3	0.1	-	0.1					
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	0.5	0.3	0.1	0.2					

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.52	22.92	23.25	23.49	23.29	23.63	23.81	23.61	23.51	23.64	23.65	23.52	23.65	23.43	23.56
Europe	15.36	14.89	14.27	14.46	14.35	14.49	14.16	14.06	14.40	14.38	14.25	14.18	13.99	14.38	14.31	14.22
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.33	7.11	7.81	7.61	8.10	7.18	7.03	7.74	7.51
Total OECD	47.58	46.53	44.46	44.96	45.83	45.44	45.99	45.20	45.12	45.70	45.50	45.93	44.69	45.06	45.48	45.29
Asia	17.38	17.38	18.50	18.48	18.85	18.31	19.04	19.57	19.08	19.38	19.27	19.84	20.33	19.86	20.03	20.02
Middle East	6.83	6.60	7.11	7.57	6.94	7.06	6.97	7.48	7.84	7.20	7.37	7.28	7.85	8.20	7.54	7.72
Latin America	6.00	5.79	5.97	6.08	6.12	5.99	6.00	6.26	6.32	6.34	6.23	6.23	6.47	6.51	6.55	6.44
FSU	4.23	3.98	3.86	4.10	4.03	3.99	4.17	4.07	4.24	4.20	4.17	4.30	4.20	4.36	4.30	4.29
Africa	3.19	3.25	3.23	3.17	3.13	3.20	3.18	3.27	3.22	3.28	3.24	3.32	3.39	3.33	3.37	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.73	0.72	0.71	0.72	0.71	0.76	0.74	0.70	0.73
Total Non-OECD	38.39	37.75	39.43	40.14	39.78	39.28	40.06	41.37	41.41	41.10	40.99	41.69	43.01	43.00	42.49	42.55
World	85.97	84.27	83.89	85.10	85.61	84.72	86.04	86.57	86.54	86.80	86.49	87.62	87.70	88.06	87.97	87.84
of which: US50	19.50	18.96	18.54	18.70	18.86	18.77	18.94	19.16	18.90	18.81	18.95	18.92	18.89	18.91	18.71	18.86
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.58	8.76	8.74	8.72	8.77	8.51	8.71	8.68	8.66
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.32	9.14	9.12	9.13	9.39	9.75	9.57	9.54	9.56
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.08	3.95	4.40	4.30	4.67	3.90	3.86	4.31	4.18
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.43	3.12	3.37	3.32	3.52	3.49	3.24	3.48	3.43
Russia	3.00	2.75	2.70	2.92	2.84	2.80	2.93	2.89	3.05	2.97	2.96	3.02	2.97	3.13	3.05	3.04
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.69	2.73	2.79	2.70	2.70	2.80	2.83	2.90	2.81
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.83	3.00	2.50	2.67	2.51	2.98	3.16	2.66	2.83
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.24	2.21	2.26	2.21	2.23	2.24	2.15	2.25	2.20	2.21
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.16	2.04	2.26	2.19	2.31	2.16	2.04	2.26	2.19
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.16	2.16	2.19	2.16	2.17	2.20	2.19	2.22	2.19
Iran	1.77	1.68	1.64	1.63	1.66	1.65	1.64	1.66	1.68	1.69	1.67	1.74	1.72	1.73	1.73	1.73
Total	60.65	59.41	58.86	59.78	60.45	59.63	61.04	61.15	60.79	61.05	61.01	61.95	61.52	61.62	61.73	61.70
% of World	70.6%	70.5%	70.2%	70.2%	70.6%	70.4%	70.9%	70.6%	70.2%	70.3%	70.5%	70.7%	70.1%	70.0%	70.2%	70.2%
Annual Change (% per annum)																
North America	-5.2	-5.1	-6.2	-1.4	-1.9	-3.7	0.5	3.9	1.5	0.1	1.5	0.1	-1.2	0.2	-0.3	-0.3
Europe	-0.6	-3.0	-5.7	-7.1	-6.7	-5.6	-4.9	-1.5	-0.4	0.2	-1.7	0.1	-0.5	-0.2	-0.4	-0.2
Pacific	-4.0	-8.6	-7.2	-3.5	0.5	-4.8	0.9	0.8	-1.9	-2.2	-0.6	-1.1	-2.0	-1.1	-1.0	-1.3
Total OECD	-3.6	-5.0	-6.2	-3.6	-3.0	-4.5	-1.2	1.7	0.4	-0.3	0.1	-0.1	-1.1	-0.1	-0.5	-0.5
Asia	1.9	-1.7	4.0	6.8	12.3	5.3	9.5	5.7	3.3	2.8	5.2	4.2	3.9	4.1	3.4	3.9
Middle East	5.4	1.8	3.4	4.0	4.1	3.4	5.5	5.1	3.5	3.8	4.5	4.6	5.1	4.7	4.7	4.7
Latin America	5.6	-0.2	-1.3	-0.8	2.0	-0.1	3.7	4.8	3.9	3.6	4.0	3.8	3.4	3.0	3.3	3.4
FSU	2.6	-5.1	-7.0	-6.4	-3.8	-5.6	4.9	5.3	3.4	4.2	4.4	3.2	3.2	2.9	2.4	2.9
Africa	3.9	1.6	1.0	0.9	-3.0	0.1	-2.2	1.3	1.4	4.8	1.3	4.3	3.6	3.4	2.8	3.5
Europe	-0.4	-4.3	-0.9	-0.8	-6.5	-3.2	-6.5	-2.5	-1.6	-0.8	-2.9	1.9	4.1	2.5	-0.8	2.0
Total Non-OECD	3.3	-1.0	1.6	3.0	5.7	2.3	6.1	4.9	3.2	3.3	4.3	4.1	4.0	3.8	3.4	3.8
World	-0.6	-3.3	-2.7	-0.6	0.8	-1.4	2.1	3.2	1.7	1.4	2.1	1.8	1.3	1.8	1.3	1.6
Annual Change (mb/d)																
North America	-1.33	-1.25	-1.51	-0.33	-0.45	-0.88	0.11	0.89	0.36	0.02	0.35	0.02	-0.29	0.04	-0.08	-0.08
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.87	-0.72	-0.21	-0.06	0.02	-0.24	0.02	-0.07	-0.03	-0.06	-0.03
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.06	-0.14	-0.18	-0.05	-0.09	-0.15	-0.08	-0.07	-0.10
Total OECD	-1.77	-2.47	-2.93	-1.70	-1.44	-2.14	-0.54	0.74	0.16	-0.13	0.06	-0.05	-0.50	-0.06	-0.22	-0.21
Asia	0.32	-0.30	0.72	1.18	2.07	0.92	1.65	1.06	0.61	0.52	0.96	0.80	0.77	0.78	0.66	0.75
Middle East	0.35	0.12	0.24	0.29	0.27	0.23	0.37	0.36	0.26	0.27	0.31	0.32	0.38	0.37	0.34	0.35
Latin America	0.32	-0.01	-0.08	-0.05	0.12	0.00	0.22	0.28	0.23	0.22	0.24	0.23	0.21	0.19	0.21	0.21
FSU	0.11	-0.22	-0.29	-0.28	-0.16	-0.24	0.19	0.21	0.14	0.17	0.18	0.13	0.13	0.12	0.10	0.12
Africa	0.12	0.05	0.03	0.03	-0.10	0.00	-0.07	0.04	0.04	0.15	0.04	0.14	0.12	0.11	0.09	0.11
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.02	-0.01	-0.01	-0.02	0.01	0.03	0.02	-0.01	0.01
Total Non-OECD	1.22	-0.39	0.61	1.16	2.15	0.89	2.31	1.94	1.28	1.32	1.71	1.63	1.64	1.59	1.39	1.56
World	-0.55	-2.86	-2.33	-0.54	0.71	-1.24	1.77	2.68	1.44	1.19	1.77	1.58	1.13	1.53	1.17	1.35
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.01	0.01	0.01	0.01	0.01	0.01	-0.01	0.04	0.04	-0.03	0.01					
Europe	0.03	0.00	0.04	0.01	-0.02	0.01	0.00	0.15	-0.02	-0.04	0.02					
Pacific	-0.03	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.03	-0.09	-0.08	-0.06					
Total OECD	0.01	-0.02	0.02	-0.01	-0.03	-0.01	-0.03	0.16	-0.07	-0.15	-0.02					
Asia	-0.14	-0.15	-0.15	-0.15	-0.15	-0.15	-0.11	-0.07	-0.02	-0.08	-0.07					
Middle East	-0.05	0.06	-0.01	-0.01	-0.02	0.00	0.07	0.08	-0.03	-0.02	0.02					
Latin America	-0.03	-0.02	-0.02	-0.03	-0.05	-0.03	-0.07	0.01	0.01	-0.01	-0.01					
FSU	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.15	0.10	0.10	0.12					
Africa	0.05	0.04	0.04	0.04	0.04	0.04	0.06	0.02	0.00	0.00	0.02					
Europe	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	-0.01					
Total Non-OECD	-0.06	0.03	-0.03	-0.04	-0.07	-0.03	0.05	0.20	0.06	-0.02	0.07					
World	-0.05	0.02	-0.01	-0.05	-0.10	-0.04	0.02	0.35	-0.01	-0.17	0.05					
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.19	0.00	0.01	0.00	0.04	0.01	0.00	0.36	0.04	-0.07	0.08					

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	2Q09	3Q09	4Q09	1Q10	Feb 10	Mar 10	Apr 10 [2]	Mar 10	Apr 09
North America											
LPG & Ethane	2.70	2.77	2.49	2.59	3.14	3.20	3.28	2.97	2.55	-0.42	-0.08
Naphtha	0.36	0.31	0.33	0.31	0.30	0.40	0.42	0.42	0.43	0.00	0.12
Motor Gasoline	10.54	10.57	10.66	10.77	10.51	10.22	10.22	10.40	10.71	0.31	0.20
Jet/Kerosene	1.77	1.63	1.62	1.68	1.57	1.63	1.59	1.69	1.59	-0.10	-0.05
Gasoil/Diesel Oil	5.00	4.61	4.40	4.40	4.73	4.80	4.92	4.86	4.69	-0.16	0.35
Residual Fuel Oil	1.07	0.95	0.96	0.85	0.93	1.00	0.97	1.00	0.97	-0.03	-0.06
Other Products	2.73	2.45	2.46	2.65	2.31	2.39	2.33	2.68	2.69	0.01	0.34
Total	24.18	23.29	22.92	23.25	23.49	23.63	23.72	24.02	23.63	-0.39	0.82
Europe											
LPG & Ethane	1.02	0.92	0.94	0.88	0.89	0.98	1.01	1.01	1.02	0.00	0.05
Naphtha	1.16	1.11	1.04	1.09	1.15	1.27	1.28	1.29	1.14	-0.15	0.11
Motor Gasoline	2.36	2.29	2.37	2.39	2.20	2.06	2.06	2.20	2.29	0.08	-0.11
Jet/Kerosene	1.32	1.27	1.27	1.35	1.24	1.20	1.25	1.19	1.12	-0.06	-0.17
Gasoil/Diesel Oil	6.27	6.02	5.77	5.78	6.09	6.12	6.44	6.39	5.90	-0.49	-0.02
Residual Fuel Oil	1.66	1.43	1.36	1.37	1.40	1.33	1.33	1.26	1.25	-0.01	-0.14
Other Products	1.57	1.45	1.51	1.60	1.38	1.21	1.17	1.31	1.38	0.07	-0.07
Total	15.36	14.49	14.27	14.46	14.35	14.16	14.53	14.66	14.10	-0.56	-0.35
Pacific											
LPG & Ethane	0.88	0.86	0.83	0.84	0.87	0.90	0.93	0.88	0.85	-0.03	0.02
Naphtha	1.60	1.63	1.59	1.62	1.71	1.76	1.83	1.61	1.62	0.01	-0.05
Motor Gasoline	1.53	1.55	1.52	1.60	1.57	1.51	1.55	1.57	1.56	0.00	0.05
Jet/Kerosene	0.89	0.85	0.65	0.60	0.99	1.15	1.22	1.04	0.88	-0.16	0.13
Gasoil/Diesel Oil	1.69	1.60	1.57	1.49	1.68	1.65	1.69	1.72	1.64	-0.08	0.07
Residual Fuel Oil	0.91	0.75	0.73	0.65	0.72	0.77	0.75	0.76	0.70	-0.06	-0.07
Other Products	0.54	0.42	0.38	0.44	0.45	0.45	0.47	0.46	0.39	-0.06	-0.02
Total	8.04	7.66	7.27	7.25	7.99	8.19	8.44	8.05	7.65	-0.40	0.12
OECD											
LPG & Ethane	4.60	4.55	4.27	4.31	4.90	5.08	5.21	4.87	4.42	-0.45	-0.02
Naphtha	3.12	3.04	2.96	3.02	3.16	3.43	3.53	3.33	3.19	-0.14	0.18
Motor Gasoline	14.43	14.41	14.56	14.76	14.29	13.79	13.83	14.17	14.56	0.39	0.14
Jet/Kerosene	3.98	3.75	3.54	3.64	3.80	3.98	4.05	3.93	3.60	-0.33	-0.09
Gasoil/Diesel Oil	12.95	12.23	11.74	11.68	12.50	12.56	13.05	12.97	12.24	-0.74	0.40
Residual Fuel Oil	3.64	3.14	3.05	2.87	3.04	3.10	3.06	3.01	2.91	-0.10	-0.27
Other Products	4.84	4.33	4.34	4.69	4.14	4.04	3.97	4.45	4.46	0.01	0.25
Total	47.58	45.44	44.46	44.96	45.83	45.99	46.70	46.73	45.38	-1.35	0.59

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	2Q09	3Q09	4Q09	1Q10	Feb 10	Mar 10	Apr 10 [2]	Mar 10	Apr 09
United States[3]											
LPG & Ethane	1.95	2.03	1.76	1.88	2.38	2.39	2.46	2.16	1.77	-0.39	-0.10
Naphtha	0.25	0.23	0.23	0.24	0.23	0.27	0.29	0.29	0.29	0.01	0.05
Motor Gasoline	8.99	9.01	9.11	9.18	8.93	8.68	8.68	8.80	9.13	0.33	0.16
Jet/Kerosene	1.55	1.42	1.41	1.47	1.38	1.42	1.39	1.47	1.41	-0.06	-0.04
Gasoil	3.95	3.63	3.48	3.44	3.71	3.79	3.87	3.85	3.71	-0.14	0.25
Residual Fuel Oil	0.62	0.53	0.59	0.39	0.51	0.58	0.53	0.55	0.58	0.02	-0.10
Other Products	2.19	1.92	1.96	2.10	1.73	1.81	1.77	2.03	2.09	0.06	0.22
Total	19.50	18.77	18.54	18.70	18.86	18.94	18.99	19.15	18.98	-0.17	0.44
Japan											
LPG & Ethane	0.53	0.49	0.46	0.47	0.51	0.53	0.54	0.53	0.48	-0.04	-0.01
Naphtha	0.75	0.73	0.71	0.75	0.80	0.84	0.87	0.75	0.74	-0.01	-0.02
Motor Gasoline	0.98	0.99	0.97	1.03	1.00	0.96	0.97	1.01	1.00	0.00	0.04
Jet/Kerosene	0.59	0.55	0.39	0.34	0.64	0.81	0.87	0.72	0.58	-0.14	0.10
Diesel	0.48	0.40	0.39	0.39	0.43	0.38	0.40	0.40	0.38	-0.02	0.00
Other Gasoil	0.44	0.44	0.41	0.38	0.46	0.53	0.56	0.53	0.47	-0.06	0.03
Residual Fuel Oil	0.54	0.40	0.39	0.37	0.38	0.39	0.40	0.39	0.36	-0.03	-0.02
Other Products	0.49	0.37	0.32	0.39	0.38	0.34	0.36	0.37	0.31	-0.07	-0.03
Total	4.79	4.37	4.04	4.11	4.60	4.79	4.95	4.69	4.32	-0.37	0.09
Germany											
LPG & Ethane	0.09	0.09	0.10	0.09	0.09	0.10	0.10	0.11	0.11	0.00	0.01
Naphtha	0.38	0.37	0.36	0.38	0.38	0.43	0.42	0.45	0.35	-0.09	-0.01
Motor Gasoline	0.48	0.47	0.49	0.49	0.47	0.42	0.42	0.47	0.48	0.01	-0.01
Jet/Kerosene	0.19	0.19	0.19	0.20	0.19	0.17	0.16	0.18	0.15	-0.03	-0.03
Diesel	0.65	0.64	0.64	0.69	0.66	0.60	0.60	0.70	0.69	-0.01	0.03
Other Gasoil	0.48	0.41	0.34	0.29	0.36	0.46	0.55	0.42	0.26	-0.16	-0.16
Residual Fuel Oil	0.16	0.15	0.15	0.14	0.14	0.14	0.15	0.14	0.13	-0.01	-0.02
Other Products	0.14	0.11	0.11	0.13	0.11	0.05	0.06	0.06	0.11	0.05	0.00
Total	2.57	2.44	2.39	2.41	2.39	2.38	2.45	2.51	2.28	-0.24	-0.20
Italy											
LPG & Ethane	0.10	0.10	0.08	0.08	0.12	0.14	0.16	0.13	0.10	-0.02	0.01
Naphtha	0.10	0.09	0.10	0.09	0.09	0.11	0.11	0.13	0.12	-0.01	0.01
Motor Gasoline	0.26	0.25	0.26	0.26	0.24	0.22	0.22	0.24	0.24	0.00	-0.03
Jet/Kerosene	0.09	0.09	0.09	0.11	0.09	0.09	0.08	0.09	0.09	0.01	0.00
Diesel	0.51	0.49	0.50	0.50	0.50	0.47	0.48	0.52	0.51	-0.01	0.00
Other Gasoil	0.13	0.13	0.10	0.11	0.16	0.13	0.14	0.13	0.11	-0.02	0.00
Residual Fuel Oil	0.25	0.21	0.20	0.21	0.19	0.15	0.17	0.14	0.15	0.01	-0.03
Other Products	0.19	0.16	0.16	0.19	0.14	0.13	0.13	0.15	0.16	0.01	0.00
Total	1.63	1.53	1.50	1.55	1.54	1.45	1.49	1.52	1.48	-0.04	-0.03
France											
LPG & Ethane	0.13	0.09	0.07	0.06	0.09	0.14	0.15	0.14	0.10	-0.03	0.01
Naphtha	0.17	0.14	0.14	0.15	0.14	0.15	0.15	0.15	0.16	0.01	0.07
Motor Gasoline	0.21	0.20	0.21	0.21	0.19	0.17	0.18	0.17	0.20	0.03	-0.01
Jet/Kerosene	0.16	0.15	0.15	0.16	0.14	0.14	0.14	0.14	0.13	-0.01	-0.02
Diesel	0.66	0.66	0.67	0.68	0.68	0.64	0.69	0.68	0.71	0.04	0.02
Other Gasoil	0.33	0.31	0.24	0.24	0.33	0.35	0.40	0.32	0.25	-0.07	-0.02
Residual Fuel Oil	0.10	0.10	0.09	0.09	0.10	0.11	0.10	0.10	0.09	-0.02	-0.01
Other Products	0.19	0.18	0.20	0.18	0.15	0.16	0.13	0.19	0.18	-0.01	-0.02
Total	1.95	1.83	1.76	1.77	1.82	1.85	1.94	1.90	1.83	-0.07	0.03
United Kingdom											
LPG & Ethane	0.17	0.16	0.18	0.14	0.14	0.13	0.12	0.15	0.17	0.02	-0.01
Naphtha	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.02	0.03	0.00	0.01
Motor Gasoline	0.39	0.37	0.38	0.37	0.35	0.35	0.35	0.36	0.36	-0.01	-0.03
Jet/Kerosene	0.34	0.34	0.33	0.34	0.34	0.35	0.39	0.32	0.29	-0.03	-0.07
Diesel	0.44	0.45	0.44	0.45	0.44	0.47	0.49	0.47	0.44	-0.03	0.02
Other Gasoil	0.14	0.10	0.10	0.11	0.09	0.11	0.11	0.13	0.11	-0.02	0.01
Residual Fuel Oil	0.09	0.07	0.08	0.07	0.07	0.06	0.05	0.06	0.08	0.02	0.00
Other Products	0.15	0.16	0.15	0.16	0.15	0.14	0.15	0.16	0.16	0.00	0.01
Total	1.73	1.67	1.67	1.66	1.61	1.65	1.68	1.68	1.64	-0.04	-0.07
Canada											
LPG & Ethane	0.34	0.34	0.35	0.33	0.34	0.38	0.38	0.39	0.39	0.00	0.02
Naphtha	0.08	0.05	0.06	0.05	0.05	0.08	0.08	0.08	0.09	0.01	0.05
Motor Gasoline	0.72	0.73	0.73	0.76	0.72	0.70	0.71	0.71	0.76	0.05	0.04
Jet/Kerosene	0.12	0.12	0.13	0.12	0.10	0.11	0.10	0.12	0.10	-0.02	-0.01
Diesel	0.23	0.23	0.23	0.23	0.23	0.22	0.24	0.21	0.21	0.00	-0.01
Other Gasoil	0.33	0.28	0.23	0.26	0.31	0.32	0.36	0.28	0.31	0.03	0.09
Residual Fuel Oil	0.11	0.09	0.08	0.09	0.09	0.11	0.12	0.13	0.11	-0.02	0.02
Other Products	0.32	0.30	0.28	0.32	0.32	0.31	0.30	0.37	0.33	-0.04	0.05
Total	2.24	2.15	2.08	2.16	2.17	2.24	2.30	2.28	2.30	0.02	0.25

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	1Q10	2Q10	3Q10	4Q10	1Q11	Apr 10	May 10	Jun 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.95	7.96				7.97	7.94	7.98
Iran	3.74			3.71	3.72				3.75	3.72	3.70
Iraq	2.43			2.39	2.33				2.28	2.41	2.31
UAE	2.27			2.28	2.30				2.29	2.31	2.29
Kuwait	2.01			2.03	2.03				2.02	2.04	2.04
Neutral Zone	0.54			0.51	0.54				0.56	0.52	0.54
Qatar	0.77			0.81	0.82				0.82	0.82	0.82
Angola	1.77			1.92	1.81				1.86	1.79	1.78
Nigeria	1.82			2.00	1.95				2.00	1.90	1.94
Libya	1.55			1.53	1.55				1.54	1.55	1.56
Algeria	1.25			1.25	1.24				1.24	1.24	1.25
Ecuador	0.47			0.47	0.46				0.47	0.46	0.45
Venezuela	2.16			2.23	2.24				2.25	2.25	2.23
Total Crude Oil[6]	28.69			29.06	28.96				29.05	28.95	28.89
Total NGLs[1,6]	4.66	5.26	5.87	5.03	5.08	5.35	5.57	5.80	5.08	5.08	5.08
Total OPEC[6]	33.35			34.09	34.04				34.13	34.03	33.97
OPEC: Historical Composition[6]	33.35			34.09	34.04				34.13	34.03	33.97
NON-OPEC[2]											
OECD											
North America	13.56	13.59	13.49	13.77	13.80	13.30	13.49	13.71	13.94	13.71	13.76
United States[5]	7.37	7.42	7.40	7.60	7.64	7.22	7.23	7.51	7.69	7.67	7.57
Mexico	2.97	2.94	2.77	2.99	2.97	2.92	2.89	2.84	2.98	2.98	2.97
Canada	3.22	3.23	3.32	3.18	3.19	3.16	3.37	3.35	3.28	3.07	3.22
Europe	4.52	4.31	4.03	4.51	4.25	4.17	4.33	4.26	4.46	4.32	3.96
UK	1.47	1.45	1.31	1.51	1.48	1.35	1.44	1.42	1.55	1.44	1.45
Norway	2.39	2.23	2.10	2.35	2.13	2.17	2.26	2.21	2.28	2.24	1.87
Others	0.67	0.64	0.61	0.65	0.64	0.64	0.64	0.63	0.63	0.63	0.65
Pacific	0.65	0.68	0.71	0.63	0.67	0.70	0.71	0.70	0.63	0.67	0.70
Australia	0.55	0.58	0.61	0.53	0.56	0.60	0.61	0.60	0.53	0.57	0.60
Others	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Total OECD	18.73	18.58	18.23	18.91	18.72	18.17	18.54	18.68	19.03	18.70	18.42
NON-OECD											
Former USSR	13.28	13.56	13.76	13.47	13.53	13.46	13.78	13.82	13.49	13.52	13.59
Russia	10.21	10.43	10.47	10.40	10.42	10.42	10.49	10.49	10.38	10.44	10.43
Others	3.07	3.13	3.29	3.07	3.11	3.04	3.29	3.33	3.11	3.08	3.15
Asia	7.45	7.64	7.56	7.67	7.61	7.65	7.64	7.63	7.60	7.60	7.62
China	3.87	4.01	3.92	4.04	3.99	4.01	3.99	3.96	4.02	3.97	3.98
Malaysia	0.74	0.71	0.67	0.74	0.71	0.68	0.70	0.69	0.72	0.70	0.70
India	0.80	0.87	0.91	0.83	0.85	0.90	0.90	0.90	0.83	0.86	0.88
Indonesia	0.98	0.99	0.97	0.99	1.00	0.99	0.99	0.98	1.00	1.00	0.99
Others	1.06	1.07	1.10	1.08	1.06	1.07	1.06	1.10	1.03	1.07	1.06
Europe	0.14	0.14	0.14	0.14	0.15	0.14	0.14	0.14	0.15	0.14	0.14
Latin America	3.88	4.14	4.44	4.02	4.10	4.16	4.27	4.36	4.11	4.09	4.11
Brazil[5]	2.03	2.18	2.40	2.09	2.16	2.20	2.28	2.35	2.16	2.16	2.15
Argentina	0.72	0.71	0.69	0.71	0.71	0.71	0.71	0.70	0.71	0.71	0.72
Colombia	0.67	0.79	0.91	0.76	0.78	0.80	0.83	0.86	0.78	0.77	0.78
Others	0.45	0.45	0.45	0.46	0.46	0.45	0.45	0.45	0.46	0.46	0.45
Middle East[3]	1.68	1.71	1.72	1.70	1.70	1.71	1.71	1.74	1.69	1.70	1.70
Oman	0.81	0.87	0.93	0.86	0.86	0.88	0.89	0.92	0.85	0.87	0.87
Syria	0.38	0.37	0.35	0.37	0.37	0.37	0.36	0.36	0.37	0.37	0.37
Yemen	0.29	0.28	0.27	0.28	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.61	2.60	2.63	2.62	2.59	2.59	2.58	2.61	2.57	2.61	2.60
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.20	0.25	0.25
Others	1.62	1.61	1.65	1.63	1.62	1.61	1.60	1.62	1.63	1.62	1.62
Total Non-OECD	29.04	29.79	30.26	29.62	29.68	29.72	30.13	30.30	29.61	29.67	29.76
Processing Gains[4]	2.29	2.20	2.23	2.20	2.20	2.20	2.20	2.23	2.20	2.20	2.20
Global Biofuels[5]	1.58	1.83	2.04	1.79	1.80	1.85	1.88	2.01	1.81	1.80	1.80
TOTAL NON-OPEC[6]	51.64	52.40	52.76	52.52	52.40	51.94	52.74	53.22	52.65	52.37	52.18
Non-OPEC: Historical Composition[6]	51.64	52.40	52.76	52.52	52.40	51.94	52.74	53.22	52.65	52.37	52.18
TOTAL SUPPLY	84.99			86.62	86.44				86.78	86.40	86.15

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jan2010	Feb2010	Mar2010	Apr2010	May2010*	May2007	May2008	May2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	482.5	490.7	506.2	505.4	505.9	490.3	440.2	510.6	-0.15	-0.21	-0.08	0.40
Motor Gasoline	265.8	265.0	258.7	252.8	247.4	229.9	235.2	236.4	-0.05	-0.03	0.13	0.07
Middle Distillate	237.4	228.0	216.6	216.9	218.7	197.2	185.0	229.5	0.19	0.16	-0.12	-0.24
Residual Fuel Oil	48.1	49.6	48.6	51.8	50.4	44.2	47.7	46.9	-0.03	-0.01	0.01	0.04
Total Products[3]	698.5	685.0	670.4	680.5	677.0	650.1	639.3	705.7	0.42	0.20	-0.51	-0.28
Total[4]	1321.1	1318.4	1318.8	1335.7	1342.3	1285.8	1227.5	1376.9	0.39	0.04	-0.84	0.11
Europe												
Crude	339.1	340.7	330.9	355.1	360.3	341.3	340.0	329.5	-0.14	-0.14	0.03	-0.02
Motor Gasoline	111.1	109.1	103.2	95.7	95.9	96.6	106.4	93.5	-0.04	0.03	0.05	0.02
Middle Distillate	304.0	290.4	282.4	279.3	286.8	270.8	240.5	289.0	0.06	0.09	-0.03	-0.05
Residual Fuel Oil	72.0	72.3	73.7	75.1	76.8	72.2	81.2	76.9	0.01	-0.05	0.03	0.02
Total Products[3]	600.2	584.3	568.5	562.9	572.8	544.0	538.8	568.3	-0.02	0.13	0.05	-0.06
Total[4]	1010.9	995.4	973.5	989.5	1002.4	960.4	954.3	969.4	-0.20	-0.01	0.04	0.01
Pacific												
Crude	163.5	160.8	164.9	175.1	174.7	174.0	158.7	155.7	0.00	-0.05	-0.06	0.05
Motor Gasoline	27.0	28.4	25.1	26.8	27.8	25.7	26.5	27.0	0.00	-0.01	-0.02	0.02
Middle Distillate	65.3	65.3	57.9	54.7	60.7	64.8	58.8	65.2	0.06	0.11	-0.11	-0.05
Residual Fuel Oil	18.9	19.4	20.3	20.5	21.0	22.6	24.1	20.6	-0.01	0.03	-0.03	0.02
Total Products[3]	169.6	170.4	158.0	156.0	167.0	178.9	172.8	171.2	-0.04	0.22	-0.26	-0.03
Total[4]	396.9	394.2	386.0	396.6	412.2	426.3	405.7	397.4	-0.07	0.20	-0.39	0.03
Total OECD												
Crude	985.0	992.1	1002.0	1035.5	1040.9	1005.6	938.9	995.8	-0.28	-0.40	-0.11	0.43
Motor Gasoline	403.9	402.6	387.0	375.3	371.0	352.2	368.1	356.9	-0.10	-0.01	0.16	0.11
Middle Distillate	606.6	583.7	556.9	550.8	566.1	532.8	484.4	583.6	0.31	0.36	-0.26	-0.34
Residual Fuel Oil	139.0	141.3	142.6	147.4	148.2	139.0	153.0	144.4	-0.03	-0.03	0.01	0.08
Total Products[3]	1468.2	1439.7	1396.9	1399.4	1416.8	1373.0	1350.9	1445.2	0.36	0.54	-0.72	-0.36
Total[4]	2728.9	2708.0	2678.3	2721.8	2756.9	2672.5	2587.4	2743.7	0.11	0.23	-1.19	0.15

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jan2010	Feb2010	Mar2010	Apr2010	May2010*	May2007	May2008	May2009	2Q2009	3Q2009	4Q2009	1Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.6	690.3	704.3	721.7	0.12	0.01	0.02	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	184.4	184.9	187.8	184.4	184.4	175.0	181.6	186.6	-0.01	0.00	-0.02	0.04
Products	240.9	240.7	240.3	237.7	237.7	237.6	232.8	238.7	0.05	0.03	-0.01	-0.01
Pacific												
Crude	389.0	388.9	388.8	390.7	390.9	385.0	385.0	388.8	0.00	-0.01	0.01	0.00
Products	20.0	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.00	0.01	0.00
Total OECD												
Crude	1300.0	1300.4	1303.2	1301.7	1301.9	1250.3	1270.8	1297.1	0.11	0.00	0.00	0.04
Products	262.9	262.7	262.3	259.7	259.7	256.0	253.6	259.9	0.05	0.03	0.00	-0.01
Total[4]	1564.3	1564.5	1566.7	1562.8	1563.0	1507.3	1525.4	1558.5	0.15	0.03	0.00	0.03

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End March 2009		End June 2009		End September 2009		End December 2009		End March 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.7	95	197.9	92	194.5	90	192.6	86	192.3	-
Mexico	45.6	23	48.1	23	50.4	23	44.7	21	51.5	-
United States[4]	1797.0	97	1841.0	99	1846.5	98	1778.1	94	1781.4	-
Total[4]	2062.4	90	2109.1	91	2113.5	90	2037.5	87	2047.3	86
Pacific										
Australia	39.9	42	40.5	43	44.9	46	40.3	43	41.5	-
Japan	611.3	151	611.2	149	607.3	132	588.8	123	581.5	-
Korea	155.2	73	149.1	73	167.0	74	155.0	67	163.6	-
New Zealand	9.5	60	8.5	55	7.5	48	8.1	51	8.3	-
Total	815.9	112	809.3	112	826.8	103	792.2	97	794.9	108
Europe[5]										
Austria	19.9	74	19.8	72	20.8	78	21.2	81	22.8	-
Belgium	34.3	62	33.6	56	34.2	52	34.4	53	35.3	-
Czech Republic	22.7	112	22.0	99	21.8	104	21.5	124	21.7	-
Denmark	25.1	152	26.4	161	25.0	153	25.5	154	27.2	-
Finland	33.5	171	26.6	131	29.3	143	33.1	151	32.5	-
France	177.6	101	172.9	98	174.0	96	174.9	94	171.8	-
Germany	277.7	116	280.2	116	276.7	116	284.1	120	287.7	-
Greece	36.7	94	35.9	95	35.5	90	35.1	85	35.6	-
Hungary	15.7	102	15.1	94	14.4	89	14.3	115	16.8	-
Ireland	11.5	73	11.7	76	12.4	71	11.4	66	12.7	-
Italy	131.0	87	129.1	83	129.0	84	125.6	87	129.2	-
Luxembourg	0.7	14	0.8	16	0.8	15	0.8	14	0.8	-
Netherlands	132.7	130	138.4	137	138.1	137	135.7	135	131.0	-
Norway	24.0	102	23.6	114	24.7	128	21.9	112	21.1	-
Poland	58.9	114	63.1	109	64.8	116	64.0	126	63.3	-
Portugal	25.0	90	24.8	92	24.5	92	26.2	99	23.4	-
Slovak Republic	9.8	124	8.4	99	8.3	103	8.3	109	9.5	-
Spain	137.8	95	135.6	93	135.0	94	132.6	91	132.0	-
Sweden	40.8	120	39.5	117	38.5	117	39.5	110	39.3	-
Switzerland	36.8	137	38.0	153	38.2	137	37.0	155	37.8	-
Turkey	59.2	97	58.8	93	57.8	111	57.6	119	58.1	-
United Kingdom	100.4	60	91.7	55	94.2	59	94.5	57	93.1	-
Total	1411.8	99	1396.1	97	1398.3	98	1399.1	99	1402.8	100
Total OECD	4290.1	97	4314.5	96	4338.6	95	4228.8	92	4245.0	94
DAYS OF IEA Net Imports[6]	-	132	-	133	-	133	-	144	-	145

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End March 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
1Q2007	4108	1507	2601	85	31	54
2Q2007	4168	1506	2661	85	31	54
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4223	1527	2697	91	33	58
1Q2009	4290	1547	2743	97	35	62
2Q2009	4315	1561	2754	96	35	61
3Q2009	4339	1564	2775	95	34	61
4Q2009	4229	1564	2665	92	34	58
1Q2010	4245	1567	2678	94	35	59

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 1Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Feb 10	Mar 10	Apr 10	Year Earlier Apr 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.51	0.44	0.54	0.71	0.92	0.60	0.84	0.58	0.26
Europe	0.70	0.70	0.59	0.60	0.57	0.61	0.55	0.54	0.55	0.71	0.62	0.09
Pacific	1.19	1.22	1.28	1.16	1.23	1.32	1.25	1.20	1.31	1.31	1.14	0.17
Saudi Medium												
North America	0.56	0.64	0.40	0.45	0.41	0.34	0.38	0.40	0.44	0.37	0.40	-0.03
Europe	0.05	0.05	0.02	0.02	0.01	0.02	-	-	-	0.00	0.02	-0.02
Pacific	0.34	0.39	0.34	0.33	0.35	0.33	0.33	0.30	0.26	0.36	0.32	0.05
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.03	0.01	0.01	0.00	-	0.00	0.00	0.04	-0.04
Pacific	0.20	0.24	0.15	0.15	0.12	0.12	0.23	0.20	0.28	0.21	0.12	0.09
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.31	0.45	0.40	0.42	0.50	0.42	0.34	0.39	-0.05
Europe	0.30	0.21	0.12	0.12	0.19	0.06	0.06	0.04	0.06	0.04	0.11	-0.07
Pacific	0.17	0.15	0.24	0.20	0.24	0.27	0.35	0.34	0.28	0.20	0.22	-0.02
Iraqi Kirkuk												
North America	-	0.08	0.06	0.02	0.11	0.04	0.01	-	-	0.03	-	-
Europe	0.11	0.23	0.31	0.34	0.34	0.29	0.33	0.35	0.35	0.28	0.31	-0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.13	0.16	0.20	0.22	0.20	0.28	0.15	0.14
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.06	0.04	0.06	0.07	0.10	-0.03
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.41	0.48	0.37	0.35	0.30	0.46	0.38	0.32	0.05
Pacific	0.64	0.61	0.57	0.51	0.57	0.56	0.61	0.59	0.65	0.43	0.61	-0.18
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.63	0.33	0.09	0.11	0.19	0.13	-	0.60	-
Europe	0.08	0.06	0.07	0.13	0.04	0.02	0.01	-	-	0.01	0.10	-0.08
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.62	0.87	0.75	0.89	0.88	0.93	0.86	0.54	0.32
Europe	0.07	0.07	0.07	0.06	0.06	0.08	0.07	0.07	0.04	0.07	0.08	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.96	0.87	0.82	0.82	0.78	0.85	0.98	1.01	-0.03
Europe	0.14	0.14	0.10	0.09	0.09	0.12	0.12	0.11	0.17	0.11	0.08	0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.01	0.00	0.03	0.01	0.00	0.01	0.00	0.00
Europe	0.02	0.01	0.01	-	0.02	-	-	-	-	0.03	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.27	0.17	0.06	0.08	0.05	0.10	0.14	0.27	-0.13
Europe	1.86	1.81	1.72	1.76	1.76	1.80	1.76	1.72	1.79	1.99	1.80	0.18
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.40	0.63	0.67	0.55	0.56	0.55	0.60	0.29	0.31
Europe	0.24	0.29	0.32	0.39	0.30	0.34	0.26	0.26	0.36	0.34	0.32	0.02
Pacific	0.01	-	0.00	0.01	-	0.01	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.30	0.19	0.21	0.24	0.29	0.17	0.33	0.26	0.06
Europe	0.07	0.14	0.13	0.12	0.12	0.15	0.07	0.09	0.02	0.06	0.10	-0.04
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Feb-10	Mar-10	Apr-10	Year Earlier Apr-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7541	7316	6717	7059	7037	7409	7995	7168	12%
Europe	9691	9776	8910	9123	8850	8676	8565	8500	8757	9824	8911	10%
Pacific	6718	6605	6081	5706	5960	6104	6468	6449	6293	6466	5765	12%
Total OECD	24622	24427	22318	22369	22126	21498	22092	21986	22459	24285	22469	8%
LPG												
North America	28	31	13	11	9	5	12	5	6	8	32	-76%
Europe	278	268	249	252	232	261	286	301	301	311	238	31%
Pacific	557	589	529	518	566	529	534	477	522	529	477	11%
Total OECD	863	887	792	781	806	795	832	783	828	847	747	13%
Naphtha												
North America	40	56	22	19	18	12	23	24	18	28	24	20%
Europe	283	298	312	279	294	388	444	380	536	478	232	106%
Pacific	794	776	841	814	907	896	953	988	880	877	726	21%
Total OECD	1116	1130	1176	1112	1219	1296	1421	1392	1434	1384	982	41%
Gasoline[3]												
North America	1128	1077	878	889	843	785	696	737	663	796	879	-10%
Europe	179	215	193	243	231	62	163	80	97	215	196	10%
Pacific	73	90	97	71	97	98	70	68	74	82	81	0%
Total OECD	1380	1382	1167	1203	1172	946	930	884	833	1092	1156	-6%
Jet & Kerosene												
North America	183	64	61	45	67	55	69	64	59	51	54	-5%
Europe	373	401	451	467	439	444	438	443	471	357	474	-25%
Pacific	43	34	53	49	37	48	46	58	33	52	52	2%
Total OECD	599	500	566	561	542	547	553	564	563	460	579	-21%
Gasoil/Diesel												
North America	132	74	56	39	36	44	114	121	42	39	31	27%
Europe	783	871	1033	980	891	1038	1132	990	1233	967	1086	-11%
Pacific	91	119	88	81	73	115	88	80	128	104	54	90%
Total OECD	1005	1064	1177	1100	999	1197	1333	1190	1404	1110	1172	-5%
Heavy Fuel Oil												
North America	323	288	270	326	205	226	277	317	270	362	319	14%
Europe	436	458	534	567	550	544	564	500	595	580	586	-1%
Pacific	95	125	113	128	103	79	136	147	146	103	157	-34%
Total OECD	854	871	918	1022	858	848	978	963	1011	1045	1062	-2%
Other Products												
North America	1050	1078	870	896	896	756	676	621	657	825	821	1%
Europe	771	734	718	713	763	696	626	577	664	673	700	-4%
Pacific	254	298	323	324	337	353	329	305	391	281	345	-19%
Total OECD	2074	2110	1912	1932	1996	1805	1631	1503	1713	1779	1866	-5%
Total Products												
North America	2883	2667	2171	2226	2073	1882	1868	1888	1715	2109	2160	-2%
Europe	3102	3245	3491	3501	3400	3432	3654	3269	3897	3581	3511	2%
Pacific	1906	2032	2045	1985	2119	2119	2156	2123	2174	2028	1893	7%
Total OECD	7891	7944	7707	7712	7593	7433	7678	7281	7786	7718	7564	2%
Total Oil												
North America	11097	10713	9497	9767	9390	8600	8927	8925	9124	10104	9953	2%
Europe	12793	13022	12401	12623	12250	12109	12219	11769	12654	13405	12422	8%
Pacific	8623	8637	8126	7691	8079	8223	8624	8572	8468	8494	7658	11%
Total OECD	32513	32371	30024	30081	29719	28931	29770	29267	30245	32003	30033	7%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 12 August 2009), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (© 2010 Platts - a division of McGraw-Hill Inc.).

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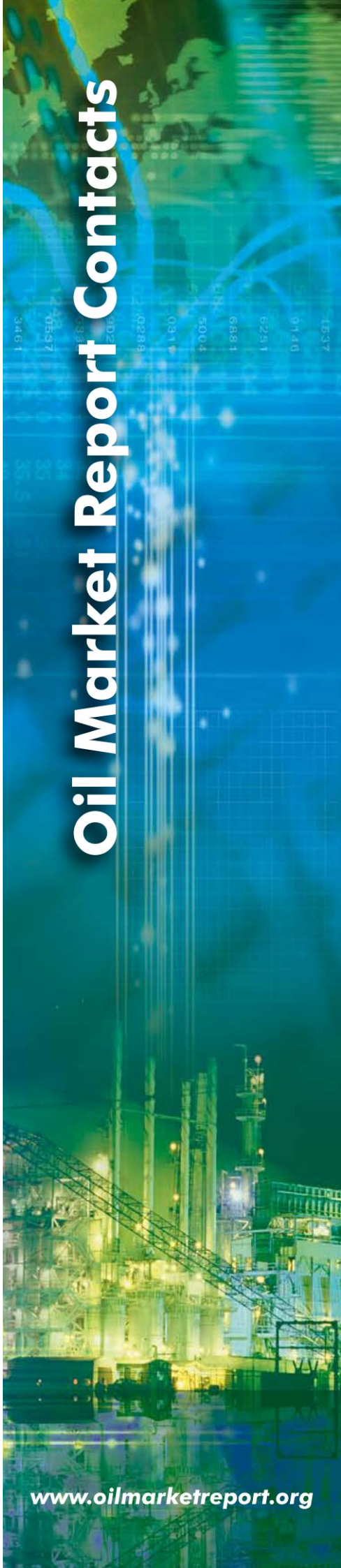

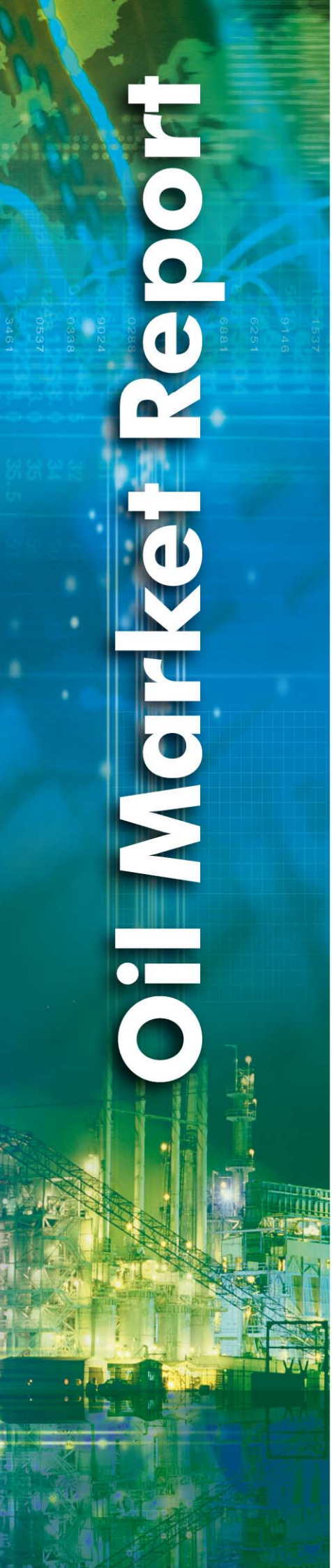

International Energy Agency

11 August 2010

HIGHLIGHTS

- **Crude oil futures trended higher in July** on stronger financial markets and supply outages in the US Gulf of Mexico and the North Sea. By early August, prices rose to their highest level in three months before retreating on more comfortable supplies and concerns over the global economic recovery. WTI and Brent currently stand near $80/bbl.

- **Global oil demand for 2010 and 2011 is revised higher** on stronger GDP assumptions and baseline adjustments. Demand is seen at 86.6 mb/d in 2010 (+2.2% or +1.8 mb/d year-on-year) and 87.9 mb/d in 2011 (+1.5% or +1.3 mb/d). Weaker economic recovery, a third lower than the base case, would cut the 2010 and 2011 prognoses by 290 kb/d and 1.2 mb/d, respectively.

- **Global oil supply rose 850 kb/d to 87.2 mb/d in July**, as Norwegian maintenance ended and OPEC boosted supplies. Non-OPEC supply estimates for 2010 are hiked to 52.6 mb/d, rising to 52.9 mb/d in 2011. BP has plugged its leaking well in the Gulf of Mexico, but we now identify 60 kb/d of potential lost output due to regional project delays in 2010, rising to 100 kb/d in 2011.

- **OPEC crude oil supplies edged up 220 kb/d to 29.2 mb/d in July**, on higher output from Nigeria and the UAE. The 'call on OPEC crude and stock change' is reduced by 100 kb/d for both this year and 2011, to 28.8 mb/d and 29.1 mb/d, respectively. OPEC NGLs are forecast to rise by 600 kb/d to 5.9 mb/d in 2011, similar growth to 2010.

- **Global refinery crude throughputs are revised up 425 kb/d for 2Q10** on strong European runs. At 73.9 mb/d, 2Q10 global runs are 1.8 mb/d higher year-on-year, with growth underpinned by expansions in China and a recovery in US refinery activity. Forecast 3Q10 runs are hiked to 74.7 mb/d, 1.1 mb/d above 3Q09.

- **OECD industry stocks fell by 0.8 mb in June to 2 760 mb**, or 61.0 days of forward demand cover. Preliminary data point to a seasonal 21.5 mb build in the OECD in July, driven by product increases in the US, while crude and products held in short-term floating storage fell.

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LEARNING FROM HISTORY

Legislators often like to depart for summer recess having left their mark by pushing through a raft of new rules. This year has been no exception. The *OMR* team at the IEA has less lofty ambitions, but also likes to leave subscribers with something useful in August – the *Annual Statistical Supplement (ASS)*, which summarises the last 15 years' oil market data. Hegel once said, "we learn from history that we learn nothing from history". Maybe so, but revisiting historical market data provides at least some clues on market direction for the years ahead, even if many uncertainties remain.

IEA crude oil import costs stood near $15/bbl back in 1994, but rose to average $28/bbl in 2000 and $60/bbl in 2009, having reached an annual peak near $100/bbl in 2008. Imports of crude and key oil products into the OECD rose by nearly 3 mb/d in that period, with crude and fuel oil imports stable, but middle distillates imports having doubled and gasoline imports nearly trebling. Despite current refining over-capacity, meeting buoyant demand growth for clean transport fuels, diesel and jet fuel in particular, remains a key challenge for the refining industry in the longer term, as we discussed in *MTOGM 2010*.

More broadly, 2009 world oil demand was 15 mb/d, or 20%, higher than in 1995, with all the net growth coming from non-OECD markets. OECD demand in contrast peaked in 2005 just short of 50 mb/d. Demographic and income growth in the dynamic emerging economies will remain the engines of oil market growth in the next decade, a trend exaggerated by end-user price subsidies. Countries like India, China and Iran are grappling with the social and political challenges of subsidy phase-down, but progress cannot happen overnight, even though subsidies distort the passing on of pricing signals to consumers.

Major energy consumers, refiners and producers alike face multi-billion dollar investments in the next decade to cover fuel purchases and new supply technology development. Resource nationalism leaves cheaper, easier oil off limits to international companies, pushing up supply costs which ultimately are passed on to consumers. OPEC crude has generated 25% of incremental supply during 1995-2009, requiring non-OPEC and non-conventional oil to fill the gap. Assuming OPEC continues to ration supply in support of price management objectives, massive investment in new non-OPEC barrels will be needed, with a corresponding requirement for companies to be able to manage the associated investment risk.

This is why emerging legislation in several countries is being so closely watched. Access to reserves and investment terms are under review in, among others, Russia, Brazil, Nigeria and Kazakhstan, all of whom are already, and will remain, major oil suppliers. This year's *Macondo* disaster in the deepwater US Gulf highlights ever-present supply risks, with hurricanes, tanker attacks, pipeline explosions and refinery outages in July alone re-emphasising the inherent fragility of oil supply.

But *Macondo* also places the ability of the industry to access important new reserves on a knife-edge. Some 30% of existing global oil, and nearly 50% of new supplies by 2015, needs to be sourced from offshore, much of it from deep water. Operating and regulatory standards may be tightened, and sensitive frontier areas may see permitting delays, but fortunately few host governments worldwide appear to be contemplating blanket bans on deepwater development. That said, fledgling US energy and climate change legislation focuses on unlimited operator liability for offshore oil spills. That potentially makes deepwater development unaffordable for many smaller and medium sized companies

The ability of physical market players to hedge risk in future may also be affected by the US' recently passed (and elegantly titled!) Dodd-Frank Wall Street Reform and Consumer Protection Act, and parallel legislation under consideration in Europe and Asia. While regulators have rightly been given greater powers of oversight and a mandate for more transparency in hitherto opaque over-the-counter derivatives markets, the formulation of precise regulations after the enabling legislation has passed will be crucial. US regulators thankfully seem well aware of the need for internationally consistent standards. They also appear to acknowledge potentially damaging unintended consequences were overly onerous collateral requirements or position limits to be applied in commodity financial markets

DEMAND

Summary

- **Forecast global oil demand for 2010 and 2011 is revised up by 80 kb/d and 50 kb/d, respectively, on slightly higher economic assumptions and baseline adjustments.** Based on the IMF's *World Economic Outlook Update* (July 2010), complemented by prognoses from both the OECD and Consensus Economics, global economic activity is seen expanding by 4.5% this year but remains capped at 4.3% next year. Oil demand is thus expected to average 86.6 mb/d in 2010 (+2.2% or +1.8 mb/d year-on-year) and 87.9 mb/d in 2011 (+1.5% or +1.3 mb/d). However, concerns that the global economic recovery may falter from 2H10 pose a significant downward risk to the forecast. Assuming that GDP growth is a third lower than the base case, a sensitivity analysis suggests that global oil demand would be some 290 kb/d and 1.2 mb/d less in 2010 and 2011, respectively.

- **Forecast OECD oil demand for 2010 and 2011 is adjusted up by 30 kb/d on average on slightly higher readings in Europe and a minor reappraisal of US demand prospects.** Total demand is projected at 45.5 mb/d in 2010 (+0.2% or +80 kb/d year-on-year) and 45.3 mb/d in 2011 (-0.4% or -200 kb/d). However, if predictions of a 'double-dip' recession affecting key OECD countries were to be realised, this year's growth would be negligible or flat and next year's expected decline steeper.

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.0	30.0	30.0	29.9	29.9	30.0	30.2	30.1	30.1
Asia/Pacific	25.5	25.8	25.7	26.8	26.0	27.3	27.0	26.2	27.3	26.9	27.9	27.5	26.9	28.0	27.6
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.9	15.2	15.1	15.0	14.9	14.8	15.1	15.1	15.0
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3
Middle East	6.6	7.1	7.6	6.9	7.1	7.0	7.4	7.8	7.2	7.3	7.3	7.8	8.1	7.5	7.7
World	**84.2**	**83.9**	**85.1**	**85.7**	**84.7**	**86.0**	**86.6**	**86.7**	**87.0**	**86.6**	**87.6**	**87.6**	**88.1**	**88.3**	**87.9**
Annual Chg (%)	-3.4	-2.7	-0.6	0.9	-1.4	2.2	3.1	1.9	1.5	2.2	1.8	1.2	1.6	1.5	1.5
Annual Chg (mb/d)	-3.0	-2.3	-0.5	0.8	-1.2	1.9	2.6	1.6	1.3	1.8	1.6	1.0	1.4	1.3	1.3
Changes from last OMR (mb/d)	-0.10	0.02	0.03	0.06	0.00	0.00	-0.02	0.17	0.17	0.08	-0.01	-0.14	0.04	0.31	0.05

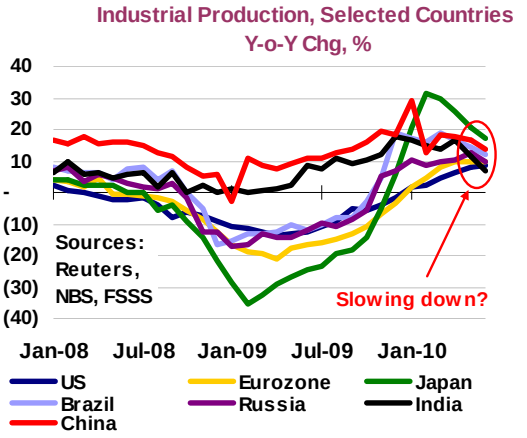
- **Forecast non-OECD oil demand is raised by 55 kb/d to 41.0 mb/d in 2010 (+4.5% or +1.8 mb/d year-on-year), but remains largely unchanged at 42.6 mb/d in 2011 (+3.7% or +1.5 mb/d).** The revisions for this year reflect higher economic assumptions, as well as stronger-than-expected readings in Asia and the FSU. Yet under a lower GDP case, 2011 non-OECD demand growth, by virtue of the region's much higher income elasticity, would come in at 950 kb/d less.

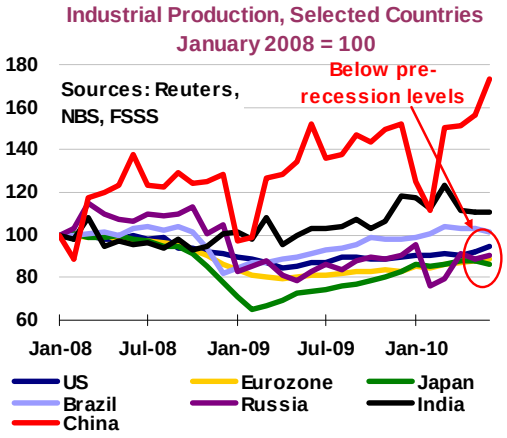
- **As non-OECD demand becomes the main driver of global oil demand growth, it is also starting to alter the world's demand seasonality, which until now followed the mould of OECD demand.** Indeed, as much as 2Q oil demand falls quarter-on-quarter in the OECD, it normally rises in the non-OECD. Eventually, as non-OECD oil demand overtakes OECD consumption over the next few years, the first quarter could come to feature the lowest demand level within any given year. Although somewhat distorted by the recession, preliminary demand readings have already provided a glimpse of the future: at 86.6 mb/d, 2Q10 global demand is some 600 kb/d higher quarter-on-quarter.

Global Overview

Is the global economic recovery faltering? The answer to this question is elusive, as recent figures point to contradictory trends. For example, the latest industrial production data (June) for the key economies indicate that growth is slowing down. Only the US is so far exhibiting a flattening trend, but other countries are featuring either a mild deceleration (the Eurozone) or a marked one (notably Japan and India). Still, with industrial production growth hovering around 10-15% on average, concerns about an

impending global economic slowdown would appear exaggerated – were industrial production in the OECD back to its pre-recession levels. However, industrial production in the most advanced economies – the US, the Eurozone and Japan – is still some 10% below January 2008.





Some analysts argue that OECD economies face the risk of falling into a 'liquidity trap' – being so weak as to render monetary policy ineffective since a highly leveraged private sector is reluctant to invest and consume amid pervasive high unemployment, despite ultra-low interest rates. From this perspective, only continued government spending would ensure that the momentum is maintained and that a 'double-dip' recession is avoided. However, another round of fiscal expansion is far from guaranteed, given concerns that public indebtedness is reaching unsustainable levels. Indeed, many OECD governments, notably in Europe, have announced some degree of fiscal retrenchment in the short to medium term.

However, other indicators paint a less gloomy OECD picture. Bond markets remain buoyant, indicating a risk of deflation, rather than government-fuelled inflation – thus suggesting that fears of potential sovereign defaults have eased. Corporate profits have been strong, and 2Q10 GDP growth in key countries such as Germany and the UK has surprised on the upside. In the US, even though 2Q10 growth, at +2.4% year-on-year, indeed softened relative to 1Q10 (+3.7%), it remains relatively high – albeit 2009 real GDP growth was revised down from -2.4% to -2.6%, indicating that the recession was deeper than previously thought. The quarterly slowdown appears to be mostly related to the inventory cycle, as stock rebuilding eases after the spurt of growth that followed the massive recession-induced stock liquidation. Investment appears to have taken the baton and private consumption, albeit subdued, held its ground, rather than worsening. Thus, US data are ambiguous and could be interpreted either way.

By contrast, most of the largest emerging economies – particularly China, where industrial production is some 70% higher versus its pre-recession levels – have clearly staged a remarkable recovery. Still, many observers fret about the short-term outlook of the Chinese economy, as the government seeks to burst real estate and financial asset bubbles, curb runaway investment and encourage domestic consumption. However, the expected deceleration in China's economic activity (from about 11% in 1H10 to 9% in 2H10, according to the consensus view) can hardly be called 'sharp', although it may actually help tame inflationary pressures. Nevertheless, a further slowdown is arguably unlikely if the government seeks to avoid harming the economy's main pillars of growth – investment and, to a lesser degree, net exports – just ahead of a crucial change in the country's political leadership.

Yet this suggests that China's 'rebalancing' in favour of consumption-driven growth will only take place in the longer term. If private consumption growth in exporting economies with large current account surpluses, namely Japan, Germany and China, fails to offset the decline in countries with sizable current account deficits, such as the US and the UK, the world economy could again face imbalances of the same

magnitude as those evident prior to the recession in just a few years. According to the International Monetary Fund, current account imbalances will reach 2007 levels (the highest ever) by 2015. Clearly, not all countries will be able to simultaneously export their way out of recession.

In sum, the short-term global economic outlook is highly uncertain, presenting significant downside risks to future oil demand growth. A bullish assessment, expecting global economic activity to be sustained in 2011, suggests that oil demand growth will be relatively strong next year (with some observers reckoning that growth will be even *higher* than this year). Conversely, a bearish view featuring a marked slowdown in global economic conditions would result in much weaker oil demand growth.

These outcomes can be modelled under a GDP sensitivity analysis. Our base case is largely derived from the last IMF *World Economic Outlook Update* (released in mid-July), complemented by prognoses from both the OECD and Consensus Economics. Compared to its April assessment, the Fund now sees slightly higher global GDP growth in 2010, mostly on higher-than-anticipated 1H10 readings, while keeping its 2011 forecast largely unchanged. However, given our assumption that economic activity will gently moderate in 2H10, our demand outlook is only marginally revised up relative to last month's report, with growth expected to reach +1.8 mb/d (+2.2% year-on-year) in 2010 and +1.3 mb/d (+1.5%) in 2011. Our lower case, meanwhile, examines how oil demand would evolve should global GDP growth feature a marked deceleration in 2H10, which would continue in 2011.

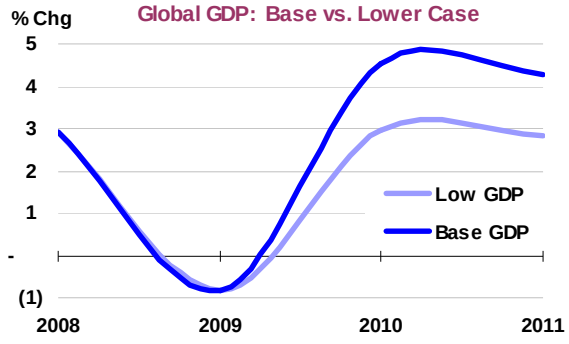
Real GDP Growth
OMR dated 11 August 2010

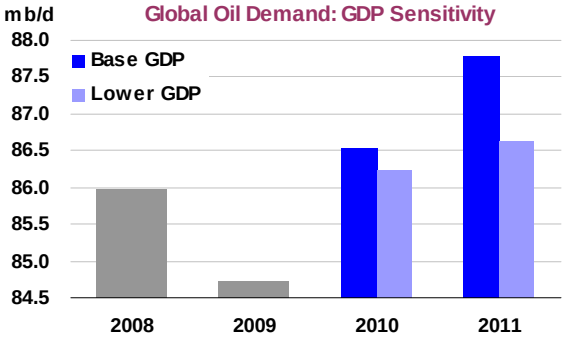
% change	2010	2011
WORLD	**4.5**	**4.3**
OECD	**2.6**	**2.5**
OECD, North America	3.4	3.0
OECD, Europe	1.4	1.9
OECD, Pacific	3.2	2.7
Non-OECD	**7.0**	**6.5**
Africa	4.7	5.1
Latin America	4.9	3.8
China (excl. Hong Kong)	10.5	9.6
Other Asia	7.5	6.5
Non-OECD Europe	3.2	3.4
FSU	4.0	4.1
Middle East	4.5	4.8

Current vs. Previous
OMR dated 12 May 2010

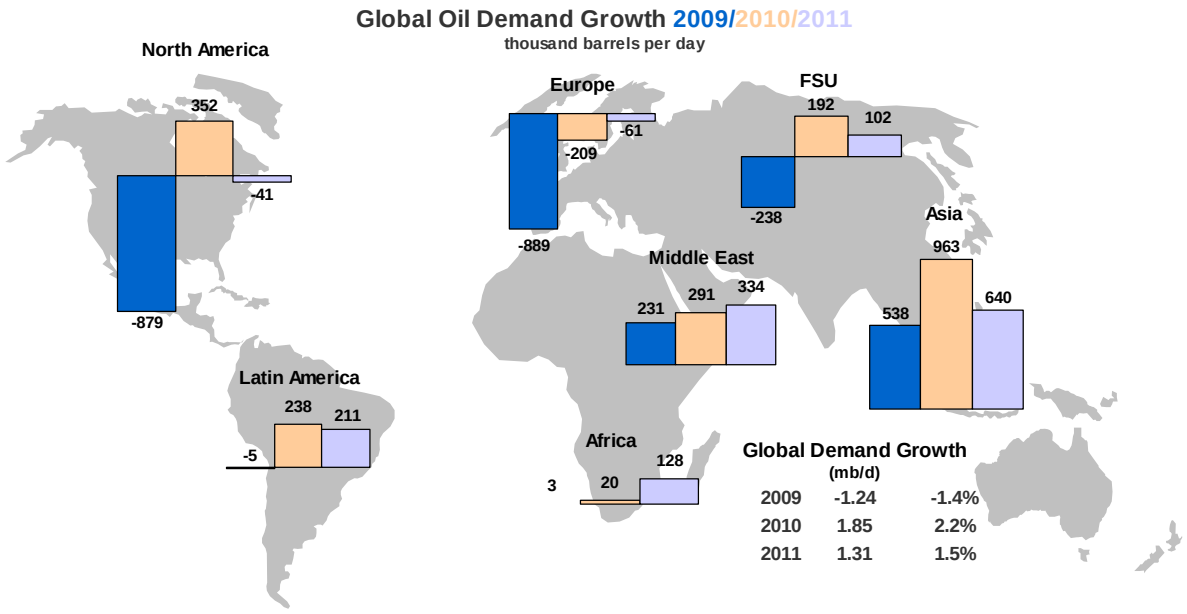
WORLD	**0.4**	**0.0**
OECD	**0.3**	**0.1**
OECD, North America	0.2	0.3
OECD, Europe	0.1	0.0
OECD, Pacific	0.6	(0.2)
Non-OECD	**0.6**	**(0.1)**
Africa	0.2	(0.2)
Latin America	1.1	0.0
China (excl. Hong Kong)	0.5	(0.3)
Other Asia	0.7	(0.1)
Non-OECD Europe	2.3	(0.2)
FSU	0.3	0.5
Middle East	(0.0)	0.1

Sources: IMF, OECD, Consensus Economics, IEA





If global economic activity were to expand by a third less (bringing down overall GDP growth to +3.0% in 2010 and to +2.8% in 2011), global oil demand would be some 290 kb/d and 1.2 mb/d less in 2010 and 2011, respectively, versus the base case. For this year, assuming that 1H10 demand figures are largely final, this implies that 2H10 demand would be some 580 kb/d lower. Moreover, the non-OECD – by virtue of its much higher income elasticity – would account for roughly 70% of the difference. It should be noted that, contrary to our recently released *Medium-Term Oil & Gas Markets 2010* report, this analysis is undertaken under a *ceteris paribus* condition – that is, holding all variables but GDP constant. As such, it does not account for likely oil price and oil intensity effects, and is therefore merely illustrative.



OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 0.7% year-on-year in June. Resilient demand in **OECD North America** (which includes US Territories), mostly underpinned by gasoline and diesel demand, offset a decline in **OECD Pacific** on the back of poor distillate and fuel oil readings. Meanwhile, oil demand in **OECD Europe** remained flat, as weak deliveries of gasoline, fuel oil and 'other products' counterbalanced rising demand for naphtha and distillates.

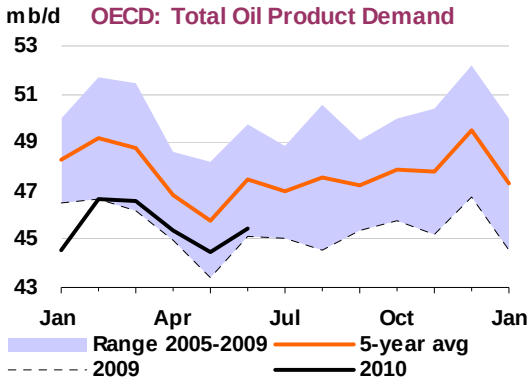
OECD Demand based on Adjusted Preliminary Submissions - June 2010
(million barrels per day)

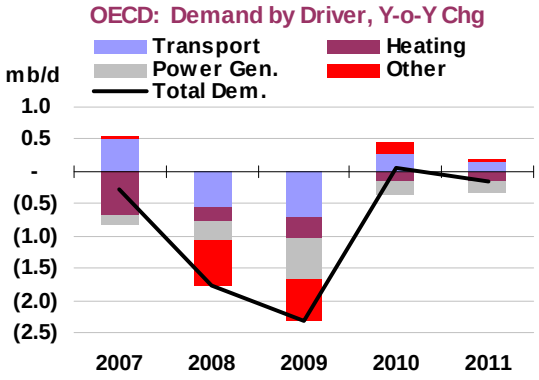
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.90**	**1.1**	**1.61**	**-2.3**	**4.00**	**9.8**	**0.79**	**-4.8**	**0.87**	**-7.3**	**5.64**	**2.91**	**23.81**	**2.1**
US50	9.28	1.1	1.38	-3.7	3.42	9.9	0.37	-8.1	0.44	-21.4	4.20	1.7	19.10	1.4
Canada	0.76	1.5	0.14	4.2	0.24	-2.5	0.26	14.0	0.09	17.7	0.73	1.8	2.21	3.2
Mexico	0.80	0.8	0.06	22.3	0.30	3.8	0.13	3.8	0.26	17.5	0.65	13.1	2.20	7.1
OECD Europe	**2.33**	**-4.3**	**1.35**	**3.6**	**4.55**	**2.1**	**1.42**	**0.8**	**1.27**	**-6.8**	**3.63**	**1.3**	**14.55**	**0.0**
Germany	0.48	-6.0	0.20	6.2	0.69	6.7	0.37	31.8	0.12	-16.2	0.65	9.0	2.51	6.1
United Kingdom	0.36	-3.8	0.32	1.8	0.46	-0.1	0.11	8.6	0.08	1.9	0.34	-3.5	1.68	-0.7
France	0.20	-5.7	0.15	-1.7	0.72	3.0	0.19	-18.8	0.11	35.3	0.40	-4.2	1.79	-1.5
Italy	0.25	-6.8	0.10	7.5	0.52	-0.7	0.10	-5.2	0.13	-35.9	0.33	0.3	1.43	-6.2
Spain	0.14	-6.3	0.13	9.6	0.52	0.0	0.16	2.1	0.19	-4.6	0.32	0.8	1.46	-0.1
OECD Pacific	**1.51**	**-0.5**	**0.61**	**0.2**	**1.05**	**-0.3**	**0.48**	**-11.0**	**0.64**	**-12.1**	**2.78**	**0.0**	**7.09**	**-2.2**
Japan	0.96	-2.0	0.34	-3.8	0.39	-1.3	0.38	-12.6	0.33	-22.6	1.42	-4.0	3.82	-6.1
Korea	0.18	4.9	0.14	7.8	0.28	-1.7	0.10	-5.9	0.28	5.4	1.18	5.3	2.16	3.9
Australia	0.32	1.5	0.12	4.5	0.34	1.5	0.00	0.0	0.03	-18.7	0.16	1.5	0.96	1.2
OECD Total	**14.75**	**0.0**	**3.57**	**0.3**	**9.60**	**4.9**	**2.69**	**-3.2**	**2.78**	**-8.2**	**12.05**	**1.7**	**45.45**	**0.7**

* Including US territories

Revisions to May data were sizable (-380 kb/d), driven largely by North America (-245 kb/d), as US diesel deliveries turned out to be much weaker than suggested by preliminary weekly figures, and the Pacific (-135 kb/d), with changes concentrated in Japan's 'other products'. European readings, on the other hand, were virtually unchanged. Total OECD demand thus rose by only +2.4% year-on-year in May, roughly a third lower than implied by preliminary data. However, the adjustments for the whole of 2010 are relatively minor (+30 kb/d), with Europe (+40 kb/d) and North America (+10 kb/d) largely offsetting the Pacific (-25 kb/d), with total OECD demand expected to average 45.5 mb/d (+0.2% or +80 kb/d year-on-year). The prognosis for 2011, meanwhile, is raised by 35 kb/d to 45.3 mb/d, mostly on a minor

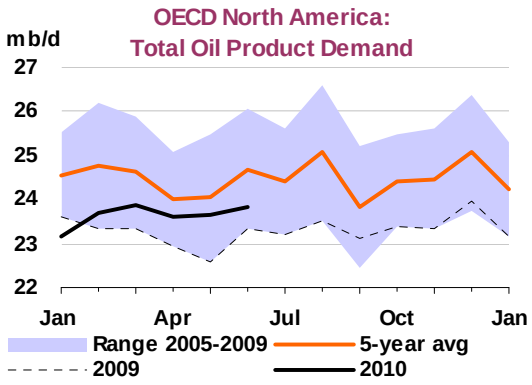
reappraisal of US demand prospects. Still, this upward revision is insufficient to overturn an overall OECD decline (-0.4% or -200 kb/d year-on-year).

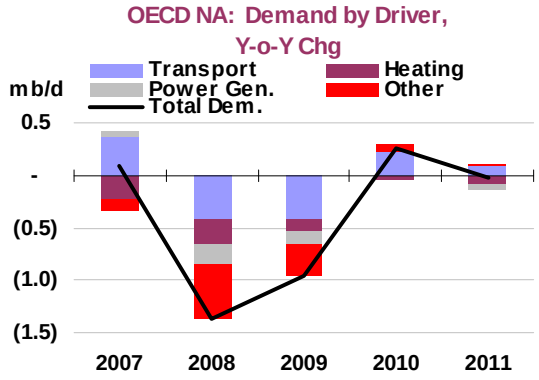




North America

Preliminary data show oil product demand in North America (including US territories) rising by 2.1% year-on-year in June, following a 4.8% increase in May. June featured strong diesel readings and increases in petrochemical feedstocks, which outweighed declines in jet fuel/kerosene and heating/power generation fuels. Regional gasoline demand posted a third consecutive month of growth, though year-on-year comparisons appeared more modest than in April and May. Despite the incorporation of higher regional 2010 and 2011 GDP assumptions, as put forth in the IMF's latest update, economic sentiment has soured with recent data releases pointing to further deceleration in the recovery. Still, evidence of renewed economic slowdown borne out through weakening preliminary oil demand data appears inconclusive for now.

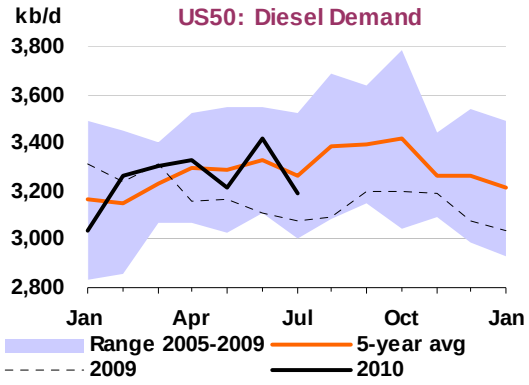


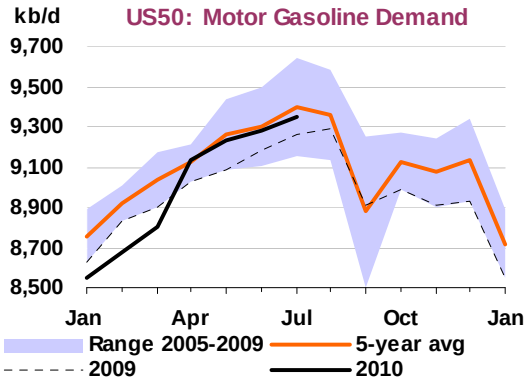


May preliminary data were revised down by 245 kb/d, mostly due to a downward correction to US diesel and 'other products', which outweighed an upward revision to gasoline and heating oil. North American oil demand for 2010 is seen rising to 23.7 mb/d (+1.5% or +350 kb/d year-on-year and 10 kb/d higher versus our last report). Looking forward, 2011 oil demand should fall slightly to 23.6 mb/d (-0.2% or -40 kb/d and 50 kb/d higher than our last report), with stagnant gasoline consumption and declines in petrochemical feedstocks and heating/power generation fuels outweighing growth in middle distillates.

Adjusted preliminary weekly data for the continental **United States** indicate that inland deliveries – a proxy of oil product demand – grew by +1.9% year-on-year in July, following +1.4% in June. July data featured year-on-year gains in all categories bar heating oil. Even though diesel demand grew at +3.8% (versus +9.9% in June), its underlying strength as reflected in weekly data remains tenuous. Our May diesel estimate, in part derived from an assumed split of weekly distillate figures, was revised down by

440 kb/d with the inclusion of official monthly data. High exports may have inflated weekly estimates and, indeed, market reports indicate sustained diesel exports during June and July (though recent activity appears to be waning), particularly to Latin America. While we assume a split of distillate between diesel and heating oil based on historical patterns, we continue to forgo our normal weekly-to-monthly pre-emptive adjustment in June and July given the uncertain impact of exports. Moreover, despite continued monthly and annual gains in rail freight and strong shipping activity at the Los Angeles/Long Beach ports, other indicators look more muted than in our last report. The American Trucking Association's seasonally adjusted tonnage index fell month-on-month in both May and June, while manufacturing growth, as indicated by the ISM index through July, has slowed for the past three consecutive months.

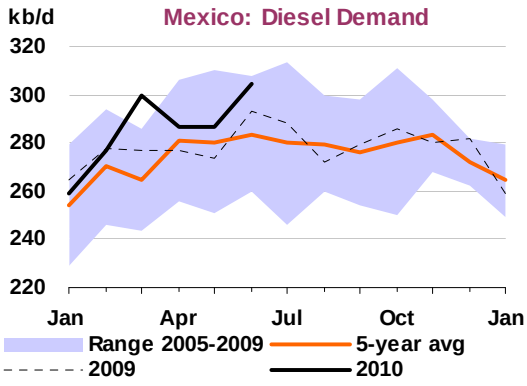




Gasoline demand has featured modest but consistent strength during the summer driving season. The inclusion of monthly data raised May gasoline consumption by 175 kb/d versus our previous estimate based on weekly figures. June and July consumption, according to these estimates, grew by 1.1% and 1.0%, respectively, while the April-July period showed year-on-year growth averaging 1.2%. Average regular gasoline retail prices have remained remarkably steady in a $2.70-$2.78/gallon range since early June (nominally about ¢15-20 higher than the same period last year), but seemingly not at a high enough level to outweigh income effects on demand. Rather, persistent high unemployment continues to weigh upon growth rates, with the private sector struggling to create jobs and non-farm payrolls data in July showing the unemployment rate unchanged at 9.5%.

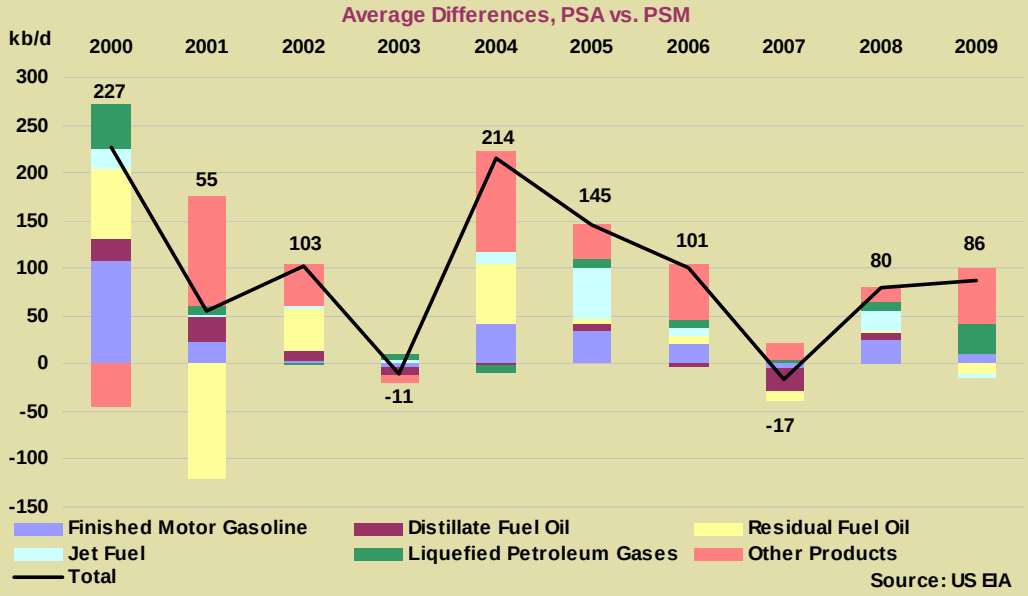
The outlook for gasoline demand in 2011 looks slightly more optimistic than in our last assessment, owing to the incorporation of a higher GDP assumption, as well as a lifted 2010 baseline. Still, demand is expected to fall by 0.1% next year (versus -0.5% in our last report), based on continued improvements in fleet efficiency offsetting the economic growth impact. An upside risk, though, is that fleet turnover proceeds at a slower pace than anticipated while aggregate driving increases in line with its historical relationship to income.

Mexican oil demand continued to post strong growth, rising by 7.1% year-on-year in June. Yet concerns have surfaced over the sustainability of Mexico's strong industrial recovery, particularly regarding car manufacturing, given its strong linkage to the US economy, whose outlook remains uncertain. Nevertheless, preliminary data showed continued increases in diesel (+3.8%), jet fuel/kerosene (+22.3%) and LPG (+1.8%). Gasoline demand growth moderated to 0.8%, while residual fuel oil posted a third consecutive month of strong gains (+17.5%).



No Surprises: US 2009 Demand Revisions in Line With Recent Trends

At the end of July, the US Energy Information Administration (EIA) provided finalised US-50 demand data for 2009 with the release of the Petroleum Supply Annual (PSA). US50 preliminary monthly demand is derived from the Weekly Petroleum Status Report, which is revised two months later in the Petroleum Supply Monthly (PSM) and then finally adjusted in the PSA, usually in mid-year. The new 2009 data showed an upward revision of 85 kb/d, in line with trends seen during the past decade and very close to our own pre-emptive annual correction (+80 kb/d). From 2000-2008 the average annual revision was +100 kb/d, with 2003 and 2007 featuring the only negative adjustments.

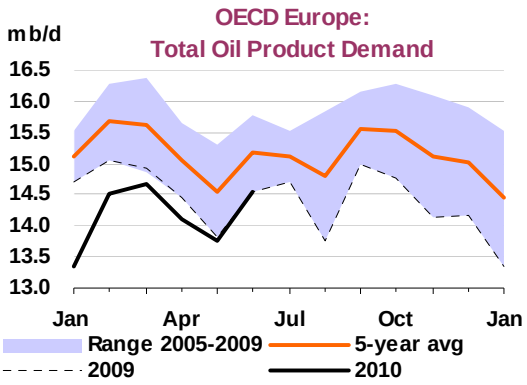


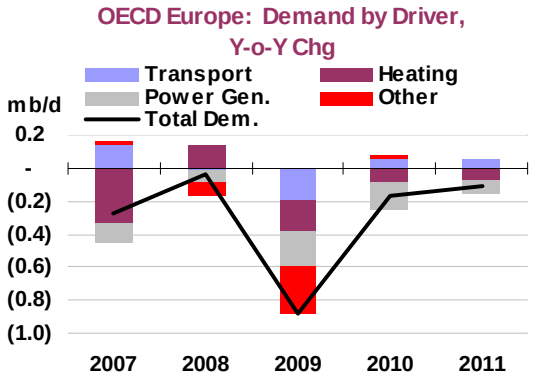
The 2009 revisions were led by an upward adjustment to the other products category (+60 kb/d), followed by LPG (+30 kb/d) and gasoline (+10 kb/d). Typically, 'other products' – which include unfinished oils, lubricants, waxes, petroleum coke, asphalt and others – have represented the largest revisions, given the difficulty associated in tallying such disparate and sometimes nebulous products. The upward revision to LPG reinforces trends borne out in monthly data, namely that the US economic recovery was led by a strong rebound in the petrochemical sector. The small positive gasoline adjustment came in lower than the 2000-2008 average (+30 kb/d), reinforcing the notion of only a marginal rebound in 2009 gasoline consumption. Residual fuel oil posted a negative revision of 10 kb/d, while middle distillate and jet/kerosene were essentially unchanged versus monthly data.

Overall, the low value of the 2009 adjustment, similar in magnitude to 2008, suggests that improvements in monthly data collection have remained consistent, particularly concerning the main products. For 2010, based on the monthly average revisions of previous years, we are factoring in an annual correction of 85 kb/d.

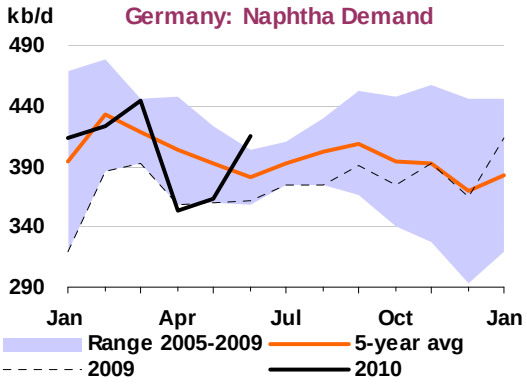
Europe

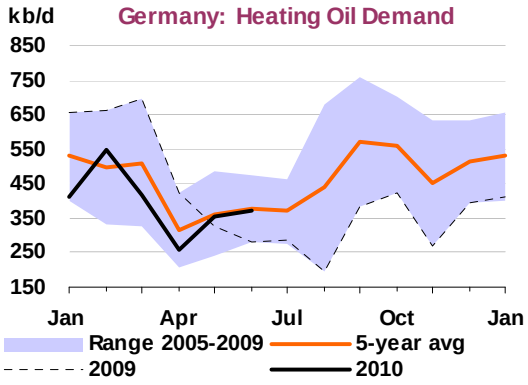
According to June preliminary inland data, oil product demand in Europe was unchanged versus the same month of the previous year, as weak deliveries of gasoline, fuel oil and 'other products' offset rising naphtha and distillate requirements. **Germany** provided most of the offsetting momentum, with strong demand for naphtha and heating oil. Naphtha use was supported by resilient industrial activity, while heating oil deliveries were seemingly boosted by households taking advantage of relatively lower prices to partly replenish their tanks (at 53% of capacity, filling is slightly above its five-year average, but much lower than the 64% posted in June 2009).





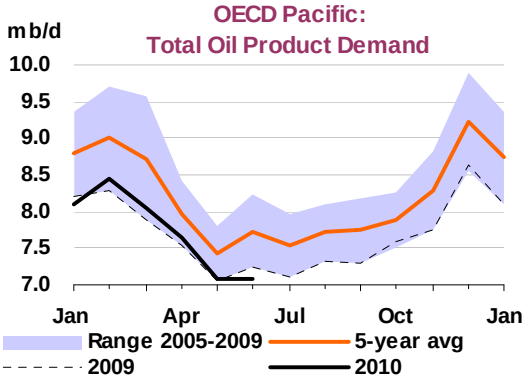
Revisions to May preliminary demand data were negligible (-5 kb/d), as weaker-than-expected readings for naphtha (Germany), diesel (Belgium and Turkey), residual fuel oil (Belgium) and 'other products' (Belgium and the Netherlands) offset much stronger figures for LPG (the Netherlands) and heating oil (Greece, Ireland and Sweden). Overall, total OECD Europe demand is revised by +40 kb/d to 14.3 mb/d in 2010 (-1.4% or -200 kb/d compared with the previous year). Oil demand is expected to decline further in 2011 to 14.2 mb/d (-0.5% or -70 kb/d versus 2010 and unchanged versus last month's report).

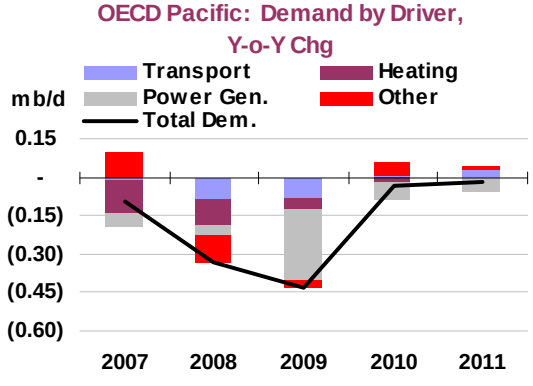




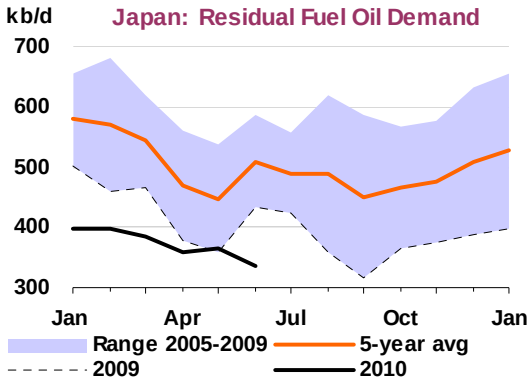
Pacific

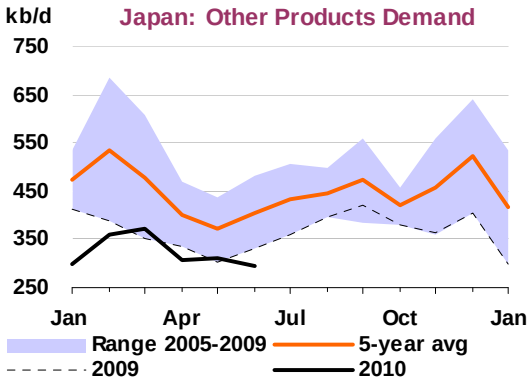
Preliminary data show that oil product demand in the Pacific fell by 2.2% year-on-year in June, as a result of poor distillate and residual fuel oil readings. In terms of countries, the decline was led by Japan (-6.1% year-on-year), the largest monthly fall since July 2009. At 3.8 mb/d, this was reportedly the country's lowest oil demand level since June 1988, with all product categories bar naphtha posting sharp contractions. Interfuel substitution, notably in favour of natural gas and nuclear power, coupled with fuel efficiency improvements and sluggish economic activity, help explain the fall.





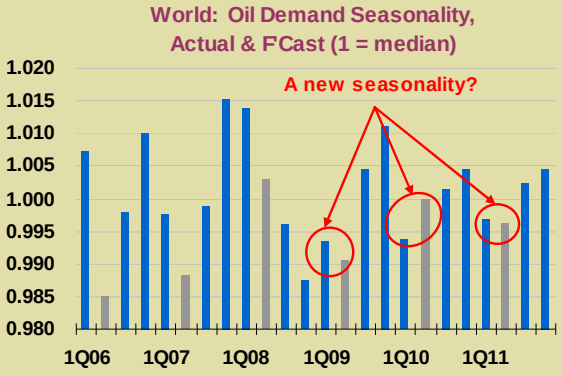
May data revisions were relatively large (-135 kb/d), mostly centred on diesel and 'other products'. As anticipated in the last report, the implausible surge in Japan-driven 'other products', implied in preliminary data, was revised down sharply (-155 kb/d), with demand now more in line with natural gas use and rising utilisation rates in nuclear power plants. OECD Pacific demand thus barely increased in May (+0.4%), much less than anticipated by preliminary figures (+2.3% year-on-year). Total oil product demand in 2010 is revised down by 25 kb/d to 7.6 mb/d (-0.9% or -70 kb/d year-on-year), and is projected to decline further in 2011 to 7.5 mb/d (-1.2% or -90 kb/d compared with the previous year and 15 kb/d less than last month's report).

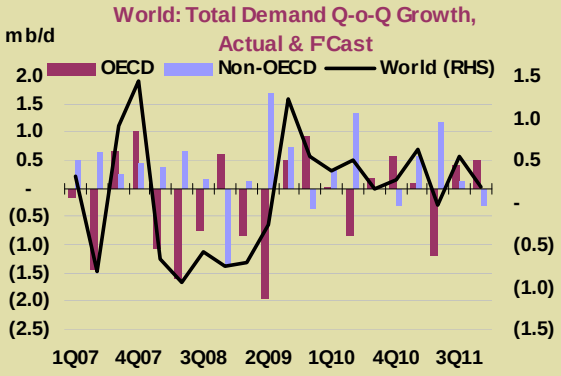


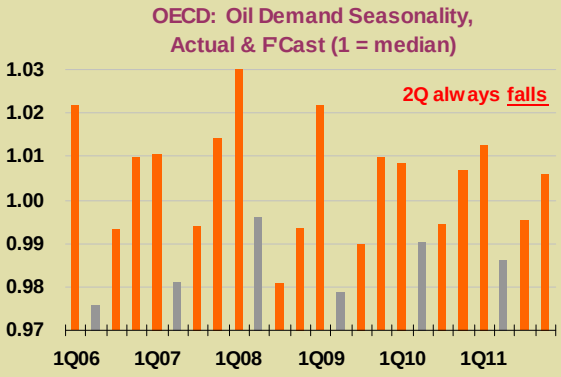


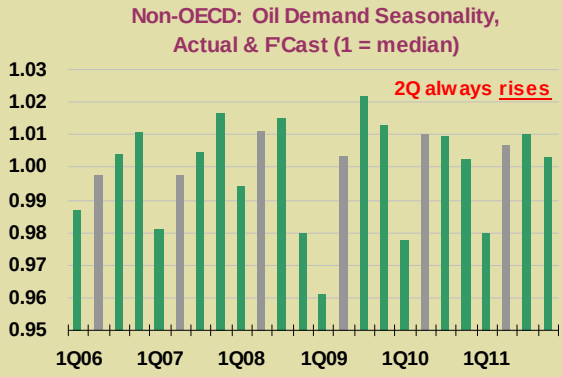
Is A New Seasonality Emerging?

Global oil product demand traditionally peaks in the first quarter, as winter temperatures in the northern hemisphere are coldest and heating needs increase. Demand then typically declines to its lowest in the second quarter – that is, until recently. Indeed, a new seasonal trend may have emerged since 2009. The 1Q-2Q gap fell sharply that year, reversed markedly in 2010 and could remain marginal in 2011.









Is A New Seasonality Emerging? (continued)

This unusual pattern reflects the world's new oil demand dynamics. Indeed, as much as 2Q oil demand falls quarter-on-quarter in the OECD, it normally rises in the non-OECD. In many developing countries, economic activity tends to slow down sharply in the first quarter following the New Year's celebrations – most notably in China, where the Lunar Year holidays occur in January/February – before rebounding in the second quarter. Given that non-OECD demand is now driving global growth, it is also starting to alter the world's oil demand seasonality, which until now followed the mould of OECD demand.

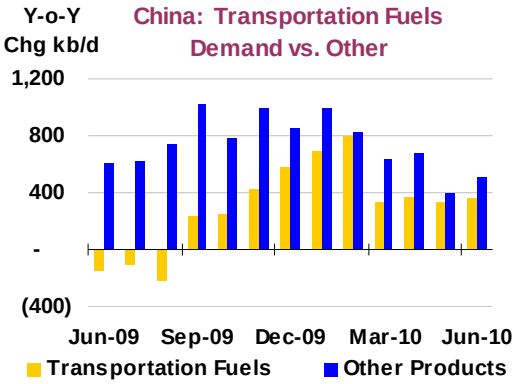
Aside from 2009 and 2010, which were distorted by the recession (since demand in the OECD plummeted, while it surged in the non-OECD), 2Q global demand is likely to even out gradually relative to the first quarter. Eventually, as non-OECD oil demand overtakes OECD consumption over the next few years, the first quarter may come to feature the lowest demand level within any given year. In fact, a glimpse of the future has already been provided by preliminary 2Q10 demand readings. At 86.6 mb/d, demand is some 600 kb/d higher quarter-on-quarter, as buoyant non-OECD demand largely offset the OECD seasonal fall, which was tempered by the economic recovery (and, as such, was relatively limited compared with previous years). Even allowing for potential downward revisions given a sizable 'miscellaneous to balance' factor (which could signal lower demand than available preliminary data indicate), 2Q10 demand is unlikely to fall below 1Q10 levels. More significantly, perhaps, this emerging seasonality will likely raise new refining and logistical challenges in the years ahead.

Non-OECD

China

Preliminary data indicate that China's apparent oil demand (refinery output plus net oil product imports) rose by 9.9% year-on-year in June. Despite concerns that demand for plastics may turn out to be below expectations in 2H10 if global economic activity slows down, the country's apparent demand for naphtha remains extremely buoyant (+45.9%), with growth well ahead of jet fuel/kerosene (+13.7%), gasoil (+8.3%), 'other products' (+7.7%) and gasoline (+5.3%).

Still, China's oil demand growth has seemingly trended down over the past several months. June's year-on-year growth, at +870 kb/d, albeit higher than in May (+730 kb/d) was almost half that recorded in January (+1.7 mb/d, the highest ever). Assuming a mild slowdown in 2H10 as the stimulus programme is unwound and export markets soften somewhat, monthly year-on-year growth should moderate to some +400 kb/d on average over the reminder of the year and into the next. As such, yearly total oil demand growth is expected to halve from +9.0% in 2010 to +4.6% in 2011.

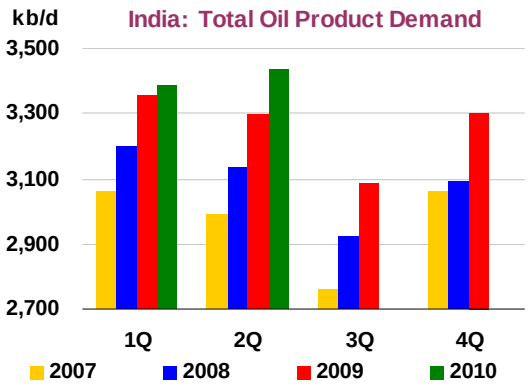


China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	739	704	689	-35	-15	-4.8	-2.1
Naphtha	952	1,213	1,290	261	77	27.5	6.4
Motor Gasoline	1,507	1,547	1,625	40	79	2.7	5.1
Jet Fuel & Kerosene	335	380	415	46	35	13.6	9.2
Gas/Diesel Oil	2,697	2,968	3,135	270	167	10.0	5.6
Residual Fuel Oil	580	498	442	-81	-57	-14.0	-11.4
Other Products	1,560	1,826	1,961	266	136	17.0	7.4
Total Products	**8,369**	**9,135**	**9,558**	**766**	**422**	**9.2**	**4.6**

Other Non-OECD

India's oil product sales – a proxy of demand – rose by +2.2% year-on-year in June, supported by continued strong readings for LPG, gasoline and gasoil (+7.9%, +12.7% and +7.2%, respectively).



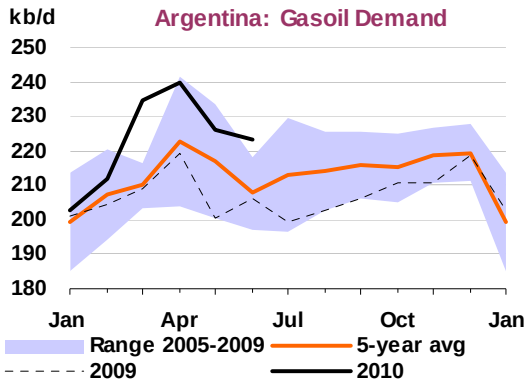
At first glance, the strength in transportation fuels may have been due partly to destocking in anticipation of the price hike that occurred late in the month, but underlying demand appears buoyant (car sales rose by 30% year-on-year in June). Farming and industrial activity also contributed to support gasoil demand. By contrast, demand for jet fuel/kerosene contracted by 2.6%, possibly as a result of the price rise. Meanwhile, naphtha demand, which had briefly spiked in May following the start-up of Indian Oil's naphtha cracker in Haryana, resumed its decline (-11.5%) on the back of continued natural gas substitution.

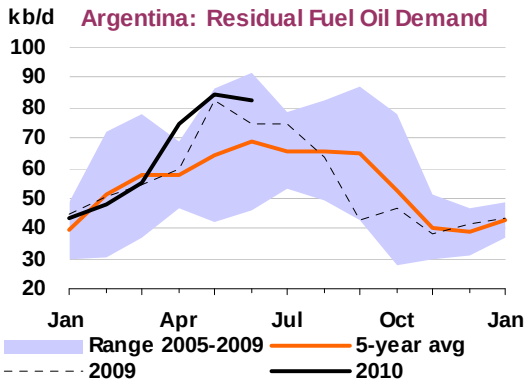
India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	438	466	31	28	7.6	6.4
Naphtha	318	269	237	-50	-32	-15.6	-11.7
Motor Gasoline	305	338	366	32	28	10.6	8.4
Jet Fuel & Kerosene	294	296	299	2	3	0.8	1.1
Gas/Diesel Oil	1,167	1,266	1,353	99	87	8.5	6.9
Residual Fuel Oil	407	382	367	-25	-15	-6.2	-3.9
Other Products	361	353	361	-8	8	-2.3	2.3
Total Products	**3,260**	**3,342**	**3,450**	**82**	**108**	**2.5**	**3.2**

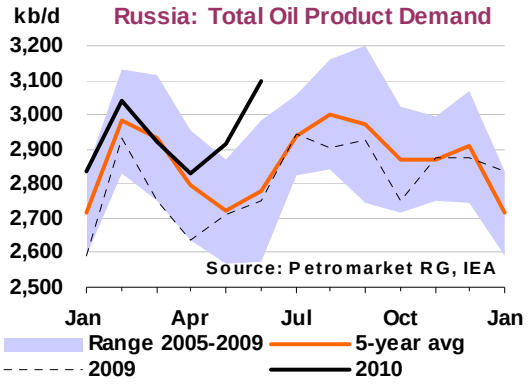
In **Argentina**, residential usage of natural gas has spiked on below-freezing temperatures in July, reducing availability for industry and power generation. The government has responded by allocating funds to utilities in order to import diesel and fuel oil, as well as additional piped natural gas and LNG. Indeed, to meet peak demand, Argentina remains largely dependent on gas from Bolivia, which suffers from chronic supply-side underinvestment, and on LNG. Moreover, end-user prices are subsidised, with gas selling for about $1/Mbtu less than import costs. Controversy has surfaced over the importation of fuel oil from Venezuela, with former Argentine energy officials alleging the payment of excessively high prices to PDVSA given quality differentials between the domestic and imported product. Meanwhile, the cold weather and gas restrictions have reportedly reduced Argentina's petrochemical operating rates to 30-40% of capacity.





Overall, the country's oil demand estimates for 2010 and 2011 have been revised up by 10 kb/d, with the incorporation of higher GDP expectations, as well as an upward revision to winter prognoses with regards to diesel and fuel oil consumption, which outweigh a reduction in expected petrochemical demand. The magnitude of the weather effect remains uncertain at this point, however. As such, the persistence of severe conditions and the anticipated inclusion of July government data in next month's report suggests upside risk to diesel and fuel oil, while petrochemical demand readings may come out lower than forecast.

Russian oil demand has rebounded spectacularly from the depths it reached in 2009. According to preliminary June data, total demand rose by a hefty +12.8% year-on-year, with products such as jet fuel/kerosene and gasoil surging by +25.4% and +13.6%, respectively. This reflects the recovery of the Russian economy, which sank by 7.9% in 2009. With GDP expected to rise by 4.3% this year, oil demand is set to average almost 3.0 mb/d (+6.0% or +170 kb/d versus 2009). However, although economic activity is projected to remain strong in 2011 (+4.1%), the pace of oil demand growth should moderate, rising by +2.2% or +70 kb/d, partly amid more plentiful availability of domestic natural gas.



Russia: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	303	324	335	21	11	6.8	3.4
Naphtha	258	266	276	8	10	3.0	3.8
Motor Gasoline	741	768	786	26	18	3.6	2.3
Jet Fuel & Kerosene	218	240	249	21	9	9.8	3.9
Gas/Diesel Oil	591	623	649	33	26	5.5	4.1
Residual Fuel Oil	208	239	223	31	-15	14.9	-6.4
Other Products	484	512	519	28	7	5.9	1.4
Total Products	**2,803**	**2,971**	**3,037**	**168**	**66**	**6.0**	**2.2**

Source: Petromarket RG, IEA

SUPPLY

Summary

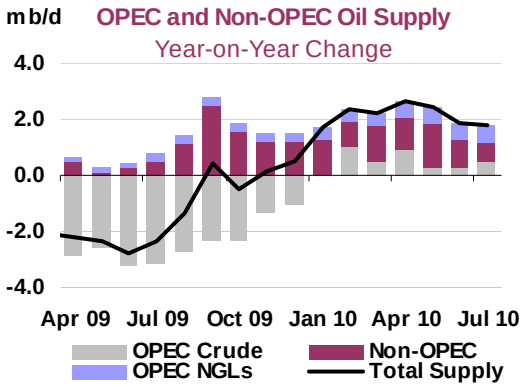
- **Global oil supply rose by 850 kb/d to 87.2 mb/d in July**, with OPEC crude, OPEC NGLs and total non-OPEC supply each around 0.2-0.4 mb/d higher than in June. Compared to July 2009, global oil production is 1.8 mb/d higher, with year-on-year gains shared between the three components.

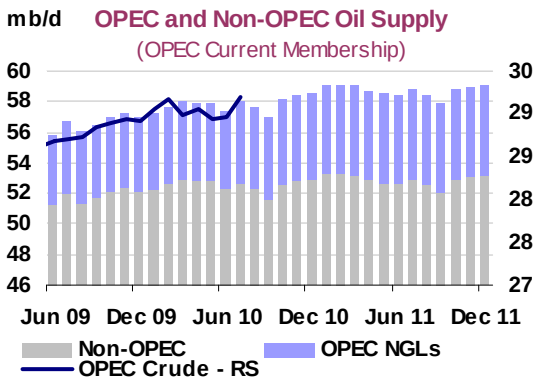
- **Non-OPEC oil supply rose by 0.4 mb/d to 52.7 mb/d in July**, as seasonal maintenance in Norway ended. The 2010 and 2011 forecasts are revised up by 0.2 mb/d and 0.1 mb/d respectively following a baseline adjustment to the US and higher-than-anticipated 2Q10 Chinese oil production. 2010 output is now expected to average 52.6 mb/d, rising to 52.9 mb/d in 2011.

- **BP has succeeded in its effort to stabilise the leaking *Macondo* well** in the US Gulf of Mexico and may intercept the damaged bore with a relief well in coming days, thus potentially enabling a permanent sealing by the end of August. The flow of oil from the well was already stopped on 15 July. A new report estimates that the total volume of oil spilled since late April is 4.9 mb, of which 0.8 mb was siphoned off. This would make the spill the second-largest in history. We now identify 60 kb/d of potential lost output due to associated new project delays in 2010, rising to 100 kb/d in 2011.

- **OPEC crude oil supplies edged higher in July,** largely due to increased output from Nigeria and the UAE. Total OPEC output rose by 220 kb/d to 29.2 mb/d. OPEC-11 supplies, which exclude Iraq, rose by 190 kb/d, to 26.8 mb/d in July, reducing compliance with output targets to just 53% last month versus 58% in June.

- **The 'call on OPEC crude and stock change' was reduced by 100 kb/d for both this year and 2011,** to 28.8 mb/d and 29.1 mb/d respectively, due to a slightly higher forecast for non-OPEC supplies.



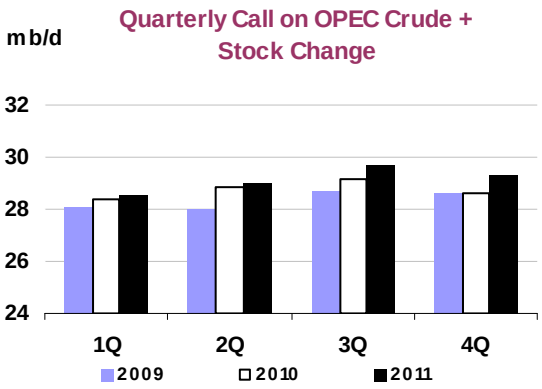


All world oil supply data for July discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Indonesia and Russia are supported by preliminary July supply data.

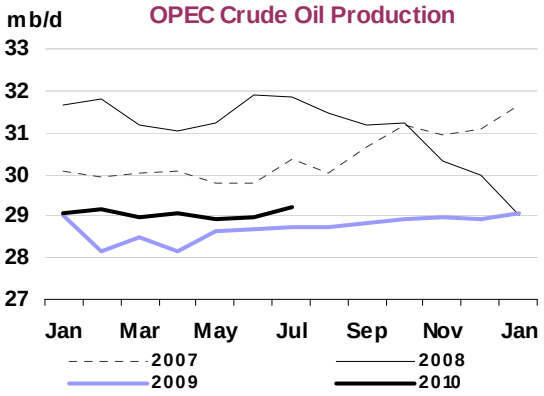
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

OPEC crude oil supplies edged higher in July, largely due to increased output from Nigeria and the UAE. Total OPEC output rose by 220 kb/d to 29.2 mb/d. OPEC output for June was revised up by 80 kb/d, to just under 29.0 mb/d. Production by OPEC-11, which excludes Iraq, rose by 190 kb/d, to 26.8 mb/d in July, reducing compliance with output targets to just 53% last month versus 58% in June. The group is now pumping 1.97 mb/d above the 24.845 mb/d collective target. OPEC ministers are scheduled to next meet on 14 October.



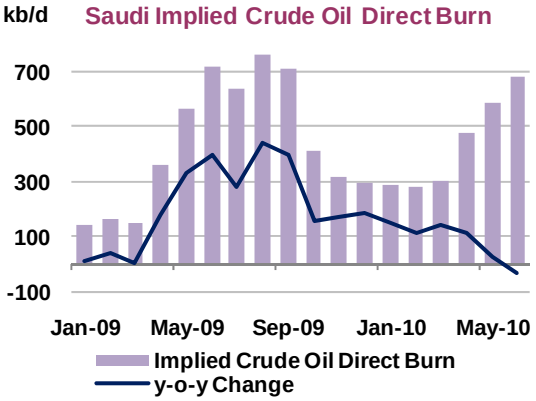
Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC's Gulf producers typically ramp up output during the summer months to meet increased power needs for regional air-conditioning and desalination. Unusually hot weather this summer, combined with a structural expansion of infrastructure in many of the Gulf countries, has likely boosted power needs more than in previous years. As summer demand winds down, production may well drift lower in September, judging by announced customer allocations by some smaller OPEC members.

Saudi Arabia's oil production was up slightly in July, by 30 kb/d to 8.27 mb/d. The higher output is reportedly due to increased demand for direct crude burn at power plants during the peak summer cooling period. Saudi Arabia's crude burn for power generation is expected to average around 700 kb/d over the summer months, though some reports suggest this figure could be closer to 1 mb/d. Latest data from JODI show implied crude oil direct burn running at 590 kb/d in May and 685 kb/d in June.



Iranian crude oil production edged lower in July, down 70 kb/d to 3.65 mb/d, according to tanker data. Estimates for Iranian crude and condensate held in floating storage vary for July, with reports showing volumes declining by between 4 mb and 12 mb in July.

Iraqi production was higher in July, up 30 kb/d to 2.38 mb/d. June production was revised higher by 45 kb/d, to 2.35 mb/d. Total exports were unchanged at 1.83 mb/d in July, with shipments of Basrah crude at 1.45 mb/d and exports of Kirkuk crude oil from the Turkish Mediterranean port of Ceyhan steady at 375 kb/d. A further 10 kb/d is exported to Jordan by truck. The political impasse in forming a new government following the March elections has also delayed any progress on negotiations between Baghdad and the Kurdish Regional Government (KRG) over crude oil exports from the Kurdish region. Government and company officials have said that production from the Taq Taq and Tawke fields has been around 20 kb/d since exports last September were halted following a payment dispute with

Baghdad, with all of the output going for local refinery use. However, unconfirmed reports have emerged that as much as 100 kb/d of crude production from the Kurdish region is being sold to neighbouring countries. Officials deny the allegations.

The **UAE** cranked up production in July by 70 kb/d, to 2.36 mb/d, in part reflected by higher export allocations for the month as well as to supply increased local summer demand. However, state-owned ADNOC lowered customer allocations sharply for both August and September. ADNOC plans to supply Murban crude at 20% below contract levels in September compared with 10% below contract volumes in August, and curbs of just 3% in July.

OPEC Crude Production

(million barrels per day)

	May 2010 Supply	Jun 2010 Supply	Jul 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs July 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.24	1.25	1.25	1.38	0.13	0.200	60%
Angola	1.79	1.78	1.74	2.00	0.26	0.244	0%
Ecuador	0.46	0.45	0.45	0.48	0.03	0.067	72%
Iran	3.72	3.72	3.65	3.96	0.31	0.562	28%
Kuwait[2]	2.30	2.31	2.31	2.58	0.27	0.374	80%
Libya	1.55	1.58	1.58	1.70	0.12	0.252	48%
Nigeria[3]	1.90	1.98	2.16	2.25	0.09	0.319	0%
Qatar	0.80	0.78	0.80	1.00	0.20	0.122	49%
Saudi Arabia[2]	8.20	8.25	8.28	12.20	3.92	1.318	89%
UAE	2.31	2.29	2.36	2.72	0.36	0.379	77%
Venezuela[4]	2.25	2.23	2.23	2.45	0.22	0.364	38%
OPEC-11	**26.52**	**26.62**	**26.81**	**32.72**	**5.91**	**4.201**	**53%**
Iraq	2.41	2.35	2.38	2.50	0.12		
Total OPEC	**28.93**	**28.97**	**29.19**	**35.22**	**6.03**		
(excluding Iraq, Nigeria, Venezuela					*5.60)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria current capacity estimate excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in July.

Angolan crude oil production in July slipped to the lowest level in more than a year on continued technical problems at key fields and scheduled maintenance work. Production is estimated at 1.74 mb/d, down 40 kb/d from June and 210 kb/d lower than the record high of 1.95 mb/d reached in February. Output in August and September could fall even more following the forced shut-in of capacity at Total's Girassol operations. Total declared *force majeure* on 13 July for Girassol crude oil loadings after a technical problem forced it to cut production. Continued maintenance work at the Palanca fields, repair work on the Nembe system and technical problems with the water injections system at the Greater Plutonio fields also reduced July production.

Nigerian crude oil production in July increased by 180 kb/d, to 2.1 mb/d, on higher Qua Iboe, Escravos and EA production as previously shut-in crude streams were brought back on line. The 100 kb/d EA offshore field operated by Shell resumed full production in July. Output of Qua Iboe and Forcados also appear set to rise based on export allocations for August. However, Total said Amenam flows would be reduced in August due to technical problems, down by 30 kb/d from a more normal 120 kb/d.

Nigeria's new oil minister Diezani Allison-Madueke, said the government is pushing hard to finalise the country's controversial Petroleum Industry Bill (PIB) by end-August. The minister said that the terms for foreign investors had improved following further talks with the operating companies. Shell, the country's largest operator, and other IOCs have been lobbying hard for changes to the original PIB. With elections now set for January 2011 and the government keen to show progress in stabilising the oil sector, time is

running out to finalise the legislation, and it is unclear if the new deadline will be met given the slow progress on the bill to date.

Libyan production was unchanged in July but June levels were revised up by 20 kb/d, to 1.58 mb/d. Since the beginning of the year, Libya has eased up on its compliance with output targets, averaging just 48% in July versus 71% in January.

Market Shrugs Off Tanker Attack in Strait of Hormuz

The market took in its stride an attack on 28 July on a crude oil tanker in the strategic Strait of Hormuz, since traffic through the key channel was unaffected. There was minimal damage to the vessel, which was towed to the UAE port of Fujairah, one of the world's largest bunkering centres, for now-completed repairs. The double-hulled VLCC was carrying 2 mb of crude oil from Abu Dhabi to Japan. Such an event would normally raise the spectre of security of oil supplies from the region, but market reaction was muted given there was no disruption in the shipping lane and damage to the tanker was minimal.

The Strait, a narrow waterway located between Oman and Iran, is a critical transit route for some 40% of global seaborne oil shipments, or around 17 mb/d of oil, including exports from OPEC producers Saudi Arabia, Kuwait, Iraq, Qatar, Iran and the UAE. Indeed, 90% of Middle East crude oil exports flow through the waterway. In the past few years sales to Asia have steadily increased, with data for June showing approximately 85% of Japan's oil imports and just under 50% of China's imports coming via the straits. In addition, 2 mb/d of refined products and some 60 mt of Qatari LNG annually transit the Strait.

The cause of the explosion on the Japanese-owned 'M Star' tanker was somewhat of a mystery initially and it was feared by some observers to be possibly linked to the escalating tensions over Iran's nuclear enrichment programme. Iran has repeatedly threatened to disrupt tanker movements through the passageway in retaliation for sanctions by the United Nations, the US and European countries. New EU sanctions against Iran went into force on 27 July. The latest round of sanctions specifically targets the country's oil and gas sector as well as gasoline imports but does not include crude exports. Already, Iranian imports of gasoline have been disrupted by the new sanctions regime (see OMR, 13 July 2010, *'New Sanctions Target Iran's Energy Sector'*).

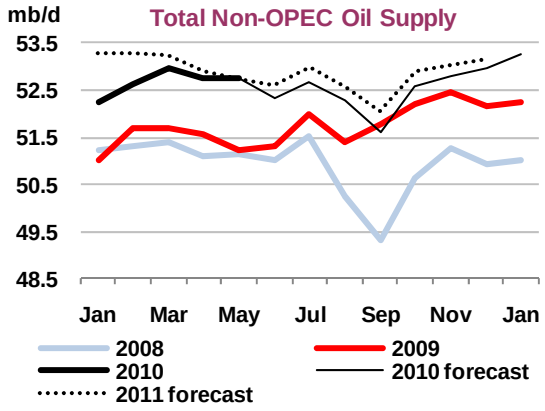
However, on 6 August UAE officials said the explosion was caused by a "terrorist attack" judging by explosive residue found on the hull. A group linked to al-Qaeda had previously claimed responsibility. US and Arab Gulf naval forces jointly patrol the Strait, as well as the surrounding waters of the Arabian Sea and Gulf of Oman in order to safeguard the flow of oil from the region given the strategic importance of the Strait. US Central Command is charged with fulfilling American responsibilities in the region, with the Navy's Fifth Fleet patrolling the Gulf from its base in Bahrain. During the 1980-88 Iran-Iraq war the two countries targeted each other's oil tankers, and numerous other foreign-flagged vessels were caught in the cross-fire. The start-up of coordinated naval patrols since then has minimised the risk of attacks. Somali pirates attacking ships as far north as the Gulf of Oman have posed the biggest problems in recent years.

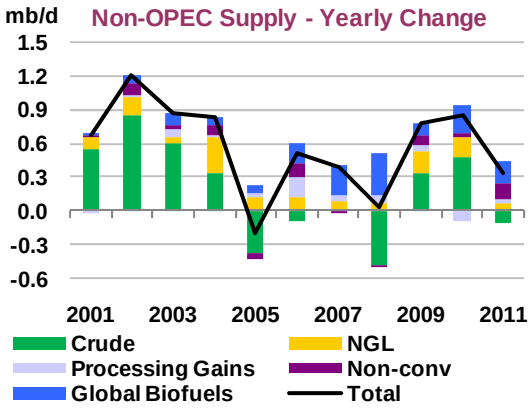
Non-OPEC Overview

Non-OPEC supply for 2010 and 2011 is revised up by 0.2 mb/d and 0.1 mb/d respectively, to 52.6 mb/d and 52.9 mb/d, largely on stronger 2Q10 Chinese production and a baseline adjustment to the US following the release of finalised 2009 data. The 2010 forecast is also boosted by higher expected Kazakhstani and Russian output, but in 2011 this is offset by forecast weaker Azerbaijani supply. Annual growth is now forecast at 0.9 mb/d in 2010, followed by a weaker 0.3 mb/d in 2011, both driven by incremental supply in the FSU, Latin America and in global biofuels. Non-OPEC supply for 2009 is adjusted up by 0.1 mb/d to 51.7 mb/d due to higher US output.

The prevailing assumption of stronger-than-average storm activity in the Atlantic is borne out so far, with three named storms to date. At the time of writing, Tropical Storm Colin had just fizzled out off the US

East Coast, leaving US Gulf of Mexico (GoM) oil installations untouched. Hurricane Alex and Tropical Storm Bonnie had previously forced the precautionary shut-in of large volumes of oil and gas production in the US Gulf, albeit briefly and without causing any damage. However, these passing storms resulted in an estimated loss of 27 kb/d and 105 kb/d of GoM oil production for June and July respectively.





Bonnie also delayed work on plugging the leaking *Macondo* well, though BP now appears to have had a breakthrough in terms of a permanent solution. Following the halt to spillage in mid-July due to the placing of a new containment dome on top of the leaking well, recent days have seen apparent success in stabilising pressure by means of pumping drilling mud into the well from above ('top kill'). The company is currently cementing the wellhead after which it hopes to permanently seal the well by intercepting it with two relief wells close by. This would put an end to what is now thought to be the largest oil spill in US waters and the second-largest in history (see *Macondo: The Beginning of the End?*).

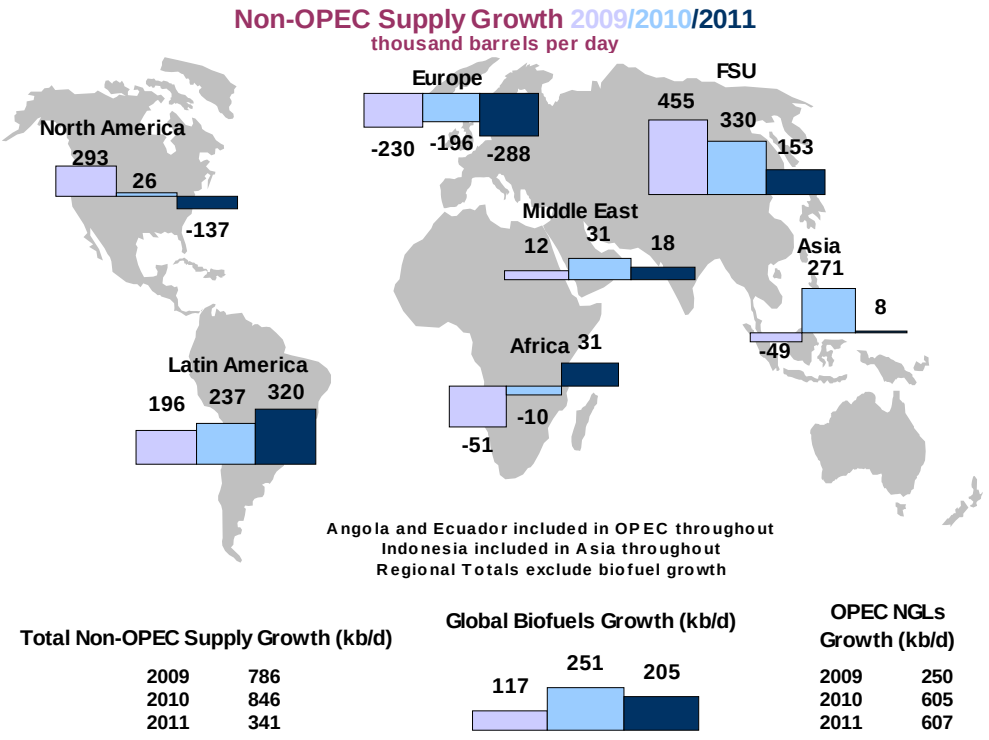
Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	13.9	13.3	13.5	13.7	13.7	13.5	13.4	13.5	13.5
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.3	4.2	4.3	4.3	4.3	4.0	3.9	4.1	4.0
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.0**	**18.8**	**18.2**	**18.5**	**18.6**	**18.6**	**18.1**	**18.0**	**18.3**	**18.3**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.0	4.1	4.0	4.1
Other Asia	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.0**	**29.6**	**29.8**	**29.9**	**30.2**	**29.9**	**30.4**	**30.3**	**30.3**	**30.5**	**30.4**
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.8	1.9	1.8	2.0	2.0	2.0	2.1	2.0
Total Non-OPEC	**51.5**	**51.4**	**51.7**	**52.3**	**51.7**	**52.6**	**52.6**	**52.2**	**52.8**	**52.6**	**53.3**	**52.7**	**52.5**	**53.0**	**52.9**
Annual Chg (mb/d)	0.1	0.3	1.4	1.3	0.8	1.2	1.3	0.5	0.5	0.9	0.6	0.1	0.3	0.2	0.3
Changes from last OMR (mb/d)	0.0	0.1	0.2	0.0	0.1	0.1	0.2	0.3	0.0	0.2	0.1	0.1	0.2	0.2	0.1

A new drilling moratorium (valid until 30 November 2010) was put in place on 12 July, following the striking down of a previous one by a federal court. New legal challenges are being mounted and much uncertainty surrounds the evolution of regulatory requirements pertaining to deepwater drilling, by necessity making the impact on US oil supply unclear. Nonetheless, greater detail on the impact of drilling restrictions in the Gulf has led us to hike our estimate of potentially 'lost' oil production to 60 kb/d in 2010, rising to 100 kb/d in 2011. However, a baseline revision to 2009 data and expected growth in some onshore crude, as well as NGLs and other hydrocarbons, keep our US oil supply forecast for 2009-2011 flat at 7.45 mb/d for the time being. Much also depends on how the hurricane season develops. Potentially severe storm impact provides a risk to the downside, while the opposite would

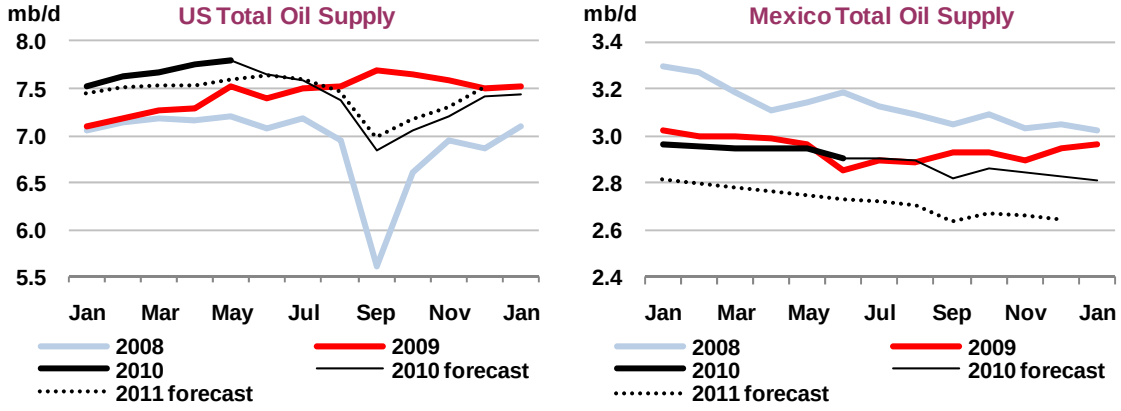
result in an upward revision of 240 kb/d to 2H10 output due to the elimination of our existing hurricane adjustment.



OECD

North America

US – July Alaska actual, others estimated: Finalised US oil production data for 2009 (from the EIA's *Petroleum Supply Annual*) brings a baseline upward revision of 65 kb/d, which is carried through our forecast. Hurricane Alex and Tropical Storm Bonnie briefly forced the precautionary shut-in of 20% and 50% of Gulf of Mexico oil production respectively, but caused no damage to oil infrastructure. This resulted in estimated lost production of 27 kb/d and 105 kb/d for June and July respectively. A June storm impact on GoM oil production is relatively unusual, while the July outages exceeded our previous adjustment of 45 kb/d for that month, based on the five-year rolling average. Meanwhile, despite lower-than-forecast July output in Alaska, May and preliminary June and July oil production for the whole of the US was higher than expected, contributing to the overall upward revision. In the US GoM, Marathon started production at its Droshky field in mid-July, which is expected to reach a peak capacity of 45 kb/d by the end of the year. Total US production is now forecast to stay flat at 7.45 mb/d in 2009-2011.

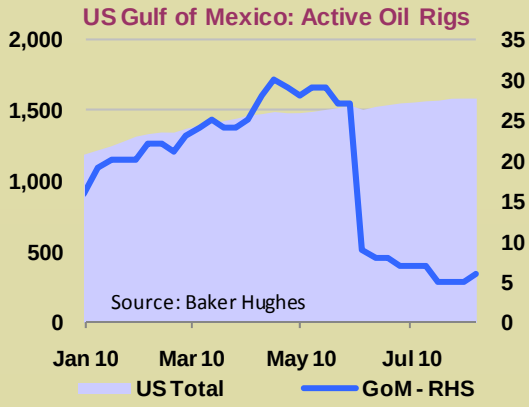


Macondo: The Beginning of the End?

At the time of writing, BP had succeeded in cementing the leaking *Macondo* well in the Gulf of Mexico, following the injection of heavy drilling mud to stabilise pressure (so-called 'top kill'). In coming days, relief wells are due to intercept the original bore some 4 000 metres below the seabed, enabling a stabilisation from below ('bottom kill') and the permanent plugging of the well, possibly by the end of August. In mid-July, BP already succeeded in halting the flow of oil by means of a new containment cap.

Updated estimates by a government task force indicate that a total of 4.9 mb of crude oil leaked from the damaged well, which puts the volume at the higher end of the previously estimated range and makes the spill the second-largest ever, greater than the 3.3 mb spilled in the 1979 *Ixtoc I* disaster in Mexico, but behind the 8-10 mb deliberately released into the Middle East Gulf by Iraqi forces during the 1991 Gulf War. The report estimates that 800 kb or 17% were siphoned off by BP and another 8% burned or skimmed.

On 12 July, the Obama administration put in place a new moratorium on offshore drilling, this time eliminating the shallow/deepwater distinction, but disallowing drilling with rigs that use subsea blowout preventers (effectively ones operating in deeper water). Again, this moratorium targets the drilling of new producing and exploratory wells, but allows workovers of existing wells. A previous, very similar, moratorium had been struck down by a federal court. The new moratorium, also valid until 30 November, is again being challenged, most vocally by companies and workers in the Gulf of Mexico's offshore oil industry. The government maintains that the moratorium is a prudent measure until ongoing investigations have clearly determined what the causes of the accident were. In the meantime, uncertainty about temporary and future drilling regulations have slashed regional rig counts to a quarter of pre-accident levels.



Upstream Projects Affected by Drilling Moratorium

Name	Delay
Allegheny	Producing field; halt to drilling at new well
Cascade/Chinook	New field, due to come onstream in October; assumed slower ramp-up
Front Runner	Producing field; halt to drilling at new well
Hoover/Diane	Producing field; halt to drilling at new well
Mirage	Tie-back to existing Telemark hub; ramp-up at new well delayed
Shenzi	Producing field, had reportedly already been producing at capacity; lower production assumed for 4Q10/1H11
Tobago	Part of recently-started complex; assumed slower ramp-up
Liberty	New field in Alaska; put on hold by BP due to general uncertainty surrounding offshore drilling

We now identify an estimated 60 kb/d of crude oil production potentially lost in our prevailing 2010 Gulf of Mexico output estimate, rising to 100 kb/d in 2011. The core of this volume is based on the assumption that a handful of identified projects will be delayed by 6-12 months. We will adapt these calculations when more details on individual project slippage become available and as more clarity on the duration and precise effect of the current moratorium and future drilling regulations emerge. Having said that, relative to total offshore GoM production, the impact is still relatively small and the moratorium explicitly does not target currently-producing fields (though as evident in the table, some existing fields are nonetheless affected). Marathon made headlines when it commenced production at its new 45 kb/d Droshky field in the GoM in mid-July. In other countries with significant offshore production, despite a review of existing procedures and regulations, we do not so far identify any impact on production. Previously, we had estimated that a year's delay to new upstream projects in Angola, Brazil and Nigeria could potentially curb 500-600 kb/d of crude oil by 2015.

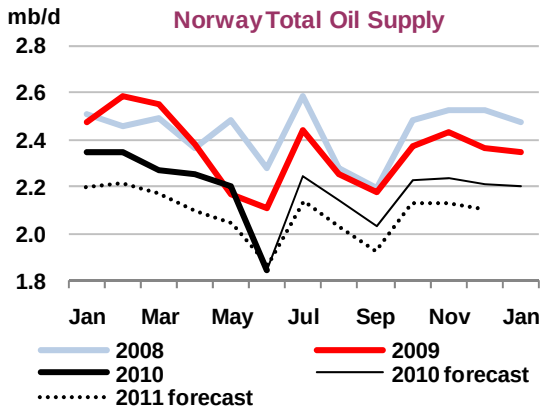
In the US Congress, moves to pass new legislation affecting offshore operations rumble on, though now look unlikely to pass until after the summer recess, and even then may stumble over widely polarised views ahead of mid-term elections. But proposed elements include the lifting of the existing $75 million cap on liability, a ban on companies with poor safety records from operating in federal waters and the less controversial split-up of the previous regulator, the Minerals Management Service (MMS), into three new bodies, thus separating the roles of licensing, taxation and regulatory oversight – already a key shortcoming identified by most observers. The regulatory response to *Macondo* depends largely on whether operational negligence or broader systemic failures were the cause. Either way, resulting legislation will need to balance project oversight, enforcement and operating standards on the one hand with continued deepwater access and supply security on the other.

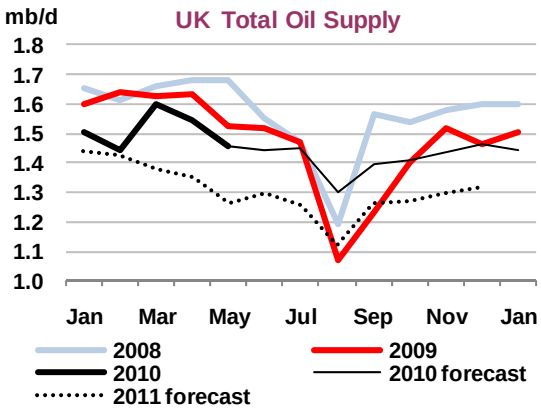
Canada – May actual: Oil production in Canada dipped to 3.2 mb/d in May on lower bitumen output, and is set to decline slightly more in coming months on seasonal maintenance offshore Newfoundland and in oil sands-related production. March data were revised up by 250 kb/d on higher bitumen and mined synthetic crude, as well as NGL output, while April came in only marginally higher. As a result, 2010 production was adjusted slightly higher, at 3.3 mb/d, to remain flat in 2011.

Mexico – June actual: Mexican total oil supply fell by 45 kb/d to 2.9 mb/d in June, as output in the key Cantarell and Ku-Maloob-Zaap (KMZ) complexes dipped. Nonetheless, total production in June was marginally higher year-on-year after recent months have seen decline at Cantarell in particular slow somewhat. But Pemex officials have now stated that KMZ, since early 2009 Mexico's largest producing complex of fields, has now also peaked. June production fell to 800 kb/d, after five months around 835 kb/d. Pemex says it expects KMZ to continue producing at around current levels for three years. Chicontepec, the onshore structure on which high hopes had been pinned as a compensation for declining output at Cantarell and KMZ, reportedly lingers at just over 40 kb/d. Total Mexican oil supply is forecast to decline from 2.9 mb/d in 2010 to 2.8 mb/d in 2011.

North Sea

Norway – May actual, June provisional: As anticipated, crude and NGL production in Norway fell by 350 kb/d to 1.9 mb/d in June due to seasonal maintenance and problems at the Gullfaks complex. This brings output to its lowest level in 20 years, according to the Norwegian Petroleum Directorate (NPD). Maintenance is particularly heavy at the Ekofisk complex, estimated to have curbed output by around 150 kb/d. The Draugen, Snorre, Snohvit and Vale fields were also affected by maintenance. Meanwhile, problems at the Gullfaks C platform shut in production for the entire month, after lower output in May. Production restarted in mid-July. On 1 August, the Morvin field started producing, with an expected peak capacity of 20 kb/d. Total Norwegian oil supply is forecast to fall from 2.2 mb/d in 2010 to 2.1 mb/d in 2011.





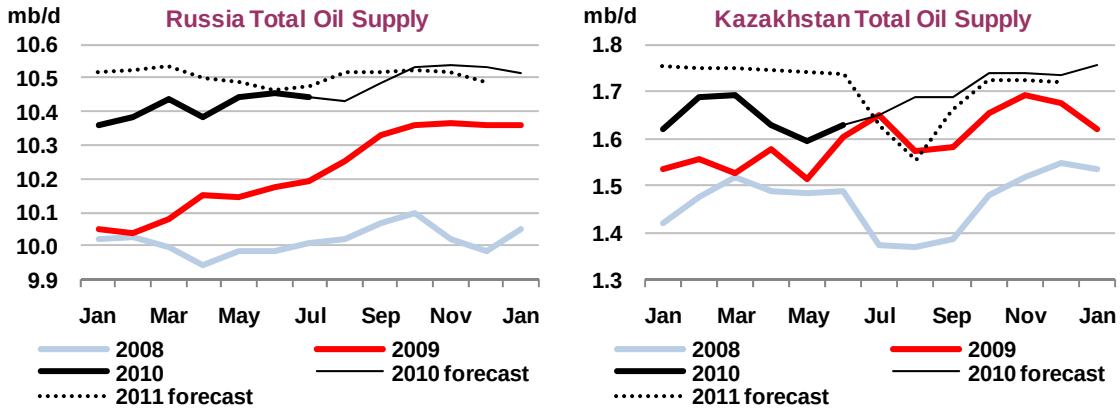
UK – May actual: Oil output in the UK averaged 1.5 mb/d in May, down slightly from April, which was unrevised from last month's report. Seasonal maintenance is only expected to truly kick in during August, when production is set to dip to 1.3 mb/d. In late June, Apache started producing oil at its new Maule field, which is expected to have a peak capacity of 12 kb/d. Problems with a valve in the Forties pipeline system cut output at the Scott platform in mid-July, and are anticipated to last into August. Total UK oil production is forecast to fall from 1.5 mb/d in 2010 to 1.3 mb/d in 2011.

Former Soviet Union (FSU)

Russia – June actual, July provisional: Russian crude oil production notched up a new post-Soviet high of just over 9.8 mb/d in July, and including NGLs, came in at 10.4 mb/d. June production was revised up a marginal 25 kb/d, largely on higher gas liquids output. Higher crude output levels came from rising

production at Vankor (estimated at 270 kb/d in July), but also from steady production at older assets such as those operated by Yuganskneftegaz. August should see oil production dip again marginally, as seasonal maintenance curbs output at the Chayvo field, part of the Sakhalin 1 project. September will see the Odoptu field start production, adding around 30 kb/d to production at Sakhalin 1.

Much speculation surrounds the planned auction of the Trebs and Titov fields, some of the largest remaining undeveloped onshore assets and situated in Timan Pechora. But besides a question mark over its price, uncertainties remain concerning access to the field, how it would be linked into existing infrastructure and whether it might attract tax exemptions. In addition to the planned phasing-out of crude export duties for selected fields (see *FSU: Taxing Times Ahead* in the 13 July 2010 report), changes to the mineral extraction tax (MET) are mooted, with a likely exception for small fields. Fiscal uncertainty, it would seem, remains just as much a determinant of further development of Russian oil reserves as international crude price levels and upstream development costs. Following forecast growth of 250 kb/d to 10.45 mb/d in 2010, Russian oil supply is forecast to grow by 50 kb/d to 10.5 mb/d in 2011.



Kazakhstan – June actual: June oil production in Kazakhstan was reported 50 kb/d lower than expected, on heavy maintenance at the Tengiz field. On the assumption that work had started earlier than anticipated, an earlier expected end to maintenance prompts an upward adjustment to July and August estimates. Overall, 2010 and 2011 supply levels have been hiked by 25 kb/d to 1.7 mb/d.

Azerbaijan – March actual: In Azerbaijan, final March and preliminary April/May data were nudged higher, raising estimated 2010 oil supply to 1.1 mb/d. However, Azeri-Chirag-Guneshli (ACG) prospects for 2011 were trimmed by 50 kb/d on so far sluggish progress at ramping up production at the large offshore complex. Total Azerbaijani supply is now forecast to rise from 1.1 mb/d in 2010 to 1.2 mb/d in 2011.

June FSU net exports fell by 560 kb/d to 9.6 mb/d from the record level set in May as increased eastward exports (+70 kb/d), notably through the ESPO line, failed to offset month-on-month declines elsewhere. Crude exports fell by 230 kb/d and products decreased by a sharp 340 kb/d. The Black Sea (-120 kb/d) led the fall in crude exports after unfavourable port economics diverted crude elsewhere. Russia and Kazakhstan exported no crude through Ukraine in June after a rise in tariffs and the continuing reversal of the Dnepr pipeline to take imports from Odessa inland. Reports suggest that compared to 2009, the cost of exporting crude through the Ukrainian port of Pivdenne has risen by 33% and 66% for cargoes originating from Nizhnevartovsk and Samara, respectively. This compares with 12-16% rises elsewhere in the FSU. Volumes exported through the Baltic fell by 80 kb/d as maintenance on the Baltic Pipeline System depressed volumes transported via Primorsk. Product exports fell seasonally to 3.0 mb/d, their lowest level since October 2009. Shipments of products fell as exporters held back their cargoes in anticipation of improved economics following a July cut in export taxes.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	2Q2009	3Q2009	4Q2009	1Q2010	Apr 10	May 10	Jun 10	Latest month vs. May 10	Latest month vs. Jun 09
Crude											
Black Sea	2.06	2.21	2.23	2.14	2.15	1.79	2.11	2.12	2.00	-0.12	-0.11
Baltic	1.46	1.62	1.67	1.59	1.64	1.59	1.60	1.73	1.65	-0.08	0.00
Arctic/FarEast	0.29	0.46	0.45	0.46	0.48	0.71	0.76	0.72	0.79	0.07	0.34
BTC	0.67	0.78	0.80	0.83	0.76	0.69	0.77	0.88	0.83	-0.06	0.02
Crude Seaborne	**4.48**	**5.07**	**5.15**	**5.02**	**5.04**	**4.78**	**5.23**	**5.46**	**5.27**	**-0.18**	**0.25**
Druzhba Pipeline	1.08	1.12	1.12	1.09	1.14	1.13	1.09	1.08	1.05	-0.03	-0.10
Other Routes	0.42	0.37	0.40	0.37	0.30	0.44	0.39	0.32	0.31	-0.01	-0.12
Total Crude Exports	**5.98**	**6.56**	**6.67**	**6.48**	**6.48**	**6.35**	**6.72**	**6.86**	**6.63**	**-0.23**	**0.03**
Of Which: Transneft	3.98	4.14	4.21	4.06	4.13	3.93	3.89	4.10	3.93	-0.17	-0.15
Products											
Fuel oil	1.14	1.15	1.17	1.21	1.19	1.13	1.34	1.40	1.26	-0.14	0.08
Gasoil	1.03	1.15	1.11	1.16	1.12	1.20	1.08	1.12	1.01	-0.11	-0.14
Other Products	0.60	0.69	0.76	0.66	0.59	0.73	0.78	0.81	0.72	-0.09	-0.02
Total Product	**2.77**	**2.99**	**3.03**	**3.04**	**2.90**	**3.06**	**3.19**	**3.33**	**2.99**	**-0.34**	**-0.08**
Total Exports	**8.74**	**9.55**	**9.70**	**9.52**	**9.38**	**9.41**	**9.91**	**10.19**	**9.62**	**-0.57**	**-0.05**
Imports	0.04	0.04	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.00	0.02
Net Exports	**8.70**	**9.51**	**9.65**	**9.48**	**9.33**	**9.37**	**9.87**	**10.14**	**9.58**	**-0.56**	**-0.07**

Sources: Petro-Logistics, IEA estimates

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

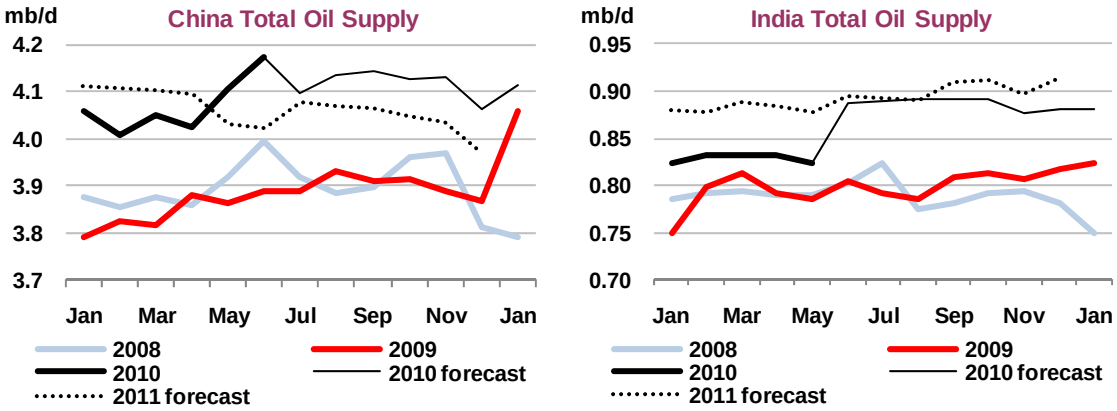
Over the summer, crude exports are likely to rise slightly in the short term following a July export duty cut, however this is set to be increased again in August. Additionally, the problems in the Black Sea are anticipated to persist, with Kazakhstani volumes expected to be diverted north to Gdansk. Concerning long-term infrastructure developments, eastward exports will rise following the June completion of the Chinese leg of the ESPO pipeline. Deliveries are expected to begin in 1Q11 with a contracted 300 kb/d to be supplied to CNPC by Rosneft. Concerning products, Gunvor's flagship Ust-Luga products terminal is now tentatively expected to open in 3Q10. This terminal is expected to divert Russian volumes which would otherwise have been shipped through ports in the Baltic States.

Other Non-OPEC

China – June actual: Following last month's sizeable baseline revision of +110 kb/d on higher, finalised annual data due to previously-undercounted output from smaller producers, Chinese oil supply was again adjusted up on a stronger-than-expected performance in May and June (+160 kb/d on average). Oil production increased to nearly 4.2 mb/d in June on rising output from new offshore fields and from the onshore Changqing area. Chinese oil supply first crossed the 4.0 mb/d threshold in early 2010. In contrast to demand and stocks data, Chinese production data is considered reasonably comprehensive.

In a partial offset to the stronger 2Q10 levels, prospects for output at the offshore Jidong Nanpu field were downgraded again (from an assumed capacity of 125 kb/d to 50 kb/d by end-2011) on reports that production ramp-up has been far slower than originally expected. Initially touted as a field with at least 200-300 kb/d potential, more recent reports have indicated that reserves may not be as large as anticipated. 2010 and 2011 production estimates for China as a whole are revised up by 85 kb/d and 140 kb/d respectively, with output expected to remain flat at 4.1 mb/d, following a 0.2 mb/d surge from 3.9 mb/d in 2009.

Malaysia – June actual: Malaysian oil production dipped to 705 kb/d in June. Output is expected to fall further when seasonal maintenance cuts into the Tapis stream in August. In addition, in mid-July, problems shut down the East Belumut field (with an estimated capacity of around 20 kb/d), and repairs are expected to last eight weeks. Total oil supply in 2010 is forecast to average 705 kb/d, falling to 670 kb/d in 2011.



India – May actual: Oil production in India was reported at 825 kb/d in May, only marginally lower than April. Output is expected to pick up in coming months, as the new Mangala field in Rajasthan reportedly crossed the 100 kb/d mark in June, now that a dedicated heated pipeline supplying regional refineries is up and running. Mangala's estimated 150 kb/d peak capacity will be boosted by tie-ins Aishwariya (in 2011) and Bhagyama (in 2012). India's total oil supply is forecast to rise from 865 kb/d in 2010 to just under 900 kb/d in 2011.

OECD STOCKS

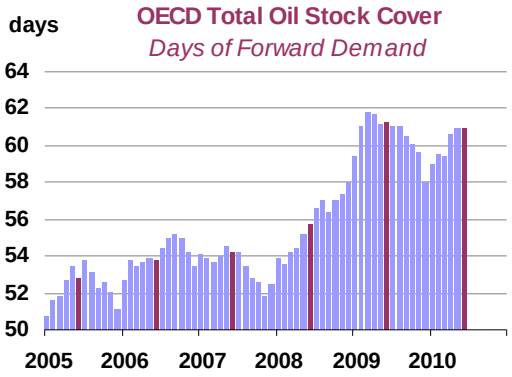
Summary

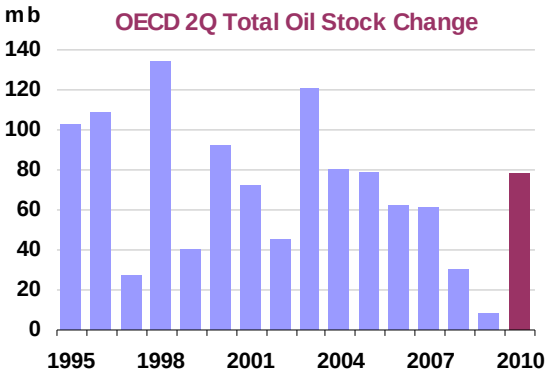
- **OECD industry inventories declined** by 0.8 mb to 2 760 mb in June, contrasting with the strong 28.0 mb build of the previous month. Gains in North American distillates and 'other oils', and Pacific 'other products' partially balanced a draw in European crude stocks.

- **OECD stock cover edged 0.1 days higher**, to 61.0 days, at end-June. North American cover rose by 1.2 days due to seasonal demand decrease ahead and higher inventories, while a sharp stock draw and stronger demand in Europe provided some downward offset.

- **Preliminary data indicate total OECD industry oil stocks rose** by 21.5 mb in July. By comparison, the five-year average is a 31.7 mb stockbuild. Crude oil increased by 0.9 mb from the previous month, while products built by 20.6 mb.

- **Oil held in short-term floating storage fell** to 93 mb at end-July, from 115 mb in June. Crude floating storage declined to 59 mb from 85 mb on large draws in Asia-Pacific, the US Gulf, West Africa and the ME Gulf. This was partly offset by a product build in Europe. Overall, product floating storage rose to 34 mb in July from 30 mb in June.





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

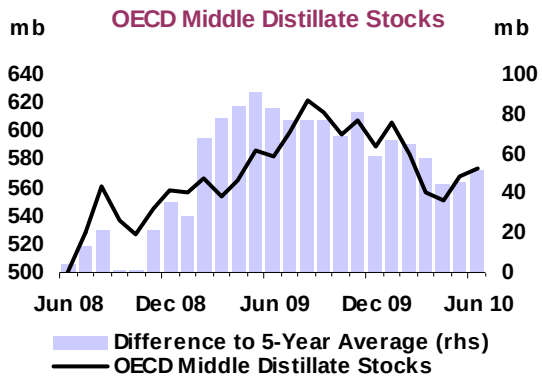
Commercial oil inventories in OECD member countries edged 0.8 mb lower in June, reaching 2 760 mb. This month's modest decline, in contrast with the five-year average stock draw of 8.1 mb, did little to avert a sharp 2Q10 stockbuild. Inventories grew by 78 mb in 2Q10, unusually driven by 'other oils', which include NGLs and feedstocks, and by 'other products'. By comparison, five-year data show an average second-quarter build of 48 mb, although this is distorted by a very low 2Q09.

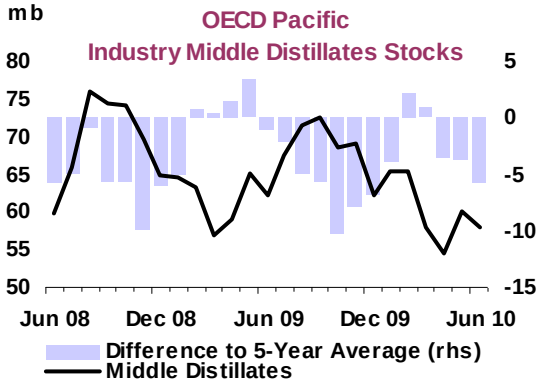
Preliminary Industry Stock Change in June 2010 and Second Quarter 2010

	June (preliminary) *(million barrels)*				*(million barrels per day)*				Second Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**3.3**	**-17.7**	**1.9**	**-12.5**	**0.11**	**-0.59**	**0.06**	**-0.42**	**0.02**	**0.10**	**0.04**	**0.15**
Gasoline	-0.9	-1.1	-1.3	-3.3	-0.03	-0.04	-0.04	-0.11	-0.14	-0.11	0.01	-0.23
Middle Distillates	9.9	-2.6	-2.2	5.1	0.33	-0.09	-0.07	0.17	0.17	0.01	0.00	0.18
Residual Fuel Oil	-1.8	0.7	-0.3	-1.4	-0.06	0.02	-0.01	-0.05	0.03	0.02	0.01	0.06
Other Products	0.7	-0.8	5.0	4.9	0.02	-0.03	0.17	0.16	0.29	0.04	0.09	0.43
Total Products	**7.9**	**-3.8**	**1.3**	**5.4**	**0.26**	**-0.13**	**0.04**	**0.18**	**0.36**	**-0.04**	**0.11**	**0.43**
Other Oils[1]	6.5	0.4	-0.6	6.3	0.22	0.01	-0.02	0.21	0.21	-0.02	0.08	0.27
Total Oil	**17.7**	**-21.1**	**2.6**	**-0.8**	**0.59**	**-0.70**	**0.09**	**-0.03**	**0.59**	**0.04**	**0.22**	**0.86**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

In June, crude oil stocks fell by 12.5 mb, almost twice the five-year average draw of 6.4 mb. Stock levels in Europe declined sharply (-17.7 mb), led by Norway and Germany. 'Other oils', including NGLs, surged by 6.3 mb, while product inventories added a further 5.4 mb on a stronger-than-normal build in 'other products' in the Pacific. Motor gasoline fell across all regions, while another sizeable gain in US middle distillates outweighed draws in Europe and the Pacific. A distillate draw in the Pacific widened the deficit to the five-year average levels to 5.8 mb. Overall, Pacific oil stocks are 13 mb below the average levels over the past five years, but the OECD inventory surplus is still high at 103.4 mb.





May inventory readings were revised slightly higher by 3.9 mb, implying a stronger monthly stockbuild (+28.0 mb) than reported previously. The magnitude and direction of the North American 'other products' revision is atypical (+16.3 mb), contrasting with the average 3.2 mb downward revision in May over the past five years. Revised assessment for Pacific crude holdings (-8.4 mb) provided some offset.

Revisions versus 13 July 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Apr 10	May 10	Apr 10	May 10	Apr 10	May 10	Apr 10	May 10
Crude Oil	**3.9**	**-1.1**	**0.5**	**-3.2**	**0.7**	**-8.4**	**5.1**	**-12.7**
Gasoline	0.0	-0.1	-0.3	-1.7	0.0	-0.4	-0.3	-2.3
Middle Distillates	0.0	3.7	-0.1	-1.3	0.0	-0.6	-0.1	1.8
Residual Fuel Oil	0.0	3.1	0.4	-2.3	0.0	0.2	0.4	1.1
Other Products	4.4	16.3	0.0	0.6	0.0	0.4	4.5	17.2
Total Products	**4.4**	**22.9**	**0.1**	**-4.7**	**0.0**	**-0.5**	**4.5**	**17.7**
Other Oils[1]	0.3	-4.4	1.1	3.0	0.0	0.2	1.4	-1.2
Total Oil	**8.6**	**17.3**	**1.7**	**-4.8**	**0.7**	**-8.6**	**11.0**	**3.9**

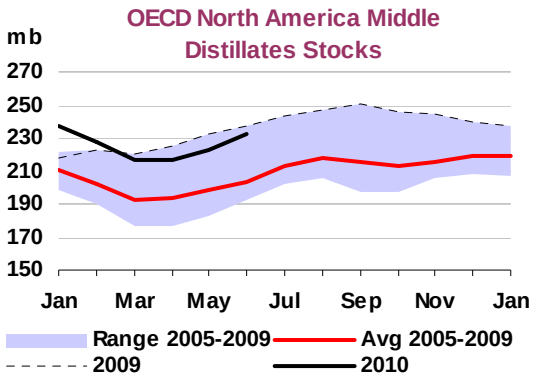
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

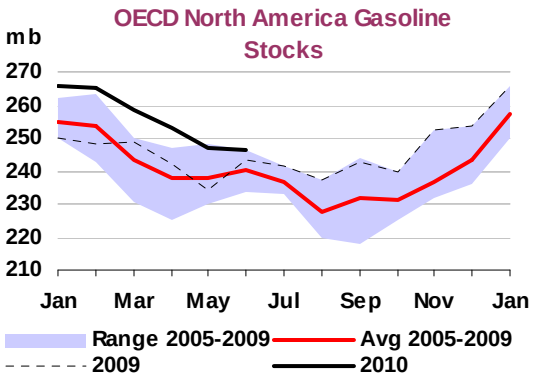
Preliminary data point to another strong stockbuild (+21.5 mb) in July, driven by rising US inventories. US weekly data indicate a 23.5 mb gain, with crude and product stocks reaching their highest levels over the past 20 years. Petroleum Association of Japan (PAJ) weekly data show a 3.1 mb addition to Japanese crude stocks, with jet fuel and kerosene also contributing to an overall build. An offsetting decrease came from Europe, where inventories fell by 6.0 mb in July, according to Euroilstock.

Analysis of Recent OECD Industry Stock Changes

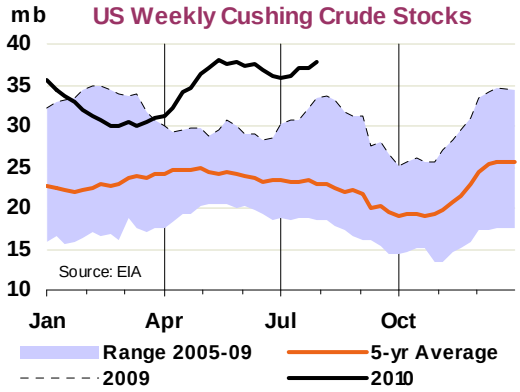
OECD North America

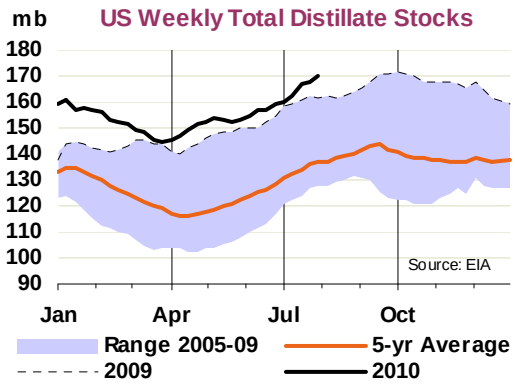
Industry stocks in North America rose by 17.7 mb to 1 377 mb in June. The build, almost double the five-year average, was concentrated in US middle distillates and 'other oils', while Mexican crude oil also contributed. Mexican gasoline inventories dipped in June, on reduced refinery output and lower imports, on which the country is increasingly dependent.





According to US weekly data, total oil inventories rose for the fifth consecutive month by 23.5 mb in July, reaching their highest levels since 1990. The stockbuild was driven by a large increase in products, mostly middle distillates, 'other oils', propane and, unusually, gasoline. Distillate inventories surged by 10.0 mb and approached record October 2009 levels. Motor gasoline usually draws on average by 4.2 mb in July, but US weekly data point to an unseasonal 3.7 mb build, largely occurring on the US Gulf Coast.



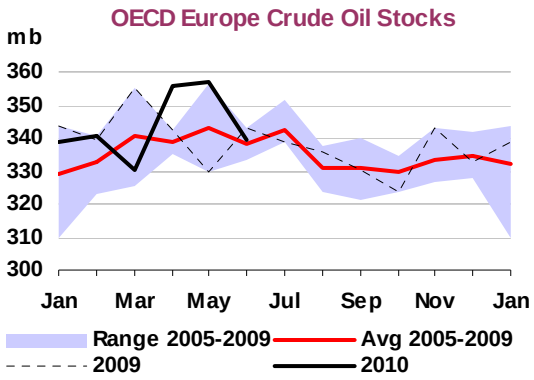


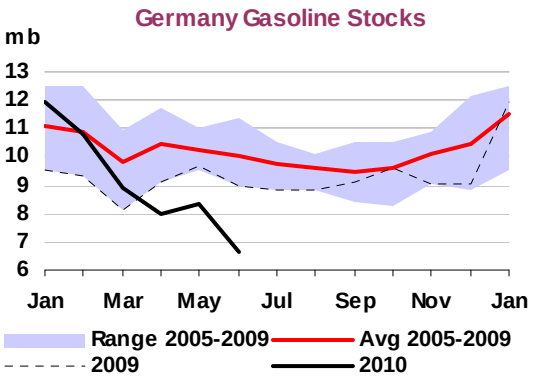
The US Gulf Coast witnessed also a brief reshuffle of oil inventories due to Tropical Storm Bonnie. Weekly data show a high level of imports and a sharp crude stockbuild in the third week of July as most of the crude held in floating storage came ashore, and a subsequent release of stocks the following week. Overall, crude oil inventories fell by 0.9 mb in July, but stocks held in Cushing, Oklahoma, grew by 2.0 mb to 37.8 mb.

OECD Europe

In June, European commercial oil inventories stood at 976.5 mb, down seasonally by 21.1 mb from May. The largest draws occurred in Norway and Germany. In Norway, crude oil inventories held in loading terminals dropped by 10 mb. German oil stocks drew across all categories by 6.9 mb, with crude oil down sharply. German motor gasoline inventories surged to 11.9 mb in January in anticipation of refinery maintenance during the following two months. However, stocks have subsequently fallen further, potentially to as low as 6.7 mb in June, although this data point remains provisional. Meanwhile, German end-user heating oil stocks increased from 50% to 53% of capacity in June.

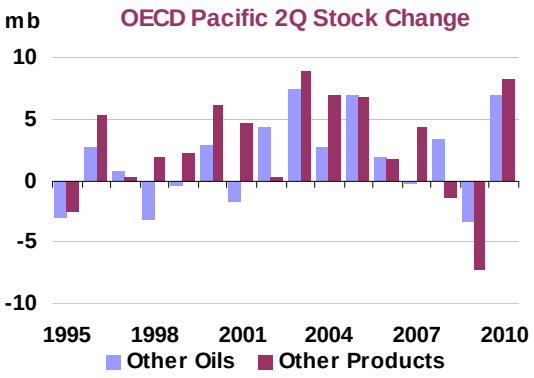
Preliminary July data from Euroilstock point to a 6.0 mb draw in both crude oil and product inventories in the EU-15 plus Norway. Stronger summer gasoline demand pushed motor fuel inventories lower by 3.0 mb, while crude oil and middle distillate stocks declined by 1.3 mb and 1.4 mb, respectively. Oil products held in independent storage in Northwest Europe fell in July, driven mainly by fuel oil exports to Asia. Gasoline, naphtha and jet fuel stocks also edged lower. However, contrary to other product categories, gasoil inventories rose following elevated imports of middle distillates from Asia.

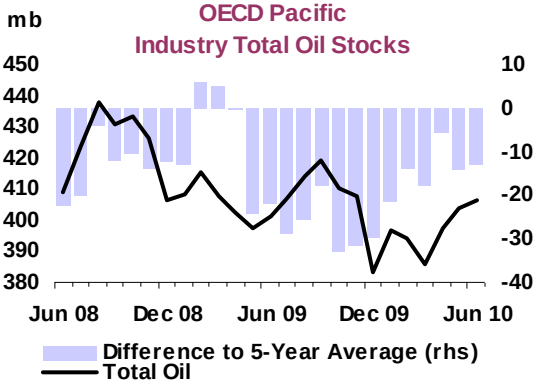




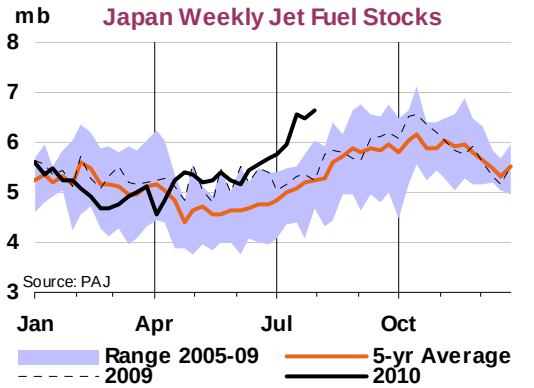
OECD Pacific

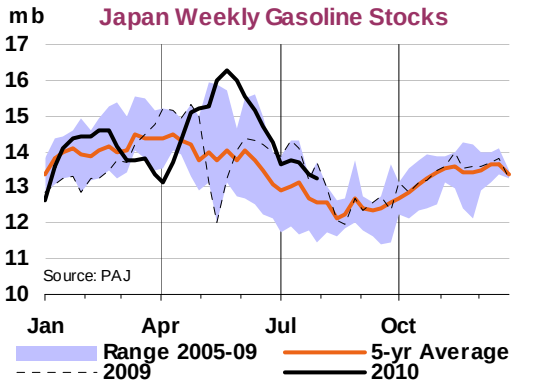
Industry inventories in the OECD Pacific rose by 2.6 mb to over 406 mb in June. Crude oil stocks edged 1.9 mb higher, while a strong build came from 'other products' (+5.0 mb), split equally between Japan and Korea. Draws in main products (gasoline, distillates and fuel oil) provided some offset. Unlike 2Q09, when a large draw in 'other products' and other oils (NGLs & feedstocks) resulted in a counter-seasonal quarterly decrease in overall stock levels, this year's second-quarter build was concentrated in these categories. Gains in 2Q10 pushed oil stocks up by 20.2 mb, breaking through the bottom of the five-year range. Nonetheless, as of end-June, they still maintained a 13 mb deficit to five-year average levels.





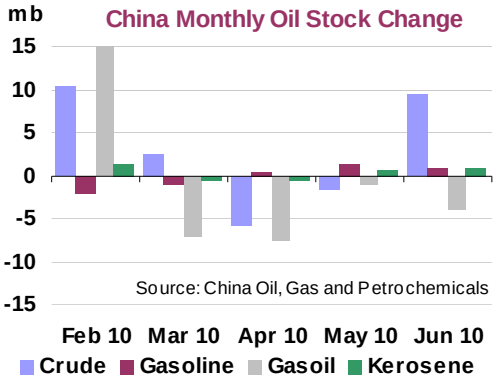
Preliminary weekly data from the Petroleum Association of Japan (PAJ) indicate a seasonal 4.0 mb stockbuild in July. By comparison, the five-year average is a 5.8 mb gain driven by middle distillates. However, much of the increase this year stemmed from crude oil (+3.1 mb) despite an uptick in crude runs as refineries emerged from seasonal maintenance. Jet fuel and kerosene rose by a combined 2.3 mb, but draws in motor gasoline and fuel oil provided some offset.

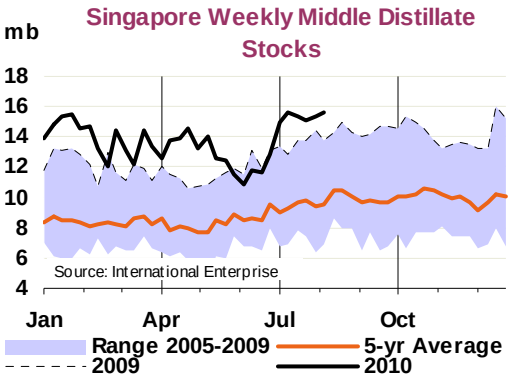




Recent Developments in China and Singapore Stocks

Chinese crude oil inventories increased by 9.5 mb in June, to 211 mb, according to *China Oil, Gas and Petrochemicals (China OGP).* The build stemmed from surging crude imports on the back of high refining runs. On the product side, gasoline and kerosene stocks built by a combined 1.6 mb, reaching 55.3 mb and 14.3 mb, respectively. Meanwhile, gasoil inventories declined by 4.0 mb, to 66.4 mb, on stronger exports to Asian countries, including Singapore. In Singapore, middle distillate stocks approached December 2009 record levels of nearly 16 mb, growing by a further 0.6 mb in July, after soaring by almost 4 mb in June due to high imports.



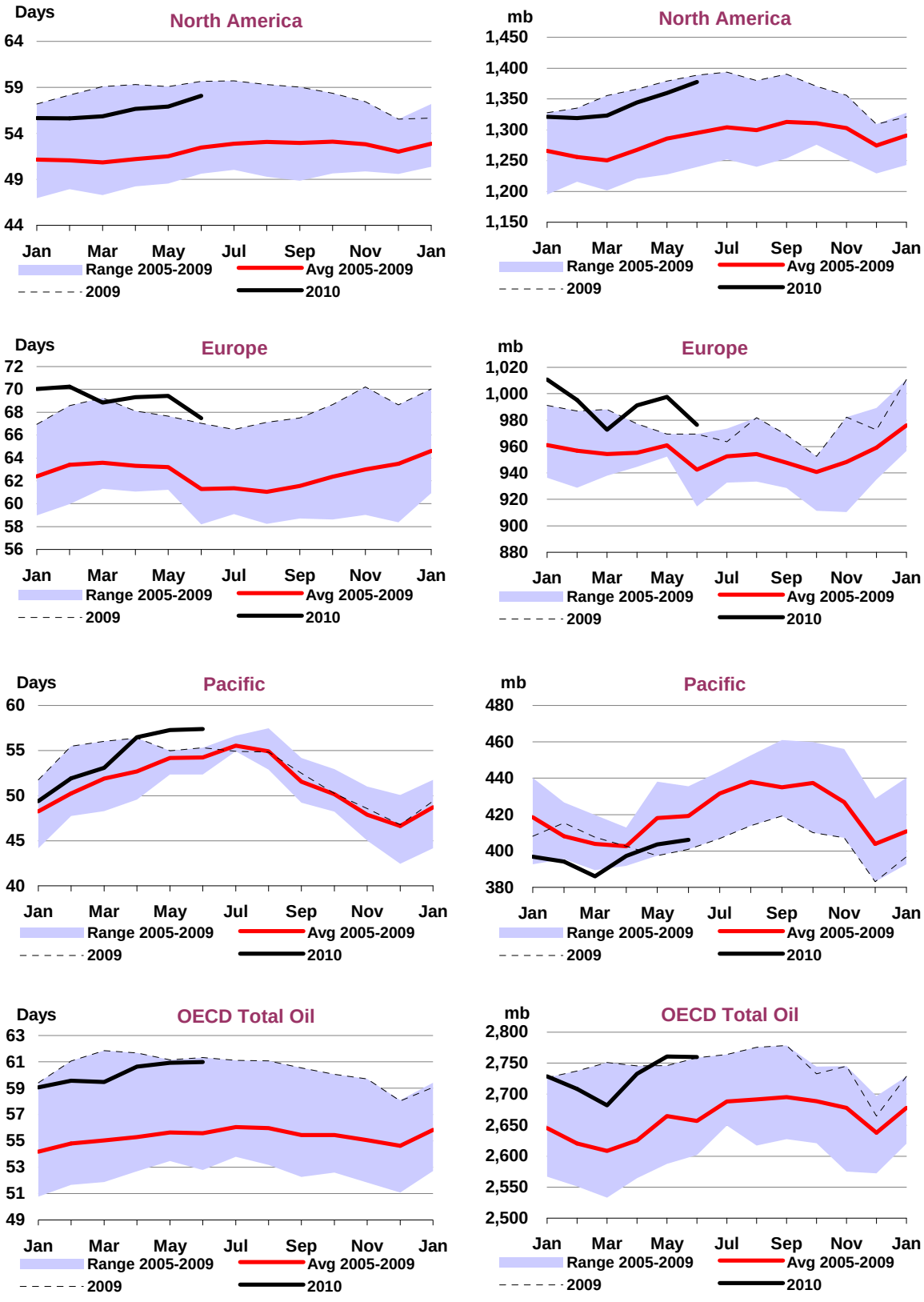


However, Chinese product exports dropped in July following a pipeline explosion at the port of Dalian and a subsequent fire and oil leak. The port is the largest Chinese export outlet for oil products and the second largest import terminal for crude oil in China. During a 10-day closure of the port the nearby WEPEC and Dalian refineries were short of crude and trimmed runs. As such, both gasoil and gasoline exports were affected and data from International Enterprise indicate a monthly 1.2 mb drop in gasoline stocks held in Singapore. Singapore fuel oil inventories also edged lower on stronger bunker fuel demand.

Regional OECD End-of-Month Industry Stocks

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

Days[1] **Million Barrels**



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

PRICES

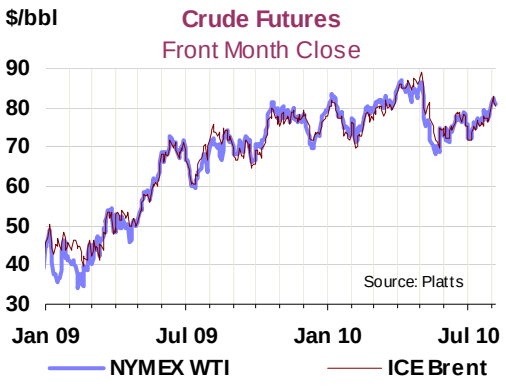
Summary

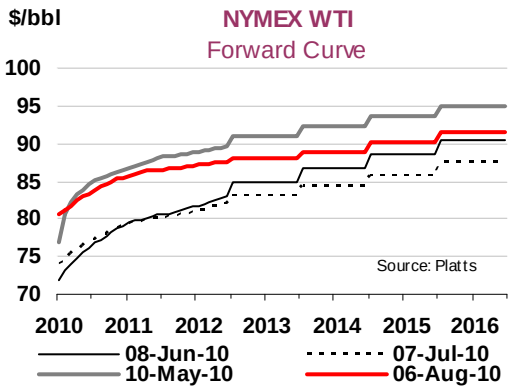
- **Benchmark crude oil futures trended higher throughout July, supported by stronger equity markets as well as the threat of supply disruptions** from hurricane activity in the Gulf of Mexico. Despite the steady increase, month-on-month prices ended mixed in July, with WTI up by around $1/bbl, to an average $76.38/bbl, while Brent futures were down by $0.30 /bbl, to $75.36/bbl.

- **Market fundamentals remained comfortable overall but Tropical Storm Bonnie and field maintenance work in the North Sea added some upward pressure to markets**. By early August, oil prices shot to three-month highs over $82/bbl, up $4/bbl from end-July levels as equity markets rallied and the US dollar weakened. The upturn proved fleeting, however, as a dismal jobs report in the US triggered a sell-off in equity markets. Both WTI and Brent were recently trading around $80/bbl.

- **Spot prices for refined products were mostly lower in July, with fuel oil the exception owing to peak summer demand for power generation.** However, crack spreads in July trended lower in the US and Europe while differentials for gasoil/diesel and fuel oil improved in Singapore.

- **VLCC rates on the benchmark Middle East Gulf – Japan route collapsed to $9/mt in July, their lowest levels since November 2009,** given massive vessel oversupply in markets East of Suez. Meanwhile, floating storage of crude and products declined by a sharp 24.7 mb on eroding economics. Crude drew by 25.6 mb while products increased by 0.9 mb.

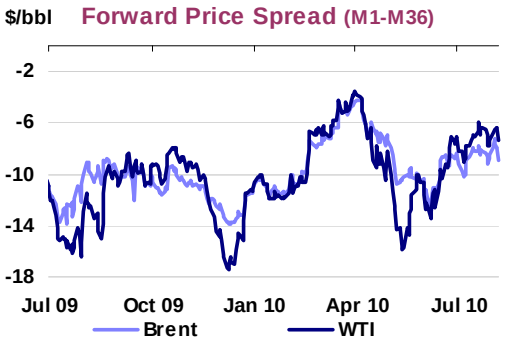




Market Overview

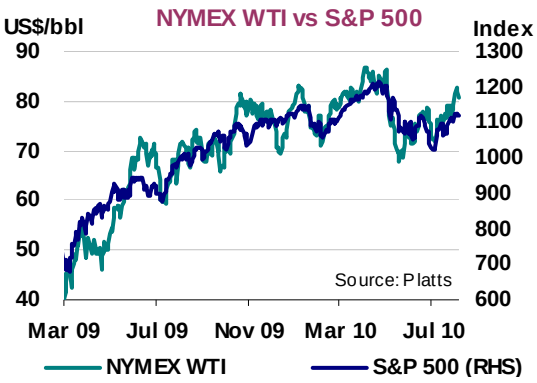
Benchmark crude oil futures trended higher throughout July, supported by stronger financial markets and either scheduled or unplanned supply disruptions in the US Gulf of Mexico, China and the North Sea. Despite the steady increase, however, month-on-month prices were mixed in July, with WTI up by almost $1/bbl, to an average $76.38/bbl while Brent futures were down by 30 cents/bbl, to $75.36/bbl.

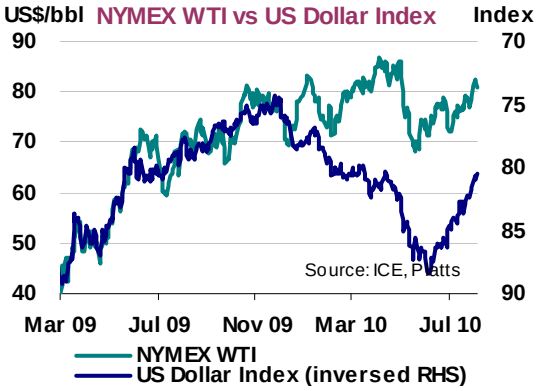
By early August, oil prices shot up to three-month highs over $82/bbl, up $4/bbl from end-July levels. A strong recovery in equity markets on the back of positive second-quarter earnings and a sharp downturn in the US dollar were reportedly behind the rebound. The upturn proved brief, however, with prices knocked off their perch again after a dismal US jobs report triggered a sell-off in equity markets. Both WTI and Brent were last trading around $80/bbl.



While financial markets and macroeconomic factors are currently the driving force behind stronger oil prices, mounting concerns about the pace of the global economic recovery in the second half of the year appear to be tempering the upward price momentum. Analysts have long forecast that economic growth in the second half of 2010 would be slower than the first half of the year as governments unwind stimulus spending and tighten fiscal terms, especially in China. Traders are closely watching the extent to which both OECD and non-OECD governments plan to withdraw stimulus measures and implement austerity measures. Some economists have also not ruled out a double-dip recession, which would have a significant impact on oil demand forecasts. Our base case scenario for global oil demand now envisages 86.8 mb/d in 2H10 but, should the economy falter, our lower GDP scenario sees demand some 600 kb/d lower, at 86.2 mb/d.

The uncertain outlook for oil prices is underscored by the flattening of the forward price curve on the NYMEX. The 36-month price spread has narrowed to $7.45/bbl in July from $10.30/bbl in June and $12.70/bbl in May. The flattening of the outer months' price curve seems to suggest the market is less bullish about price strength in the longer term.





Countering macroeconomic worries, a steady stream of forecasts warning that this year's hurricane season could be the worst in many years has likely kept a prop under markets. Indeed, Hurricane Alex and Tropical Storm Bonnie added some upward pressure to US prices in July, but WTI futures eased as the storms waned and with stocks at the pivotal Cushing storage centre still hovering at high levels. Indeed, US stocks of both crude and refined products combined increased in July to the highest level in almost 20 years.

In addition to planned field maintenance work in the North Sea, technical problems briefly disrupted output at a key field feeding the Forties system. In China, an explosion at the pivotal port at Dalian forced crude supplies to be diverted elsewhere while repairs are made. Nonetheless, the market impact from scheduled and unplanned supply outages in July was offset by ample crude on offer in key markets, especially Middle East grades.

Traders also attributed some price strength to the 28 July attack on a tanker in the strategic Strait of Hormuz waterway between Oman and Iran. The Strait is a critical transit route for around 20% of global oil supplies or around 17 mb/d (see Supply, *'Market Shrugs Off Tanker Attack in Strait of Hormuz*'). The market ultimately dismissed the explosion aboard the Japanese-owned tanker, since traffic through the key port was unaffected, damage to the vessel minimal and, in the end, it appeared to be an isolated terrorist incident by a lone suicide bomber.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

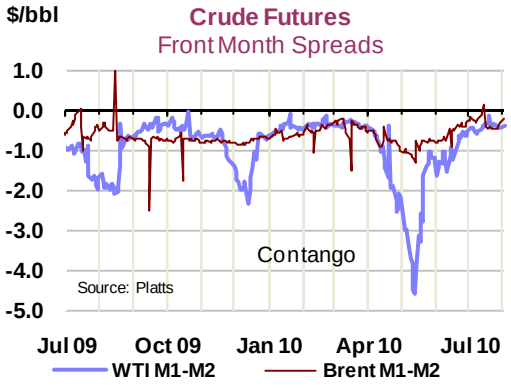
	May	Jun	Jul	Jul-Jun Avg Chg	% Chg	Week Commencing: 05 Jul	12 Jul	19 Jul	26 Jul	02 Aug
NYMEX										
Light Sweet Crude Oil	74.12	75.40	76.38	0.98	1.3	74.40	76.35	77.76	78.16	81.81
RBOB	88.45	87.39	86.58	-0.81	-0.9	85.24	86.40	87.98	87.67	90.84
No.2 Heating Oil	86.01	85.96	84.29	-1.67	-2.0	83.23	84.88	85.21	84.99	91.48
No.2 Heating Oil ($/mmbtu)	14.77	14.76	14.47	-0.29	-2.0	14.29	14.57	14.63	14.59	15.70
Henry Hub Natural Gas ($/mmbtu)	4.15	4.78	4.59	-0.19	-4.2	4.51	4.43	4.57	4.76	4.63
ICE										
Brent	77.00	75.66	75.36	-0.30	-0.4	73.31	75.87	76.50	77.09	81.49
Gasoil	88.39	88.29	86.70	-1.59	-1.8	84.99	87.23	88.01	87.99	93.39
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-2.88	-0.25	1.03	1.28		1.08	0.48	1.27	1.06	0.32
NYMEX No.2 Heating Oil - WTI	11.89	10.56	7.91	-2.65		8.84	8.52	7.44	6.84	9.66
NYMEX RBOB - WTI	14.34	11.98	10.20	-1.79		10.84	10.05	10.22	9.51	9.02
NYMEX 3-2-1 Crack (RBOB)	13.52	11.51	9.43	-2.07		10.17	9.54	9.29	8.62	9.24
NYMEX No.2 - Natural Gas ($/mmbtu)	10.61	9.97	9.88	-0.09		9.78	10.14	10.06	9.83	11.08
ICE Gasoil - ICE Brent	11.39	12.64	11.35	-1.29		11.68	11.36	11.52	10.89	11.90

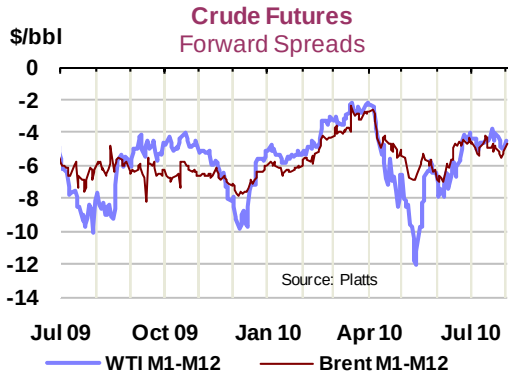
Source: Platts

Futures Markets

A summer lull in crude oil futures trading on the NYMEX saw July open interest at the lowest level since end-December, partly due to a seasonal slowdown in activity and because the narrow $70-80/bbl trading range, shrinking contango and flattening forward curves leave little room for profit taking. Indeed, the price structure along the forward curve flattened throughout July.

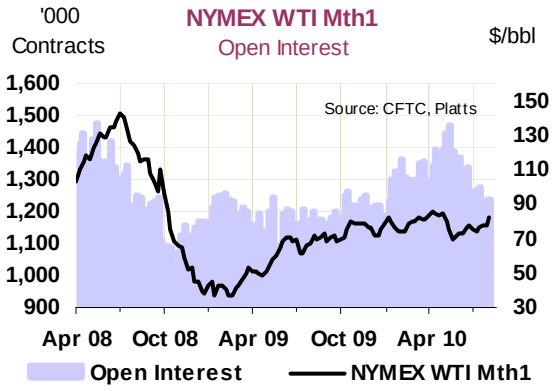
The near-term contango between the front month contract and forward markets continued to narrow in July with a drawdown in floating storage in the US Gulf and hurricane worries supporting prompt prices. The WTI M1-M2 contango narrowed from around $1/bbl in June to just 43 cents/bbl in July. Further out, WTI M1-M12 price spreads narrowed to $4.50/bbl in July, compared with $6.10/bbl in June and $8.60/bbl in May. By early August, the spread was running about $4/bbl.

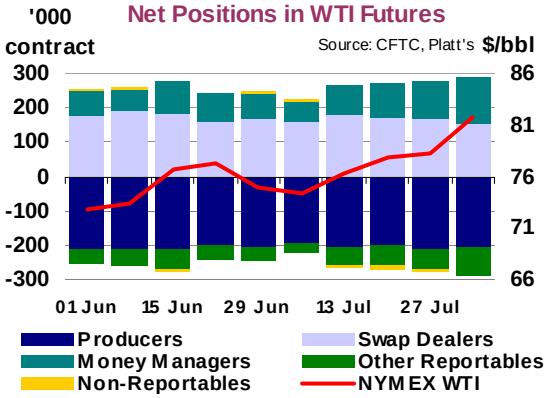




Open interest in NYMEX WTI futures was down slightly in July by 3%, to 1.24 million contracts. Underscoring shifting market sentiment in recent months, money managers steadily decreased their net long positions by two thirds in early June from a 2010 peak of 187 000 contracts at the beginning of April. However, since early July they have been rebuilding long positions, to 134 000 contracts as latest data through 3 August show.

As prices steadily increased by more than $7/bbl from July to early August, money managers increased their net long holdings by 79 000 lots over the month, switching their bets from shorts to longs. While producers trimmed their net short positions by only 12 000 contracts, swap dealers and other participants balanced the market by increasing their short holdings. Meanwhile, RBOB gasoline open interest rose by 7% to 248 000 contracts. With a $5.60/bbl increase in RBOB futures, money managers halved their short holdings and sharply increased long positions.





Meanwhile, the US moved one step closer to overhaul of the financial regulatory framework on 21 July after President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. US regulators will draft new rules setting restrictions on, among others, the oil trading community. The bill requires over-the-counter (OTC) trades to be standardised and moved to exchanges and has also granted the US Commodity Futures Trading Commission (CFTC) the authority to set position limits on futures contracts.

The US was joined in its efforts by the EU and other G-20 member countries in a move to prevent 'regulatory arbitrage' (the shift of trades to other countries with less strict laws). The European Commission plans to present its proposal on regulation of the OTC markets in September 2010. (For more information on the global financial regulatory overhaul see *'Financial Market Regulation'* in the June Medium-Term Oil and Gas Markets 2010 and '*Unintended Consequences of New Market Regulation*' in the 13 July 2010 OMR.)

Spot Crude Oil Prices

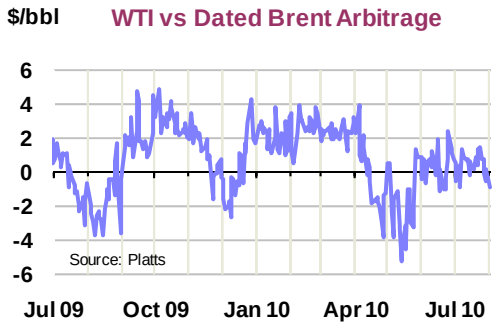
Spot crude oil prices strengthened in July for both Atlantic basin benchmark crudes. WTI gained about $1/bbl, to $76.30/bbl and Dated Brent rose by around 80 cents/bbl to $75.64/bbl. By contrast, Dubai was down by a sharp $1.50/bbl, to $72.50/bbl on ample supplies of Mideast crudes. Indeed OPEC ramped up production in July by 220 kb/d, to 29.2 mb/d.

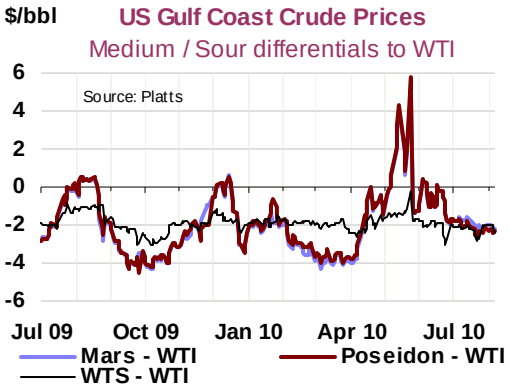
Spot WTI owed some of its strength in July to Hurricane Alex and Tropical Storm Bonnie. Against the backdrop of ongoing and ultimately successful efforts to plug the *Macondo* well, market attention focused on the potential for a further major disruption to Gulf of Mexico supplies.

Indeed, a steady stream of forecasts for a very active hurricane season this year appears to be putting something of a floor under prices. Meteorologists are predicting as many as 8-12 hurricanes this season, in part due to a combination of dissipation of the El Niño weather system in the central Pacific region and warmer weather in the Atlantic basin. That compares with a total of three hurricanes in the Atlantic last year, including just one affecting the Gulf of Mexico.

In July, the production shut-in from Tropical Storm Bonnie topped 825 kb/d at one point in the month as operators took extra precautions in the wake of the *Macondo* explosion. The US Minerals Management

Service, recently renamed Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), reported just over 100 kb/d was shut-in on average in July as a precaution ahead of the weather front, though the storms passed through the region without inflicting damage to oil infrastructure. While the hurricane season runs from July through November, the heaviest period is typically in August and September.

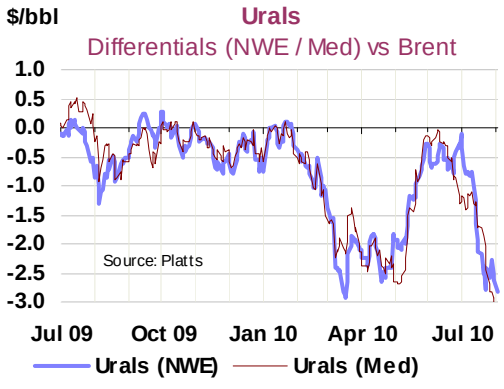


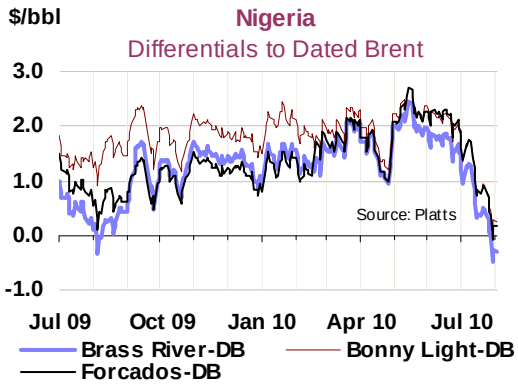


The shut-down of a major crude oil pipeline running between the US Midcontinent and Canada also supported prices by end July/early August. The Enbridge-operated 190 kb/d 6B crude pipeline was closed on 26 July due to a rupture, which has affected crude flows to a half dozen refineries in the landlocked region (see Refining). No date has been set for restart.

WTI held onto its premium over Brent in July, averaging $0.68/bbl versus $0.44/bbl in June and a discount of $1.54/bbl in May. However, the premium slowly eroded throughout July - from about $1.20/bbl at the start of the month and finishing at just $0.21/bbl by end-July. Indeed, Brent regained a premium, trading at around $0.85/bbl over WTI on average in the first week of August.

Tighter supplies of North Sea grades due to seasonal maintenance work not only strengthened Brent relative to WTI but also inverted the forward curve. Brent prompt prices moved above forward prices for the first time in two years in mid-July before reverting back to contango in early August. North Sea field maintenance work in August is expected to reduce Forties production by 150 kb/d while Norway's output is forecast to decline by 105 kb/d for the month.

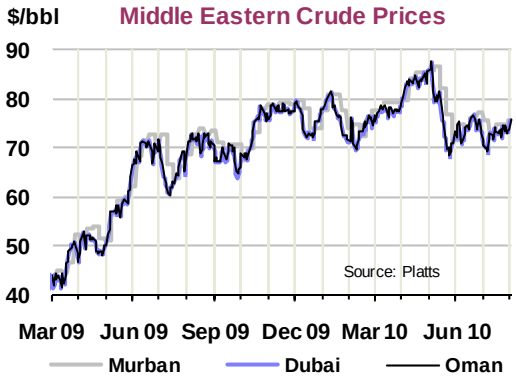


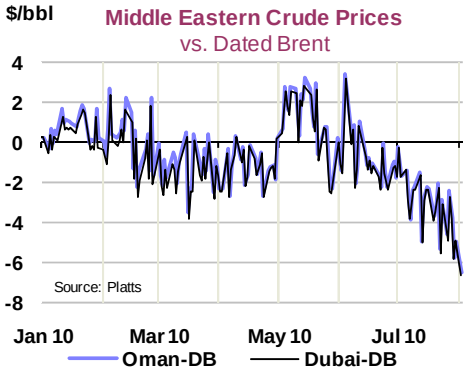


Lower volumes of North Sea crudes were also behind the widening of Brent differentials to European and African crudes. After narrowing to around 50 cents/bbl in June, the Urals-Brent differential in the Med widened again in July, to an average discount of $1.84/bbl. By early August, Urals was trading at a steep $3.18/bbl below Brent. Nigerian grades, which normally fetch a premium to Brent given their higher light product yield, were trading at a discount by end-July and early August given lofty Brent levels.

Middle East spot crude prices in Asia were markedly weaker than in Atlantic basin markets in July. Ample supply of Mideast and African grades, as well as Russian ESPO crude, weighed on spot prices. Underscoring the weakness, the price discount of Dubai against Brent moved from $85 cents/bbl on average in June versus $3.15/bbl in July. By early August the discount was around $5.25/bbl.

In line with weaker spot markets, Saudi Aramco lowered official selling prices for September to Asian customers, with the deepest cuts in medium and heavy grades given surplus supplies of Middle East crude and steadily increasing Russian ESPO crude on offer in the region. Other Middle East producers lowered prices for September on the back of weak physical markets.





An explosion and pipeline fire at China's Dalian port also added to surplus supplies in the region with many contracted cargoes dispersed to other ports for offloading. The port is slowly resuming operation following installation of a temporary replacement pipeline at its largest oil berth. However, no date has been announced for when the main oil berth at Xingang will reopen for very large crude carriers (VLCCs). The explosion also halted supplies to some of the regional refineries, including the country's largest export refinery, the West Pacific Petrochemical Corp plant (WEPEC).

Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

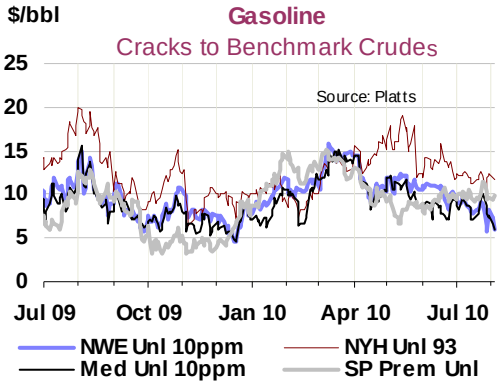
	May	Jun	Jul	Jul-Jun Avg Chg	Jul-Jun %	Week Commencing: 05 Jul	12 Jul	19 Jul	26 Jul	02 Aug
Crudes										
Dated Brent	75.16	74.85	75.64	0.79	1.1	73.38	75.86	76.76	77.96	82.74
Brent (Asia) Mth1 adjusted	77.17	75.25	75.21	-0.04	-0.1	72.82	75.59	76.19	77.06	80.90
WTI (Cushing) Mth1 adjusted	73.62	75.29	76.32	1.03	1.4	74.57	76.28	77.60	78.17	81.92
Urals (Mediterranean)	73.68	74.37	73.80	-0.57	-0.8	72.13	74.39	74.77	75.05	79.57
Dubai Mth1 adjusted	76.78	73.99	72.49	-1.50	-2.0	70.81	73.01	73.13	73.52	77.46
Tapis (Dated)	78.88	77.32	77.63	0.31	0.4	75.42	77.93	78.32	79.60	83.48
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-1.54	0.44	0.68	0.24		1.19	0.43	0.84	0.21	-0.82
Urals (Mediterranean)	-1.48	-0.48	-1.84	-1.36		-1.25	-1.47	-1.99	-2.92	-3.18
Dubai Mth1 adjusted - Dated Brent	1.62	-0.86	-3.15	-2.29		-2.57	-2.84	-3.62	-4.44	-5.28
Tapis (Dated)	3.72	2.47	1.99	-0.48		2.04	2.08	1.57	1.64	0.74
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-1.17	-0.62	0.03	0.65		-0.27	0.01	0.03	0.44	-0.23
Forward WTI Cushing Mth1-Mth2 adj.	-3.00	-0.99	-0.42	0.56		-0.55	-0.40	-0.31	-0.42	-0.44

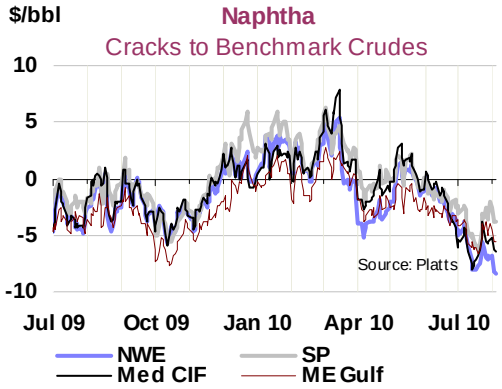
Source: Platts

Spot Product Prices

Spot prices for refined products in all major markets were mostly lower in July, with fuel oil the exception owing to peak summer demand for power generation and continued strong bunker demand. Crack spreads in July trended lower in the US and Europe while differentials for gasoil/diesel and fuel oil improved in Singapore.

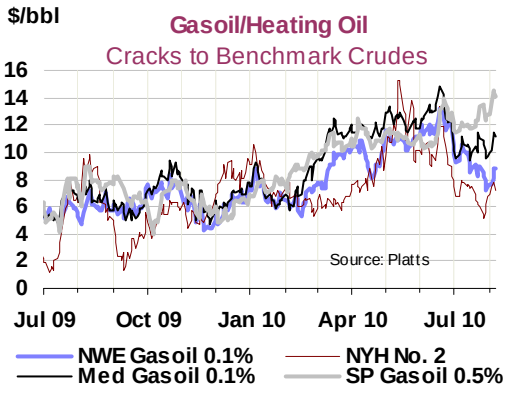
Despite typically stronger demand during the summer driving season in the US, gasoline crack spreads edged lower in July—averaging just under $12/bbl in NY Harbor last month compared with $13.50/bbl in June and over $16/bbl in May. In Europe, gasoline cracks were mixed, with differentials to Brent in Northwest Europe down by about $2/bbl to $8.36/bbl while Urals cracks in the Med remained largely unchanged at around $8.40/bbl on average in July.

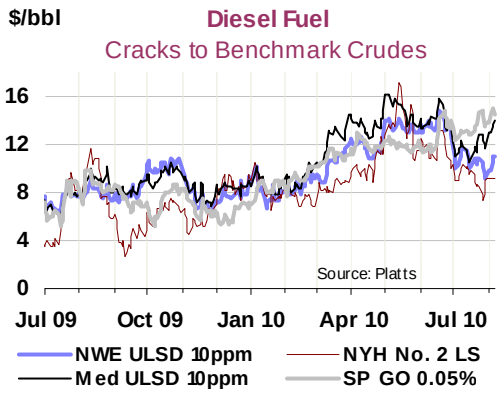




In Asia, gasoline crack spreads improved on increased export demand, with differentials to Dubai rising to just under $10/bbl in July compared with $9.28/bbl in June in Singapore and up by a smaller $0.12/bbl on average, to $9.51/bbl, in Japan. The stronger gasoline crack spreads partly reflect weaker spot Dubai crude prices in July. In addition, the pipeline explosion at China's Dalian port on 16 July sharply reduced gasoline exports.

New sanctions, especially those implemented by the EU in July, are already having an impact on Iranian gasoline imports. Volumes reportedly have been reduced by half in July from May levels and spot barrels sold into Iran are fetching a premium of 25% over market levels.





Gasoil cracks were largely lower in the US and Europe but stronger in Asia. Atlantic basin crack spreads edged lower in July on increased refinery output and despite increased exports to Latin America. In the US Gulf Coast market, exceptionally high refinery throughput rates pressured crack spreads, with differentials to Mars down by about $2/bbl on average for the month, to $7.90/bbl while cracks for Light Louisiana Sweet fell to $3.29/bbl from $5.47/bbl in June. In New York Harbor diesel cracks declined to $9.15/bbl in July from $11.60 in June and just under $14/bbl in May.

Higher than normal US exports of diesel to Latin American countries such as Chile, Mexico, Colombia and Argentina have been partially offset by lower shipments to Europe. One reason for the higher exports to Latin America is due to changes in quality specifications while planned and unplanned refinery maintenance work in the region also contributed to higher imports from the US. Both Mexico and Colombia reduced sulphur specifications this year but lack desulphurisation capacity to meet the new specs.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	May	Jun	Jul	Jul-Jun		Week Commencing:					May	Jun	Jul
				Chg	%	05 Jul	12 Jul	19 Jul	26 Jul	02 Aug			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	86.49	85.22	84.00	-1.22	-1.4	82.55	83.95	85.40	85.13	89.61	11.33	10.37	8.36
Naphtha	75.20	72.76	69.28	-3.48	-4.8	68.79	67.98	70.08	71.01	75.14	0.04	-2.09	-6.36
Jet/Kerosene	88.23	88.64	86.68	-1.96	-2.2	85.27	86.98	87.82	88.02	93.25	13.07	13.79	11.05
ULSD 10ppm	88.64	88.41	86.21	-2.20	-2.5	84.37	86.65	87.47	87.76	93.19	13.48	13.56	10.57
Gasoil 0.1%	85.95	86.74	84.70	-2.04	-2.4	83.42	85.14	85.61	85.85	90.91	10.79	11.89	9.06
LSFO 1%	70.51	69.55	71.63	2.09	3.0	69.35	72.42	73.56	73.30	76.73	-4.65	-5.31	-4.00
HSFO 3.5%	66.91	65.72	65.81	0.09	0.1	63.52	66.41	67.38	67.69	71.50	-8.25	-9.13	-9.83
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	84.07	82.79	82.21	-0.58	-0.7	81.21	82.11	83.37	83.23	86.20	10.39	8.42	8.41
Naphtha	74.92	72.61	68.07	-4.53	-6.2	67.45	66.71	68.94	69.97	74.40	1.24	-1.76	-5.73
Jet Aviation fuel	86.64	87.06	84.22	-2.84	-3.3	82.94	84.38	85.49	85.53	91.15	12.96	12.69	10.42
ULSD 10ppm	88.48	88.35	85.48	-2.88	-3.3	83.91	85.34	86.68	87.29	92.98	14.80	13.99	11.68
Gasoil 0.1%	86.18	87.33	84.21	-3.13	-3.6	82.97	84.34	84.97	85.65	90.70	12.50	12.96	10.41
LSFO 1%	70.13	68.38	70.97	2.59	3.8	69.83	71.99	72.53	71.47	75.65	-3.55	-5.99	-2.83
HSFO 3.5%	66.06	65.47	65.09	-0.38	-0.6	62.94	65.72	66.44	66.91	71.57	-7.62	-8.90	-8.70
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	89.74	88.77	88.25	-0.52	-0.6	86.96	87.88	89.70	89.81	93.00	16.12	13.48	11.93
Unleaded	84.23	84.12	83.78	-0.34	-0.4	82.63	83.45	85.23	85.28	88.02	10.61	8.82	7.45
Jet/Kerosene	88.03	88.02	86.30	-1.72	-2.0	85.01	86.95	87.25	87.75	92.62	14.41	12.73	9.98
No. 2 (Heating Oil)	85.69	85.41	83.14	-2.27	-2.7	82.18	83.77	83.99	83.99	89.39	12.07	10.11	6.81
LSFO 1%†	69.64	67.89	69.49	1.60	2.4	68.53	70.17	70.49	70.35	74.70	-3.98	-7.40	-6.83
No. 6 3%†	67.15	66.69	67.11	0.43	0.6	66.30	67.57	67.89	67.76	71.05	-6.47	-8.61	-9.21
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	85.12	83.26	82.42	-0.84	-1.0	80.69	82.76	83.20	83.56	86.54	8.34	9.28	9.93
Naphtha	77.43	72.42	68.57	-3.85	-5.3	67.55	67.61	68.57	70.72	74.09	0.65	-1.57	-3.92
Jet/Kerosene	88.12	86.64	85.32	-1.32	-1.5	83.02	85.57	86.45	87.06	91.56	11.34	12.65	12.83
Gasoil 0.5%	87.91	85.67	84.69	-0.97	-1.1	82.72	84.88	85.55	86.44	91.33	11.13	11.68	12.21
LSWR Cracked	68.40	67.05	73.40	6.35	9.5	70.09	74.23	75.73	75.34	77.63	-8.38	-6.94	0.91
HSFO 180 CST	70.73	67.87	68.63	0.76	1.1	66.76	69.28	69.63	69.91	72.89	-6.05	-6.11	-3.86
HSFO 380 CST 4%	72.09	69.21	69.36	0.15	0.2	67.52	70.20	70.43	70.32	73.27	-4.69	-4.78	-3.13

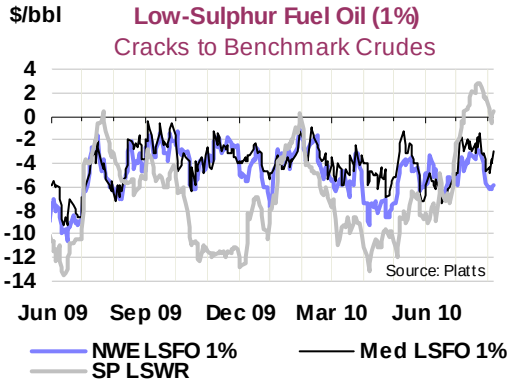
Source: Platts * CIF † Cargoes

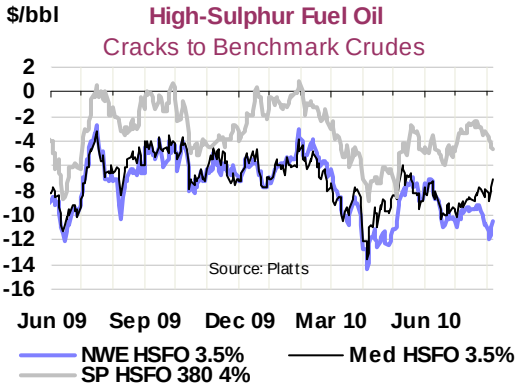
Fuel oil crack spreads for low-sulphur material largely improved in all major regions in July while high-sulphur cracks were mixed. Both fuels remained in negative territory, bar low-sulphur fuel oil in Singapore. Increased use at power plants on stronger cooling demand during the summer season helped fuel the recovery in July but by early August cracks started weakening again on increased supplies.

In Europe, an improved arbitrage to Asia helped support crack spreads and offset the impact of higher Russian fuel oil exports to the region. Low-sulphur fuel oil cracks in the Med eased to -$2.83/bbl on average in July compared with -$6/bbl in June. In Northwest Europe cracks averaged -$4/bbl last month compared with -$5.31/bbl in June.

In Singapore, differentials for cracked LSWR fuel oil swung from a loss of -$6.94/bbl in June to +$0.91/bbl in Singapore last month, in part due to increased demand for power generation. Again, part of the improvement is due to the weaker Dubai spot price. Crack spreads for high-sulphur fuel oil also posted a

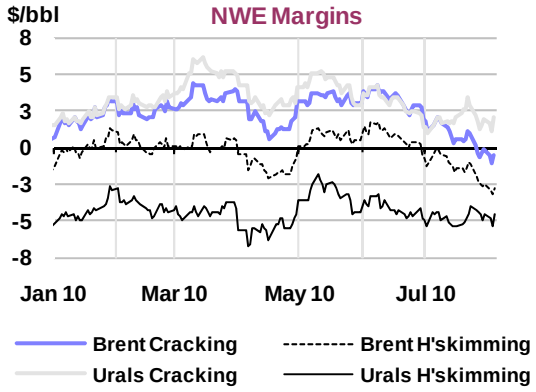
strong rebound in the Asia-Pacific region. HSFO differentials to Dubai in Singapore averaged -$3.13/bbl in July compared to -$4.78/bbl the previous month. In Japan HSFO cracks averaged -$1.99/bbl in July versus -$4.15/bbl in June.

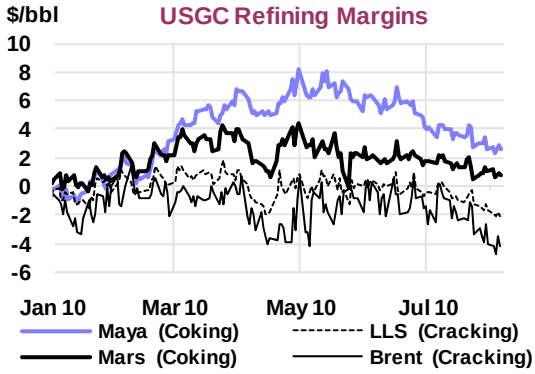




Refining Margins

Refining margins fell across all regions in July as product prices failed to capture increases seen in crude markets. The declines were particularly large in Northwest Europe, prompting talk of renewed economic run cuts. European refinery runs rebounded sharply in June as refiners exited maintenance and took advantage of relatively favourable economic conditions. The increased supplies were met by lacklustre demand and limited export opportunities, however, again putting downward pressure on margins.





On the US Gulf Coast, margins all fell in July, except for Bonny cracking, and all cracking margins were negative on a full cost basis in the month. While coking margins also fell, they remained in positive territory. US West Coast margins generally fell by less, as reduced runs and stronger gasoline prices evident since May continued to play a role. Californian Carbob prices are currently the strongest in the US, with cargoes delivered at Los Angeles trading at an average $9.00/bbl premium to New York Harbor RBOB and $9.20/bbl premium to Gulf Coast RBOB.

Singapore margins were mixed, with Dubai margins increasing (even turning positive for hydrocracking) given Dubai's relative weakness compared to other crude grades.

Selected Refining Margins in Major Refining Centres

($/bbl)

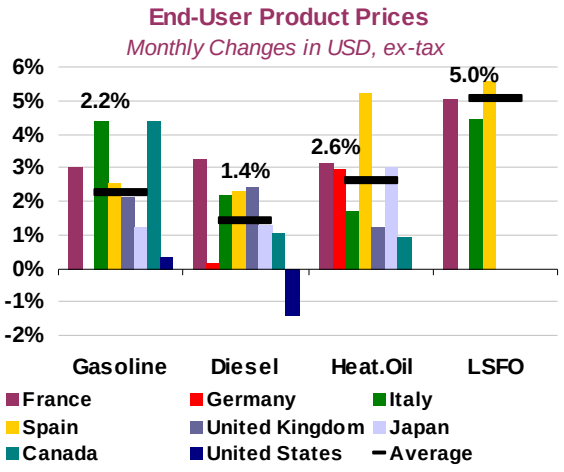
		Monthly Average				Change	Average for week ending:				
		May 10	Jun 10	Jul 10		Jul 10-Jun 10	09 Jul	16 Jul	23 Jul	30 Jul	06 Aug
NW Europe	Brent (Cracking)	3.30	3.29	0.78	↓	-2.51	1.75	0.78	0.68	-0.31	-0.39
	Urals (Cracking)	4.23	3.10	1.92	↓	-1.18	1.85	1.77	2.71	1.68	1.82
	Brent (Hydroskimming)	0.72	0.76	-1.31	↓	-2.07	-0.31	-1.22	-1.37	-2.42	-2.62
	Urals (Hydroskimming)	-0.85	-1.96	-2.74	↓	-0.78	-2.93	-2.82	-1.89	-2.85	-2.95
Mediterranean	Es Sider (Cracking)	1.91	1.29	0.98	↓	-0.31	1.62	0.42	1.02	0.94	0.55
	Urals (Cracking)	2.74	1.66	0.89	↓	-0.78	1.30	0.35	0.92	1.05	0.71
	Es Sider (Hydroskimming)	-2.59	-3.27	-2.90	↑	0.37	-2.14	-3.25	-2.84	-3.18	-3.52
	Urals (Hydroskimming)	-3.16	-4.17	-4.80	↓	-0.64	-4.55	-5.21	-4.76	-4.56	-4.68
US Gulf Coast	Bonny (Cracking)	-1.15	-0.70	-0.52	↑	0.18	-0.32	-0.25	-0.19	-0.94	-1.86
	Brent (Cracking)	-1.25	-0.78	-1.91	↓	-1.14	-0.88	-1.50	-1.92	-3.31	-4.14
	LLS (Cracking)	0.05	0.06	-0.66	↓	-0.72	-0.09	-0.54	-0.69	-1.42	-1.93
	Mars (Cracking)	0.53	0.15	-0.08	↓	-0.23	0.25	-0.02	0.07	-0.64	-1.04
	Mars (Coking)	2.50	2.03	1.50	↓	-0.53	1.95	1.51	1.57	0.88	0.90
	Maya (Coking)	6.77	5.77	3.67	↓	-2.10	4.03	3.70	3.78	3.04	2.64
US West Coast	ANS (Cracking)	0.54	1.84	1.57	↓	-0.28	1.28	1.40	1.87	1.99	1.25
	Kern (Cracking)	7.48	5.55	4.69	↓	-0.86	4.94	4.01	5.59	5.12	3.71
	Oman (Cracking)	-2.41	1.45	4.21	↑	2.76	3.65	3.90	5.35	5.11	3.63
	Kern (Coking)	12.98	15.74	14.56	↓	-1.17	15.26	15.16	15.11	13.62	13.89
Singapore	Dubai (Hydroskimming)	-2.77	-2.73	-1.53	↑	1.20	-1.67	-1.67	-1.29	-1.17	-1.46
	Tapis (Hydroskimming)	-2.73	-3.32	-3.67	↓	-0.36	-3.44	-3.80	-3.39	-4.00	-4.33
	Dubai (Hydrocracking)	-0.79	-0.66	0.15	↑	0.81	0.01	-0.15	0.31	0.63	0.54
	Tapis (Hydrocracking)	-0.63	-1.43	-3.17	↓	-1.73	-2.70	-3.42	-3.14	-3.54	-3.56
China	Cabinda (Hydroskimming)	-6.09	-6.51	-2.98	↑	3.53	-3.70	-2.73	-2.52	-2.91	-4.44
	Daqing (Hydroskimming)	-5.94	-4.52	0.41	↑	4.93	-0.45	0.53	1.63	0.72	0.03
	Dubai (Hydroskimming)	-2.54	-2.48	-1.26	↑	1.22	-1.40	-1.39	-1.02	-0.95	-1.24
	Daqing (Hydrocracking)	-1.82	-0.72	2.07	↑	2.79	1.65	2.04	2.87	2.16	1.80
	Dubai (Hydrocracking)	-0.50	-0.32	0.49	↑	0.81	0.39	0.21	0.65	0.87	0.81

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

*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.
Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in July

Following two months of falls, prices in July rose across the IEA regions by an average 2.8% in US dollars, ex-tax. However, the influence of the weakening US dollar was partly responsible since, when examining prices on a national currency, ex-tax basis, prices fell by an average 0.6%. On a US dollars ex-tax basis, increases were reported across all surveyed products led by heating oil and low-sulphur fuel oil, up 2.6% and 5.0%, respectively. This was in contrast to earlier gains in 2010, which were led by transportation fuels.



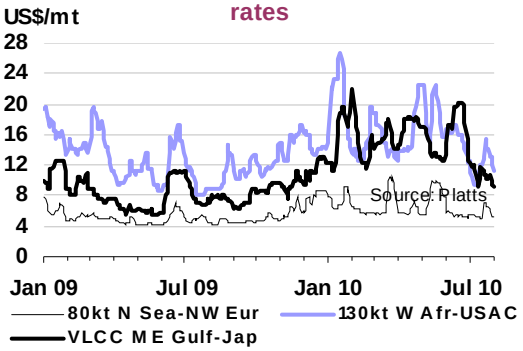
Gasoline prices fell across the Eurozone and Japan and rose in the US and Canada. In July regular gasoline prices averaged $2.73/gallon in the US, ¥136/litre in Japan and £1.17/litre in the UK. In the Eurozone prices ranged from €1.40/litre in Germany to €1.15/litre in Spain. Diesel prices fell across all surveyed

countries except Canada. Retail prices averaged $2.91/gallon in the US, ¥115/litre in Japan and £1.20/litre in the UK whilst in continental Europe prices ranged from €1.07 in Spain to €1.22 in Italy.

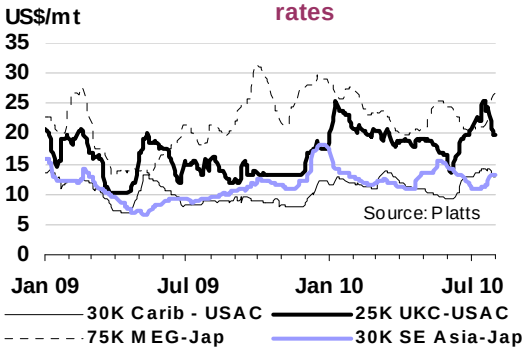
Freight

VLCC rates on the benchmark Middle East Gulf – Japan route collapsed to $9/mt in July, their lowest levels since November 2009, given massive oversupply in markets East of Suez. Operating vessels within the region rose to a record 93, as a release of VLCCs from floating storage added to the surplus. Rates on the Suezmax West Africa – US Atlantic coast route fared slightly better, slumping from $12/mt to $9/mt by mid-month but then peaking impressively on scarce tonnage as charterers rushed mid-month to fix cargoes for delivery by month-end.

Daily crude oil tanker voyage freight rates



Daily product tanker voyage freight rates

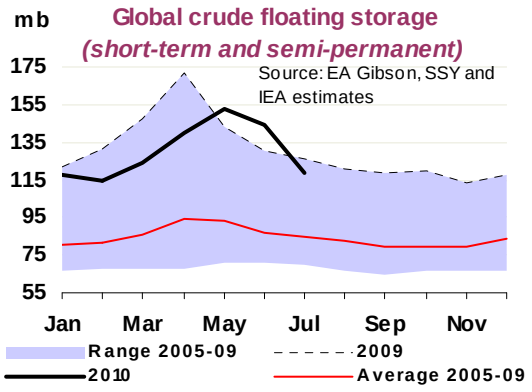


The clean tanker market fared a little better with one notable exception: rates on the UK – US Atlantic coast market fell rapidly to below $20/mt as transatlantic trade waned with few reported fixings and a ready supply of vessels. Rates on the Aframax Middle East Gulf – Japan route spiked as high demand and low tonnage pushed rates up to $26/mt from an early-month low of $20/mt.

Looking forward, the oversupply in East of Suez markets is likely to persist, although any increase in perceived terrorist activity in the Straits of Hormuz could shore-up rates (Supply, *'Market Shrugs Off Tanker Attack in Strait of Hormuz'*). In the Atlantic Basin some short-term support could come from any hurricane-related damage to oil infrastructure and resulting increase in imports. The US National Hurricane Centre has predicted this year could be the busiest since 2005.

Floating storage of crude and products fell by a sharp 24.7 mb in July on a narrowing contango. Crude drew by 25.6 mb and products increased by 0.9 mb. Crude is now only being stored at sea in the Middle East (46.6 mb), Asia-Pacific (3.2 mb) and the US Gulf (9.4 mb). Middle East volumes fell by 4 mb after Iran offloaded some cargoes mid-month in the Red Sea port of Ain Sukhna. However, tankers returned to Iran, were reloaded with unsold crude and then headed back to the Red Sea to await buyers.

Global crude floating storage *(short-term and semi-permanent)*



Storage in the US Gulf fell by 5.2 mb with volumes likely stockpiled onshore in anticipation of an active hurricane season. As volumes decreased, so did VLCCs deployed for storage with 11 vessels released, leaving 29 VLCCs in the storage fleet, the lowest level since December 2008.

REFINING

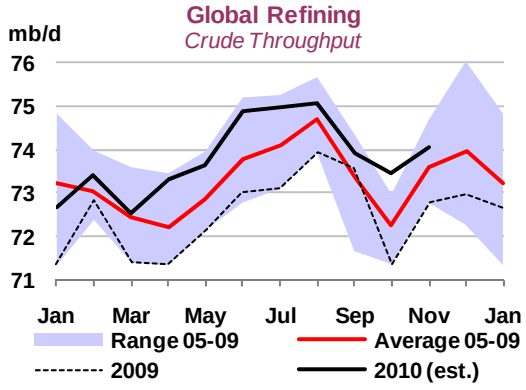
Summary

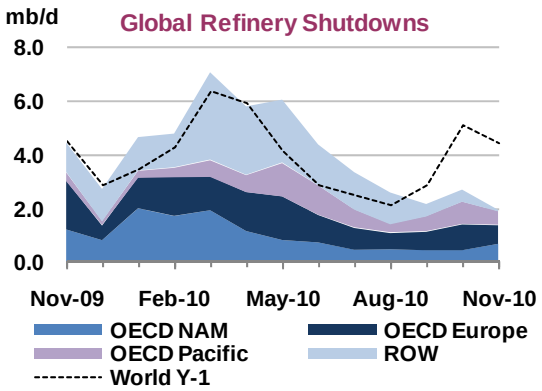
- **Global refinery crude throughputs have been revised up by 425 kb/d for 2Q10** following an apparent recovery in European crude runs. Preliminary data for June show European throughputs up almost 1.0 mb/d from May, and 740 kb/d above year-ago levels. At 73.9 mb/d, 2Q10 global runs are now 1.8 mb/d above 2Q09, with annual increases underpinned by capacity increases in China and a recovery in US refinery activity.

- **3Q10 global crude runs are estimated at 74.7 mb/d**, 70 kb/d higher than our last estimate and 1.1 mb/d above 3Q09. Runs are expected to remain strong in North America, in part supported by continued refinery outages in the Caribbean and Latin America. Continued capacity expansions will likely support Chinese throughputs at strong levels in 3Q10, although the rate of growth is seen slowing to 0.7 mb/d year-on-year, from a quarterly average of 1.3 mb/d since 4Q09.

- **OECD refinery crude runs averaged 37.1 mb/d in June,** 1.2 mb/d higher than a year earlier and 780 kb/d up on May. The month-on-month increase stems exclusively from OECD Europe, which recorded runs almost 1.0 mb/d higher than a month earlier. A sharp exit from turnarounds was augmented by relatively healthy margins and the commissioning of some new distillation capacity. Refinery profitability has since deteriorated, prompting talk of renewed run cuts in the region.

- **May OECD refinery yields rose for gasoil/diesel (+0.3%) and 'other products' (+0.4%) but fell for products at the top and bottom of the barrel.** OECD refinery gross output continued its upward momentum, increasing in May by 100 kb/d to a level above a year ago for the first time in 2010.





Global Refinery Throughput

Estimated global refinery throughputs averaged 73.9 mb/d in 2Q10, 1.8 mb/d higher than a year earlier and 1.1 mb/d above 1Q10. The global figure has been revised up by a sharp 425 kb/d since last month's report, following an impressive apparent recovery in European refinery runs in June. Preliminary data point to a 1.0 mb/d monthly increase in European runs, reaching their highest level since December 2008. Turnaround completion, augmented by relatively healthy margins, supported the increase. It remains to be seen however, whether the extent of the rebound is confirmed by official data released next month, and whether refiners can sustain these steeper throughput levels. Profit margins deteriorated over July and August, as increased supplies met still lacklustre regional demand, and product prices failed to keep pace with the rally seen in crude towards the end of July. As products were added to inventories, on land and in floating storage, talk of renewed run cuts emerged in the region.

Although unchanged from last month's report, year-on-year growth in 2Q10 stems mostly from China (+1.1 mb/d) and the US (+0.6 mb/d). Increased distillation capacity in China underpins the record throughput levels there, while North America saw a sharp recovery in April as refiners exited maintenance and Marathon's Garyville expansion was commissioned. Runs in the OECD Pacific, the FSU and Other Asia also recorded year-on-year growth in 2Q10. Offsetting some of the gains, Latin American runs were severely curtailed by outages and refinery closures in the quarter, while European runs remained firmly below year-earlier levels on a quarterly basis despite the June rebound.

3Q10 global crude throughputs are currently estimated at 74.7 mb/d, with quarterly increases in the OECD Pacific, the Middle East, the FSU, Latin America and Europe. North American run rates depend in part on the impact of the current hurricane season, but also on the extent of the recovery in both economic growth and oil demand in coming months. Latin American runs are expected to remain constrained into 3Q10, as operational problems at PDVSA's Curaçao refinery linger. However, independent US refiner Valero is talking about restarting its 235 kb/d Aruba refinery after completing maintenance in September, potentially adding to regional product supplies.

Global Refinery Crude Throughput[1]

(million barrels per day)

	1Q2010	Apr 10	May 10	Jun 10	**2Q2010**	Jul 10	Aug 10	Sep 10	**3Q2010**	Oct 10	Nov 10
OECD											
North America	17.0	18.0	18.1	18.1	18.0	18.4	18.2	17.3	18.0	17.5	17.2
Europe	12.1	11.9	12.0	13.0	12.3	12.5	12.5	12.4	12.5	12.2	12.2
Pacific	6.7	6.6	6.2	6.1	6.3	6.4	6.7	6.4	6.5	6.2	6.5
Total OECD	35.9	36.5	36.3	37.1	36.7	37.3	37.4	36.2	37.0	35.8	35.9
NON-OECD											
FSU	6.2	6.2	6.1	6.3	6.2	6.4	6.4	6.3	6.4	6.0	6.4
Non-OECD Europe	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.1	8.4	8.5	8.6	8.5	8.5	8.5	8.5	8.5	8.7	8.7
Other Asia	8.8	8.7	8.8	8.8	8.8	8.7	8.5	8.8	8.6	8.6	8.7
Latin America	5.1	4.9	5.0	5.0	5.0	4.9	5.2	5.1	5.1	5.2	5.3
Middle East	5.8	5.6	6.0	6.0	5.9	6.1	6.0	6.1	6.1	6.0	6.0
Africa	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Non-OECD	37.0	36.8	37.3	37.8	37.3	37.6	37.7	37.8	37.7	37.6	38.1
Total	72.9	73.3	73.7	74.9	73.9	75.0	75.1	73.9	74.7	73.4	74.1

1 Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude throughputs averaged 37.1 mb/d in June, an increase of 780 kb/d from May and 1.2 mb/d higher than a year earlier. Surprisingly high runs in Europe accounted for all of the monthly increase. Peak maintenance in the Pacific offset some of the build, while North American runs were steady. Relatively strong margins in Europe, coinciding with turnaround completion at several refineries and the commissioning of some new capacity, all contributed to the sharply higher runs. Profitability has since slumped, however, prompting talk of renewed run cuts in Europe and likely lower runs in July and August.

2Q10 OECD refinery crude runs are now estimated at 36.7 mb/d, 700 kb/d higher than the low point reached a year earlier and 400 kb/d higher than the previous forecast. The recovery in operating levels stems from North America and to a lesser extent the Pacific. Despite the apparent sharp recovery in European runs in June, 2Q10 operating levels remain well below 2Q09, at 12.3 mb/d.

Refinery Crude Throughput and Utilisation in OECD Countries

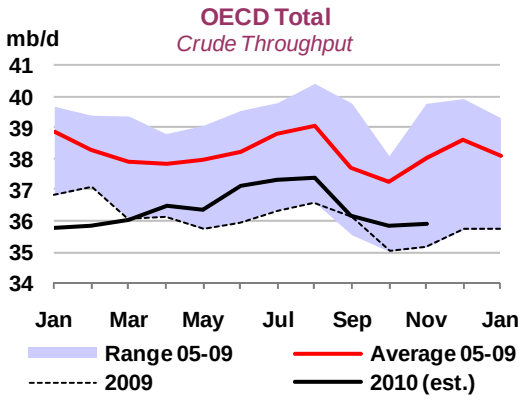
(million barrels per day)

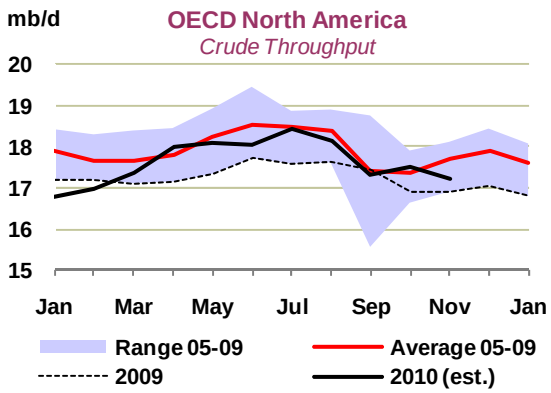
							Change from		Utilisation rate[1]	
	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	May 10	Jun 09	Jun 10	Jun 09
OECD North America										
US[2]	13.67	13.97	14.30	15.12	15.22	15.16	-0.06	0.31	86.0%	84.2%
Canada	1.81	1.75	1.80	1.61	1.63	1.70	0.07	-0.03	86.9%	88.3%
Mexico	1.32	1.24	1.25	1.26	1.23	1.20	-0.03	0.05	70.8%	74.2%
Total	16.80	16.96	17.36	17.99	18.08	18.06	-0.02	0.34	84.9%	83.9%
OECD Europe										
France	1.24	1.30	1.45	1.46	1.35	1.34	-0.01	-0.23	73.7%	80.0%
Germany	1.92	1.83	1.76	1.89	1.93	2.01	0.09	-0.11	84.4%	89.2%
Italy	1.60	1.59	1.65	1.60	1.58	1.81	0.24	0.23	79.7%	69.7%
Netherlands	1.05	1.08	1.10	1.05	1.03	1.12	0.09	0.28	92.5%	69.5%
Spain	1.06	0.85	1.02	1.08	0.90	1.20	0.30	0.23	92.6%	76.1%
United Kingdom	1.39	1.38	1.40	1.38	1.45	1.49	0.04	0.04	82.4%	77.0%
Other OECD Europe	3.79	3.92	3.90	3.49	3.80	4.03	0.23	0.31	82.6%	78.0%
Total	12.05	11.96	12.27	11.95	12.03	13.01	0.98	0.74	83.0%	77.8%
OECD Pacific										
Japan	3.77	3.79	3.57	3.50	3.22	2.88	-0.34	-0.11	61.1%	64.0%
South Korea	2.38	2.40	2.21	2.31	2.29	2.41	0.12	0.12	88.0%	83.5%
Other OECD Pacific	0.75	0.74	0.60	0.75	0.73	0.77	0.04	0.08	91.0%	85.5%
Total	6.91	6.93	6.38	6.56	6.24	6.06	-0.18	0.09	73.0%	72.6%
OECD Total	35.76	35.85	36.02	36.50	36.35	37.13	0.78	1.16	82.1%	79.7%

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

Looking ahead, **3Q10 OECD throughputs** have also been revised up by 540 kb/d, to 37.0 mb/d. Stronger than expected runs in the US in July account for much of the upward shift, and the apparent recovery in European runs has led us to adjust the prognosis for this region higher as well. It remains to be seen whether official data confirm the extent of the European rebound, and whether refiners can sustain high operating levels. The recent collapse in European refinery margins seems to indicate that the increase in runs was too sharp, however, so for now we keep European runs around 12.5 mb/d in coming months.

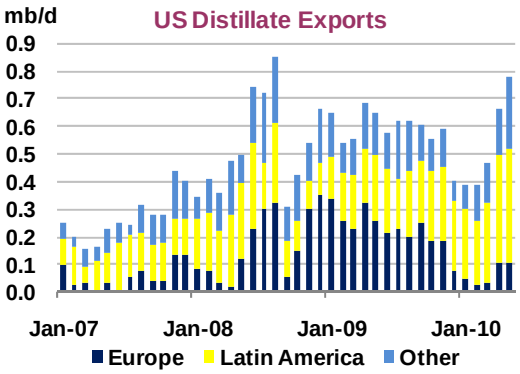




North American crude runs averaged 18.1 mb/d in June, unchanged from a month earlier and previous estimates. Preliminary weekly data for both the US and Canada point to higher runs in July, however, bringing the regional total up by 380 kb/d month-on-month. The US Gulf Coast registered the largest increase, and runs reached their highest level since July 2007 at the end of July. For the month, Gulf Coast throughputs averaged 7.8 mb/d, 220 kb/d higher than in June, despite a fall in margins. Crude runs

in the Midwest also sustained recent high levels around 3.5 mb/d in July, as planned and unplanned shutdowns were insignificant.

US throughputs have in part found support from increased export opportunities of middle distillates to Latin America. Indeed, Latin America has replaced Europe as an outlet for surplus US supplies in recent months, with the latter only accounting for 12% of US exports in the first five months of 2010, compared to 46% in the same period of 2009. Strong demand in both Mexico and Colombia have boosted import requirements from these countries, while constrained supplies from Chile, Ecuador, Venezuela, Aruba and the Netherlands Antilles have further reduced regional availabilities.

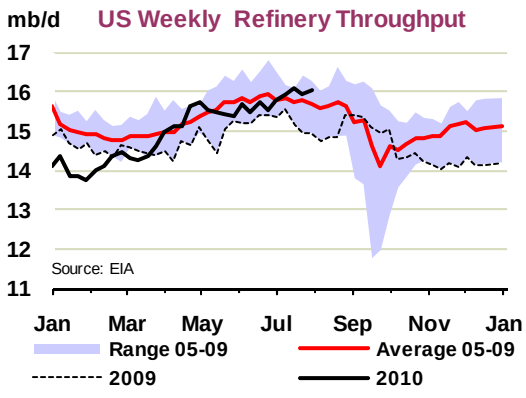


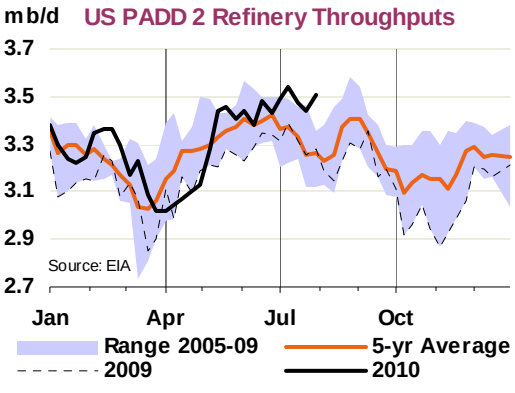
US margins (both on the Gulf and West Coasts) were generally weaker in July. With the end of the driving season in sight, and product stocks above seasonal norms, throughputs are expected to recede from recent highs in coming weeks and into September and October. As noted in earlier reports, a key uncertainty to the forecast is the extent of hurricane shut-ins on the US Coast this year, which for now is assumed to match the five-year average (of 980 kb/d in September).

The shutdown of Enbridge's 190 kb/d 6B crude pipeline, following a leak on 26 July, is expected to have limited impact on throughputs at affected refineries. The pipeline runs from Indiana to Sarnia, Ontario, and supplies refineries in Ohio, Michigan, Pennsylvania and southern Ontario. Although a few refineries, including United Refining's Warren (70 kb/d capacity), BP/Husky's Toledo (127.5 kb/d) and Sunoco's Toledo (160 kb/d) have reported reduced runs as a result of the incident, most of the refineries normally served by the pipeline have been able to source crude from elsewhere. Other lines feeding the affected refineries include:

- Enbridge's 490 kb/d Line 5 from Superior, Wisconsin, and 240 kb/d Line 9 from Montreal;
- Enbridge's 190 kb/d Spearhead pipeline from Canada to Cushing, Oklahoma;
- TransCanada's 435 kb/d Keystone pipeline from Alberta to Patoka, Illinois, which was inaugurated in late June; and
- The 240 kb/d, Sunoco-run, Mid-Valley pipeline from Texas to Toledo, Ohio.

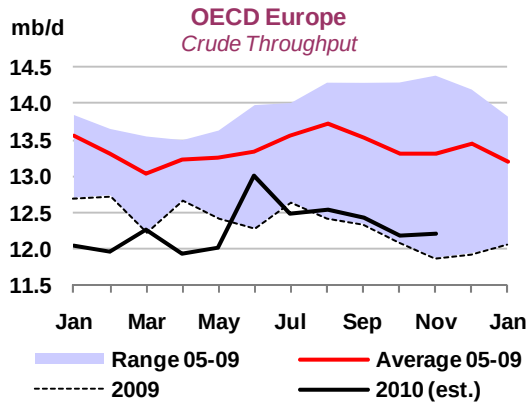
US independent refinery Western Refining started shutting its 65 kb/d Yorktown refinery in Virginia in August. The company cited a poor outlook for East Coast margins for the rest of this year, despite improved economics in 2Q10, as the reason for the closure, which will take six weeks to complete. The company shut its 17 kb/d Bloomfield refinery in New Mexico last year.

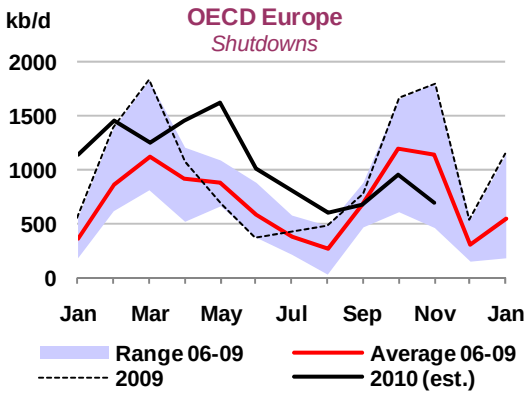




Preliminary data indicate that **European runs** rose sharply in June, to their highest level since December 2008, from an upwardly revised May base. Final May data have been revised up by 175 kb/d, following higher official data from Austria, Italy and the Netherlands. Regional throughputs averaged 13.0 mb/d in June, an increase of 985 kb/d from May and 740 kb/d higher than June 2009. Month-on-month increases were recorded in Spain (+300 kb/d), Italy (+240 kb/d), Netherlands (+90 kb/d), Germany (+85 kb/d) and Greece (+50 kb/d). The increase in runs, if confirmed by official data, is in part explained by the completion of maintenance in several countries. Regional shutdowns (including permanently shut Dunkirk and Teesside) are thought to have fallen from a seasonal high of 1.6 mb/d in May, to just over 1.0 mb/d in June. Runs were further augmented by improved refining margins, as well as by the commissioning of new capacity in Greece and Spain at the end of 2Q10.

Since June, however, European refining margins have slumped, prompting talk of renewed economic run cuts. The declines were particularly sharp in Northwest Europe, where Brent cracking margins fell from an average $3.29/bbl in June to only $0.78/bbl in July (and as low as -$1.06/bbl in early August). Regional product prices failed to keep pace with the rally in crude prices since mid-July as increased refinery supplies were met with weak demand. Although the duration of the recovery in European runs remains to be seen, we have raised the regional outlook somewhat since last month's report. 3Q10 European crude runs are now projected at 12.5 mb/d, 125 kb/d higher than in last month's report.





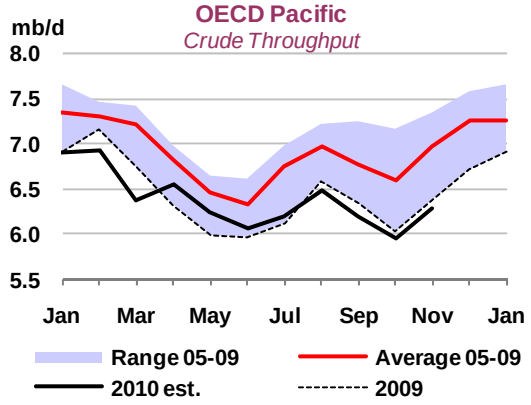
Expansions in European Refining Capacity Despite Industry Woes

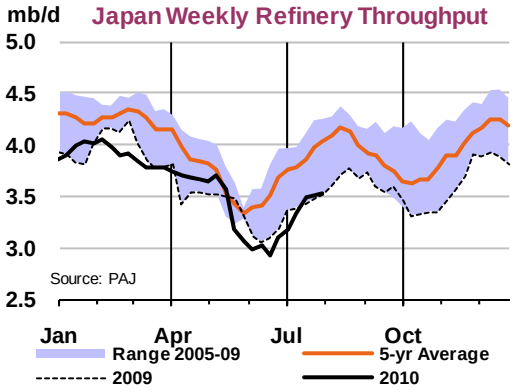
As outlined in the *Medium Term Oil & Gas Markets 2010* report, while European refiners in general have been cancelling expansion projects and are looking to shut capacity, a few projects remain active. These include the recent commissioning of a new Crude Distillation Unit (CDU) at Motor Oil Hellas, Corinth Refineries SA, Aghii Thoedori refinery in Greece. The expansion raises CDU capacity at the refinery by 60 kb/d, to 160 kb/d in total and Greek refinery runs are already reported higher, at 455 kb/d in June, up from 405 kb/d in May and 340 kb/d in April.

Surprisingly strong refinery runs in Spain in June (+300 kb/d m-o-m) could also stem from increased capacity. Cepsa's La Rábida refinery is currently expanding both distillation and upgrading capacity. According to the company website, the refinery completed the installation of a hydrocracker towards the end of 2Q10. The refinery's CDU capacity is also being augmented by 75 kb/d to 175 kb/d this year, though it is not clear if the new crude distillation capacity has also been commissioned and underpins the recent increase in throughput levels. According to official statements following a fatal fire at the plant in early August, overall capacity was the same as in recent months; therefore, further growth could still be to come.

The expansion of Repsol's Cartagena refinery will add further to Spain's distillation capacity next year. The project, currently estimated at a cost of €3.2 billion, will double the refinery's capacity to 220 kb/d as well as adding significant upgrading capacity. In addition to atmospheric and vacuum distillation units, a hydrocracker, coker and desulphurisation units will be added, making it one of the most complex refineries in the region.

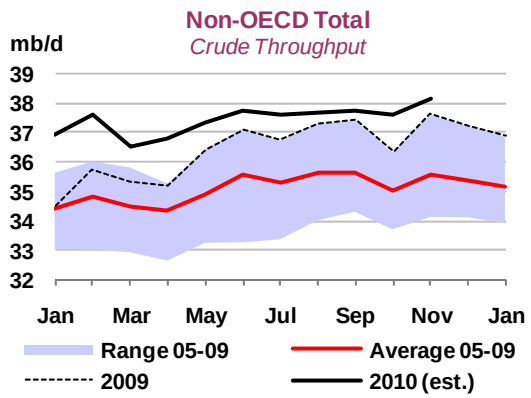
OECD Pacific runs were 6.1 mb/d in June, slightly higher than the previous year and our earlier estimate. Regional throughputs were nevertheless 185 kb/d lower than in May, as seasonal declines in Japan largely offset increases elsewhere. South Korean refinery runs averaged 2.4 mb/d in June, an increase of around 120 kb/d from both a month earlier and from June 2009. Weekly data from the Petroleum Association of Japan show Japanese crude throughputs gaining 380 kb/d in July, 100 kb/d less than our previous forecast. Japanese runs are expected to continue to increase in August as maintenance hits a seasonal low, before falling off again in September and October with renewed scheduled work. Regional maintenance falls sharply from 1.3/1.1 mb/d in May/June, to 685 kb/d in July and 330 kb/d in August.

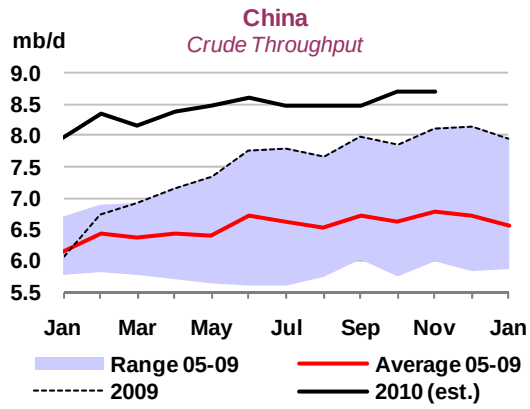




Non-OECD Refinery Throughput

2Q10 non-OECD refinery throughputs have been left unchanged since our last report, as slightly higher runs in Africa, and to a lesser extent China, were offset by lower runs elsewhere. At an estimated 37.3 mb/d, runs are 1.1 mb/d above year-earlier levels and 310 kb/d higher than in 1Q10. Throughputs are seen increasing further in 3Q10, adding close to 0.4 mb/d from current levels to reach 37.7 mb/d. A partial recovery in Latin American throughputs, as well as seasonally higher runs in the Middle East and the FSU, largely underpin the increase. Annual growth however remains rooted in China, which alone accounts for 700 kb/d of increased throughputs, more than the total non-OECD increment.





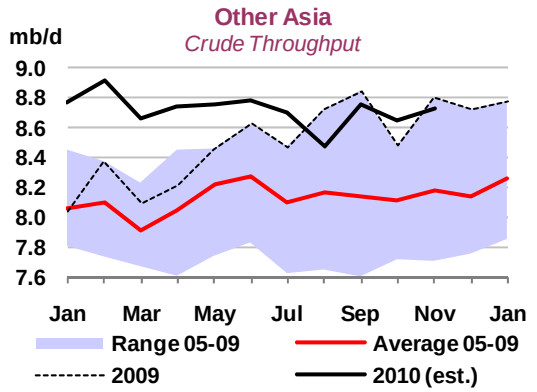
According to the National Bureau of Statistics, **Chinese** crude throughputs averaged 8.6 mb/d in June, up 140 kb/d from May and 830 kb/d higher than a year earlier. Official data from the country's General Administration of Customs show that China imported a record 5.44 mb/d of crude in June, 270 kb/d higher than the previous record set two months earlier, and 34.1% higher than the same month in 2009. Despite the higher runs, preliminary data indicate that product exports were lower in June, both compared to the previous month and a year earlier.

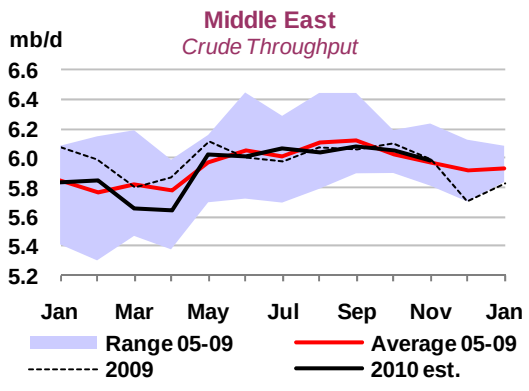
Crude deliveries to China's Dalian port in the northeast were temporarily suspended in July after an explosion on 16 July damaged the main pipeline feeding the port. Yet, the installation of a temporary crude pipeline allowed the port to resume limited operations shortly thereafter. Dalian has two refineries: Petrochina operates a 410 kb/d refinery in the area while the West Pacific Petrochemical Corp (WEPEC) operates a 200 kb/d plant. Both companies reportedly scaled back crude runs following the port closure, but the reduced runs are thought to have been short-lived.

In **Other Asia,** Indian crude throughputs, excluding Reliance's new export refinery, which is not included in government statistics, slowed to 2.9% year-on-year growth in June, down from 7.7% a month earlier. Several plants were undertaking maintenance, including HPCL's Visag refinery, which has extended its shutdown until mid-August (from a planned re-start in mid-July). The refinery is currently in the process of upgrading units to increase heavy oil processing capacity. Including assumed throughputs of 600 kb/d for Reliance's new refinery, total runs are estimated at 3.9 mb/d in June, 190 kb/d higher than a year earlier.

In **Taiwan**, an explosion at Formosa's 540 kb/d Mailiao refinery at the end of July forced the company to shut the entire plant for three days before the first of the plant's three crude distillation units (CDUs) could be restarted. The second 180 kb/d CDU was reportedly restarted a week later, but the most recent industry estimates reckon the last tower, which was damaged in the fire, could be out of commission for two to three months. Following the incident, the company has delayed planned maintenance from end-August until a later, yet unspecified, date, to ensure steady production.

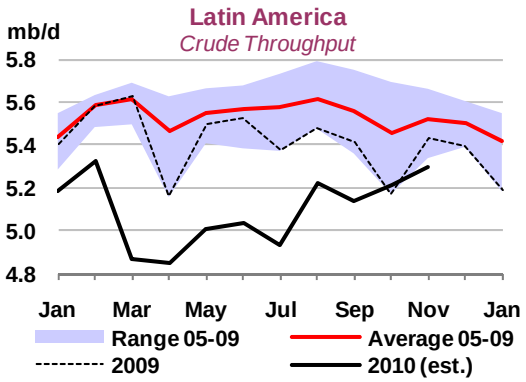
In **Pakistan**, the severe floods currently plaguing the country have forced the complete closure of PARCO's 100 kb/d refinery at Mahmood Kot near Multan. The refinery, which is the country's largest, accounts for 35% of the country's total refining capacity. According to PARCO's managing director, it would take seven days to re-commission the refinery, unless more severe damage is caused by the floodwater, currently kept away from the installation by temporary embankments set up by the army. The closure could result in oil product shortages in several regions, following the complete suspension of deliveries to different parts of the country.



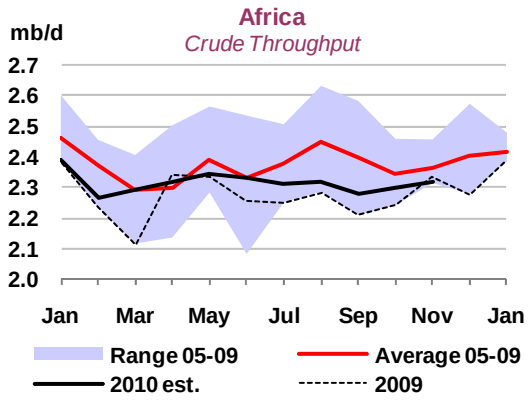


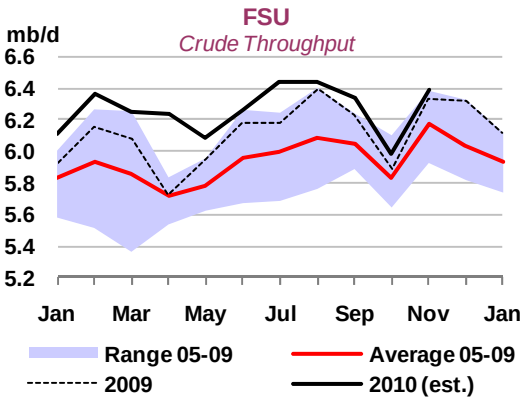
Refinery runs in the **Middle East** are kept unchanged from last month's report, averaging 5.9 mb/d in 2Q10 and 6.1 mb/d in 3Q10. Saudi crude throughputs rebounded sharply in May, as maintenance at Aramco/Exxon's 400 kb/d Yanbu refinery was completed. A technical problem at Saudi Arabia's 400 kb/d PetroRabigh plant in early August partially halted production, reportedly forcing the Kingdom to import around five cargoes of gasoline. Maintenance could take two weeks, according to some sources. Also in Saudi Arabia, in late July, Saudi Aramco awarded seven major engineering, procurement and construction packages for the planned 400 kb/d export refinery at Yanbu, in the Kingdom's Western province. Aramco has so far not found a replacement for ConocoPhillips, who pulled out of the JV project in April of this year, but the company seems to be proceeding alone for the time being. *MTOGM 2010* had tentatively excluded the Yanbu plant from capacity estimates due to the absence of firm JV partners.

Latin American crude runs have again been revised lower for the coming months, as the Curaçao refinery will likely remain closed for some time. We had previously assumed that the 320 kb/d refinery, operated by Venezuela's PDVSA, would restart in July, but in early August the plant remained shut. In an attempt to pressure management to solve the power problems, which have paralysed the refinery since March, workers at the idle plant went on strike in early August. Until these problems are addressed, we assume the refinery will remain closed. Leading independent US refiner Valero Energy seems set to restart its 235 kb/d Aruba refinery possibly as early as September if economic conditions allow it. The refinery, which has been closed since July 2009 due to poor economics and a tax-settlement disagreement with the Aruban Government (now solved), is currently undergoing a 90-day maintenance programme with the aim of a restart later this year. In this forecast, we assume the Aruba refinery will restart operations in October, and reach pre-shutdown levels of 170 kb/d by November.



African throughputs have been lifted by 115 kb/d for 2Q10, to 2.3 mb/d, following the submission of JODI data for a number of countries. Monthly JODI data point to stronger runs for both South Africa and Egypt in April and May, and higher Libyan runs in June. According to a representative for Nigerian state-owned NNPC, the company has apparently been able to tackle power problems at its main 210 kb/d Port Harcourt refinery, while also increasing runs at the country's other two refineries at Warri and Kaduna. Nigeria has increasingly relied on product imports to meet domestic demand as the country's refinery activity has been hampered by power supply and crude delivery problems. While NNPC has not reported any monthly data since February, the most recent JODI data put June throughputs at only 90 kb/d, or 20% of capacity. We await confirmation from national data, on whether the reported improvement in power supply translated into higher supplies.

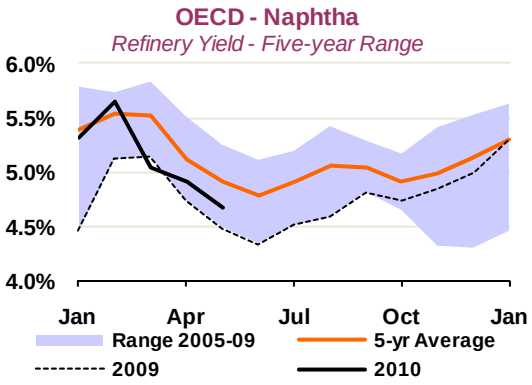


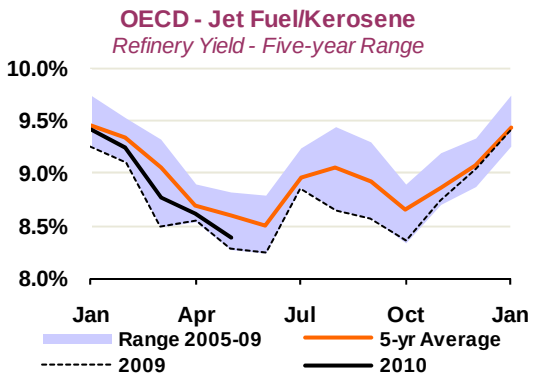


Refinery runs in the **FSU** averaged 6.3 mb/d in June, up 180 kb/d from May, due in most part to higher runs in Russia (+160 kb/d m-o-m). Ukrainian throughputs were constrained in June, as TNK-BP's 320 kb/d Lisichansk plant was shut for 6 weeks for maintenance. The refinery was upgraded earlier this year to enable the plant to produce fuels that comply with Euro 4 fuel engine emission standards. Kazakhstani refinery activity was slightly higher in June than a month earlier, with runs averaging 280 kb/d. According to preliminary reports, Russian crude runs rose a further 130 kb/d in July, to average 5.1 mb/d, the highest level in at least eight years.

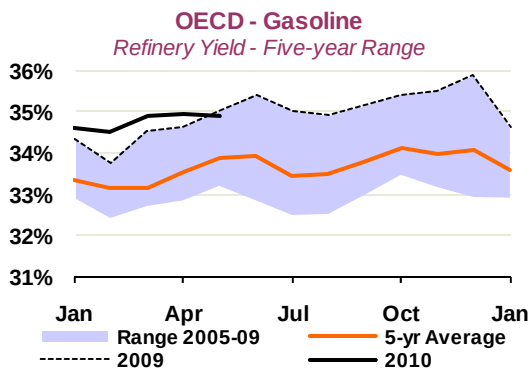
OECD Refinery Yields

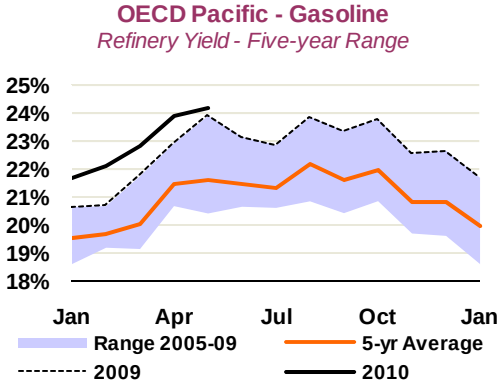
May OECD refinery yields rose for gasoil/diesel (+0.3%) and 'other products' (+0.4%) but fell for naphtha (-0.2%), gasoline (-0.02%), jet fuel/kerosene (-0.2%) and fuel oil (-0.3%). OECD refinery gross output continued its upward momentum, increasing by 100 kb/d to a level above a year ago for the first time in 2010. Although naphtha yields fell seasonally to 4.7%, they consolidated their recovery by holding 0.2% above the 2009 level. The picture was more complicated for jet fuel/kerosene; yields dipped seasonally whilst remaining above 2009 and within the five-year range, but the differential to the average widened to 0.2%.



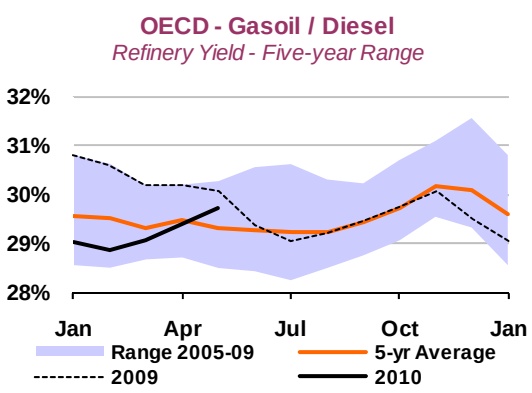


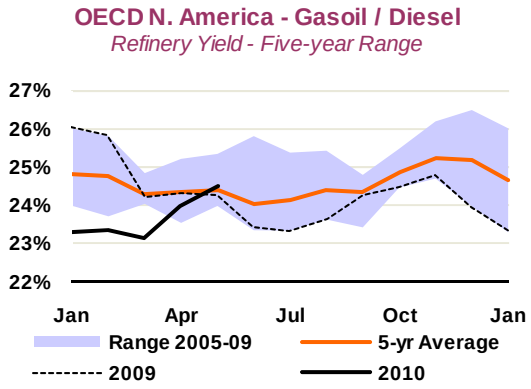
North American gasoline yields fell by 0.4% to dip below the five-year average whilst in Europe and the Pacific they rose by 0.3%. This latter region is outperforming the rest of the OECD, evidenced by 2010 gasoline yields consistently holding above the five-year range and approximately 2% higher than the five-year average. The same picture is evident for Pacific gasoline gross output, which remained slightly higher year-on-year despite high refinery maintenance. At the same time, exports of gasoline from the region have risen by an average 50 kb/d during 2010. Data therefore suggest that the region's refineries are re-orientating themselves to serve the expanding Asian gasoline market.



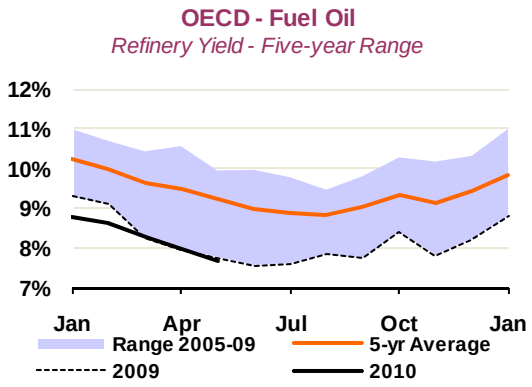


OECD gasoil/diesel yields increased above their five-year average for the first time in 2010 as yields in North America increased by 0.6% to come back into line with the five-year average and offset falls in Europe (-0.2%) and the Pacific (-0.1%). In Europe, yields stand comfortably above the five-year average at 38.8% but refinery gross output remains depressed, 300 kb/d lower than last year's level.





OECD fuel oil yields remain below both the five-year average and 2009 levels as they fell by a seasonal 0.3% in May. All OECD regions exhibited the same downward movement with North America, Europe and the Pacific falling by 0.2%, 0.4% and 0.6%, respectively. The trend away from fuel oil production was also highlighted by refinery gross output also remaining depressed, approximately 800 kb/d below the five-year average.



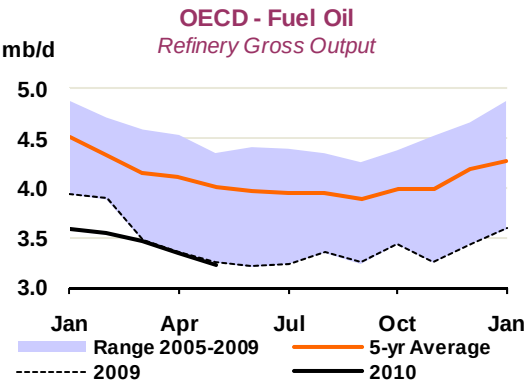


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.7	23.7	23.6	23.7	23.7	23.5	23.7	23.5	23.6
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.5	14.4	14.3	14.1	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.1	7.8	7.6	8.1	7.2	7.0	7.7	7.5
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.1	45.3	45.8	45.5	45.9	44.7	45.1	45.6	45.3
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.3	9.1	9.1	9.1	9.4	9.7	9.6	9.5	9.6
Other Asia	9.5	9.6	9.9	10.0	9.8	10.1	9.9	10.1	10.3	10.0	10.3	10.2	10.5	10.6	10.4	10.7	10.5
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.3	6.3	6.3	6.2	6.2	6.5	6.5	6.5	6.4
Middle East	6.5	6.8	6.6	7.1	7.6	6.9	7.1	7.0	7.4	7.8	7.2	7.3	7.3	7.8	8.1	7.5	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.3
Total Non-OECD	37.2	38.4	37.7	39.4	40.1	39.8	39.3	40.1	41.5	41.4	41.1	41.0	41.7	42.9	43.0	42.7	42.6
Total Demand[1]	86.5	86.0	84.2	83.9	85.1	85.7	84.7	86.0	86.6	86.7	87.0	86.6	87.6	87.6	88.1	88.3	87.9
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	13.9	13.3	13.5	13.7	13.7	13.5	13.4	13.5	13.5
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.3	4.2	4.3	4.3	4.3	4.0	3.9	4.1	4.0
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.0	18.8	18.2	18.5	18.6	18.6	18.1	18.0	18.3	18.3
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.9	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.0	4.1	4.0	4.1
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.5	28.7	29.0	29.2	29.4	29.0	29.6	29.8	29.9	30.2	29.9	30.4	30.3	30.3	30.5	30.4
Processing Gains[3]	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[4]	1.1	1.5	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.8	1.9	1.8	2.0	2.0	2.0	2.1	2.0
Total Non-OPEC[2]	50.9	50.9	51.5	51.4	51.7	52.3	51.7	52.6	52.6	52.2	52.8	52.6	53.3	52.7	52.5	53.0	52.9
Non-OPEC: Historical Composition[2]	50.4	49.9	51.5	51.4	51.7	52.3	51.7	52.6	52.6	52.2	52.8	52.6	53.3	52.7	52.5	53.0	52.9
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0								
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.7	5.0	5.1	5.4	5.6	5.3	5.8	5.9	5.9	5.9	5.9
Total OPEC[2]	34.6	35.6	33.2	33.0	33.5	33.7	33.3	34.1	34.1								
OPEC: Historical Composition[2]	35.1	36.6	33.2	33.0	33.5	33.7	33.3	34.1	34.1								
Total Supply[6]	85.5	86.6	84.6	84.4	85.2	86.0	85.0	86.7	86.7								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	0.9								
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0								
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.8								
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.4								
Miscellaneous to balance[7]	-0.8	0.2	-0.9	0.0	-0.2	1.1	0.0	0.7	-1.1								
Total Stock Ch. & Misc	-1.0	0.6	0.5	0.5	0.0	0.3	0.3	0.7	0.1								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.3	30.6	28.1	28.0	28.7	28.6	28.4	28.4	28.9	29.2	28.6	28.8	28.5	29.0	29.7	29.3	29.1
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.0	28.5	29.7	28.4	29.1	27.8	29.2	28.7	28.7	28.6	29.0	29.7	29.4	29.2

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-0.1	-	-	0.1	-	-0.1	-0.1	0.1	0.1	-	-	-	0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Total OECD	-	-	-0.1	-	-	0.1	-	-0.1	-0.1	0.1	0.1	-	-	-	-	0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	-	-	0.1	0.2	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	-	-0.1	-	0.2	-
Total Demand	-	-	-0.1	-	-	0.1	-	-	-	0.2	0.2	0.1	-	-0.1	-	0.3	-
OECD SUPPLY																	
North America	-	-	-	0.1	0.2	-	0.1	0.1	0.1	-	-	0.1	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	0.1	0.2	-	0.1	0.1	0.1	0.1	-	0.1	-	-	0.1	0.1	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	0.1	0.2	-	0.1	0.1	0.2	0.3	-	0.2	0.1	0.1	0.2	0.2	0.1
Non-OPEC: historical composition	-	-	-	0.1	0.2	-	0.1	0.1	0.2	0.3	-	0.2	0.1	0.1	0.2	0.2	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-								
OPEC: historical composition	-	-	-	-	-	-	-	-	-								
Total Supply	-	-	-	0.1	0.2	-	0.1	0.1	0.2								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	0.1	-	-	-	-	-									
Government	-	-	-	-	-	-	-	-									
Total	-	-	0.1	-	-	-	-	-									
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-									
Miscellaneous to balance	-	-	-	0.1	0.2	-	0.1	0.1									
Total Stock Ch. & Misc	-	-	0.1	0.1	0.1	-0.1	0.1	0.1	0.3								
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.2	-0.1	0.1	-0.1	-0.1	-0.2	-0.2	0.1	-0.1
Adjusted Call on OPEC + Stock ch.	-	-	-0.1	-	-	-	-	-	-1.5	-0.2	-	-0.4	-0.2	-0.4	-0.3	-	-0.2

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.57	23.69	23.72	23.63	23.65	23.66	23.52	23.71	23.55	23.61
Europe	15.36	14.89	14.27	14.46	14.35	14.49	14.17	14.13	14.47	14.40	14.29	14.15	14.00	14.40	14.32	14.22
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.27	7.08	7.80	7.58	8.09	7.18	6.99	7.73	7.50
Total OECD	47.58	46.43	44.48	44.99	45.90	45.45	45.92	45.10	45.27	45.83	45.53	45.90	44.70	45.11	45.60	45.33
Asia	17.38	17.38	18.50	18.48	18.85	18.31	19.08	19.68	19.16	19.45	19.34	19.83	20.30	19.94	20.22	20.07
Middle East	6.83	6.60	7.11	7.57	6.94	7.06	6.97	7.42	7.81	7.18	7.35	7.27	7.79	8.15	7.52	7.68
Latin America	6.00	5.79	5.97	6.08	6.12	5.99	6.01	6.26	6.31	6.33	6.23	6.22	6.48	6.52	6.54	6.44
FSU	4.23	3.97	3.86	4.10	4.02	3.99	4.17	4.13	4.24	4.19	4.18	4.30	4.19	4.34	4.30	4.28
Africa	3.19	3.25	3.23	3.17	3.13	3.20	3.18	3.23	3.19	3.26	3.22	3.35	3.36	3.31	3.37	3.34
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.71	0.74	0.73	0.72	0.73	0.73	0.75	0.74	0.73	0.74
Total Non-OECD	38.39	37.75	39.43	40.14	39.78	39.28	40.12	41.46	41.44	41.14	41.04	41.70	42.86	42.99	42.68	42.56
World	85.97	84.18	83.91	85.12	85.68	84.73	86.04	86.55	86.71	86.98	86.57	87.60	87.56	88.10	88.28	87.89
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.01	18.99	18.91	18.96	18.95	18.90	18.97	18.80	18.91
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.65	8.80	8.75	8.75	8.77	8.54	8.71	8.67	8.67
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.35	9.14	9.12	9.14	9.37	9.75	9.57	9.54	9.56
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	3.99	3.93	4.40	4.28	4.66	3.88	3.83	4.31	4.17
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.44	3.15	3.39	3.34	3.52	3.51	3.27	3.51	3.45
Russia	3.00	2.75	2.70	2.93	2.83	2.80	2.93	2.95	3.05	2.96	2.97	3.02	2.97	3.11	3.04	3.04
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.69	2.73	2.79	2.70	2.70	2.80	2.83	2.90	2.81
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.79	2.98	2.48	2.66	2.48	2.93	3.12	2.63	2.79
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.18	2.24	2.27	2.22	2.23	2.23	2.15	2.26	2.22	2.21
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.03	2.25	2.19	2.31	2.17	2.02	2.25	2.19
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.16	2.19	2.17	2.17	2.18	2.19	2.22	2.19
Iran	1.77	1.68	1.64	1.63	1.66	1.65	1.64	1.64	1.67	1.69	1.66	1.74	1.72	1.73	1.73	1.73
Total	60.65	59.31	58.88	59.80	60.51	59.63	60.97	61.08	60.91	61.17	61.03	61.92	61.51	61.62	61.81	61.71
% of World	70.6%	70.5%	70.2%	70.3%	70.6%	70.4%	70.9%	70.6%	70.2%	70.3%	70.5%	70.7%	70.2%	69.9%	70.0%	70.2%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.3	1.9	0.3	1.5	0.4	-0.7	0.0	-0.4	-0.2
Europe	-0.6	-3.0	-5.7	-7.1	-6.7	-5.6	-4.8	-0.9	0.1	0.3	-1.4	-0.1	-0.9	-0.5	-0.5	-0.5
Pacific	-4.0	-8.6	-7.2	-3.5	0.5	-4.8	0.9	0.0	-2.3	-2.3	-0.9	-1.2	-1.3	-1.2	-1.0	-1.2
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.4	0.6	-0.1	0.2	0.0	-0.9	-0.4	-0.5	-0.4
Asia	1.9	-1.8	4.1	6.9	12.4	5.3	9.8	6.4	3.7	3.2	5.6	3.9	3.1	4.1	4.0	3.8
Middle East	5.4	1.8	3.4	4.0	4.1	3.4	5.5	4.3	3.2	3.6	4.1	4.4	5.0	4.3	4.7	4.6
Latin America	5.6	-0.2	-1.3	-0.8	2.0	-0.1	3.9	4.8	3.8	3.5	4.0	3.6	3.5	3.3	3.2	3.4
FSU	2.6	-5.2	-7.0	-6.4	-3.9	-5.6	4.9	7.0	3.4	4.1	4.8	3.1	1.6	2.4	2.7	2.4
Africa	3.9	1.6	1.0	0.9	-3.0	0.1	-2.1	0.0	0.4	4.3	0.6	5.1	3.8	3.8	3.2	4.0
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-4.8	-2.2	-0.1	0.9	-1.6	2.3	1.5	1.4	1.6	1.7
Total Non-OECD	3.3	-1.1	1.6	3.0	5.8	2.3	6.3	5.1	3.3	3.4	4.5	3.9	3.4	3.7	3.7	3.7
World	-0.6	-3.4	-2.7	-0.6	0.9	-1.4	2.2	3.1	1.9	1.5	2.2	1.8	1.2	1.6	1.5	1.5
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.14	0.75	0.44	0.08	0.35	0.10	-0.17	0.00	-0.08	-0.04
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.87	-0.72	-0.14	0.01	0.05	-0.20	-0.02	-0.13	-0.07	-0.08	-0.07
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.00	-0.17	-0.19	-0.07	-0.10	-0.09	-0.09	-0.08	-0.09
Total OECD	-1.77	-2.56	-2.91	-1.68	-1.37	-2.13	-0.51	0.62	0.28	-0.06	0.08	-0.02	-0.39	-0.16	-0.24	-0.20
Asia	0.32	-0.33	0.72	1.19	2.08	0.92	1.70	1.18	0.68	0.60	1.03	0.75	0.62	0.78	0.77	0.73
Middle East	0.35	0.12	0.24	0.29	0.27	0.23	0.37	0.31	0.24	0.25	0.29	0.31	0.37	0.33	0.34	0.34
Latin America	0.32	-0.01	-0.08	-0.05	0.12	0.00	0.22	0.29	0.23	0.21	0.24	0.21	0.22	0.21	0.20	0.21
FSU	0.11	-0.22	-0.29	-0.28	-0.16	-0.24	0.20	0.27	0.14	0.16	0.19	0.13	0.07	0.10	0.11	0.10
Africa	0.12	0.05	0.03	0.03	-0.10	0.00	-0.07	0.00	0.01	0.14	0.02	0.16	0.12	0.12	0.11	0.13
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.04	-0.02	0.00	0.01	-0.01	0.02	0.01	0.01	0.01	0.01
Total Non-OECD	1.22	-0.42	0.61	1.17	2.17	0.89	2.38	2.03	1.31	1.36	1.76	1.58	1.41	1.55	1.54	1.52
World	-0.55	-2.98	-2.30	-0.50	0.79	-1.24	1.86	2.64	1.59	1.30	1.85	1.56	1.01	1.39	1.31	1.31
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	-0.10	0.02	0.03	0.07	0.01	-0.06	-0.12	0.10	0.12	0.01	0.01	0.00	0.06	0.12	0.05
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.07	0.02	0.04	-0.04	0.01	0.02	0.01	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.03	-0.01	-0.02	-0.01	0.00	-0.04	-0.01	-0.02
Total OECD	0.00	-0.10	0.02	0.03	0.07	0.01	-0.06	-0.10	0.14	0.14	0.03	-0.03	0.01	0.04	0.12	0.04
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.12	0.08	0.08	0.08	-0.01	-0.03	0.07	0.19	0.05
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.06	-0.02	-0.02	-0.02	-0.01	-0.06	-0.06	-0.02	-0.04
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	-0.01	0.00	0.00	0.01	0.01	-0.01	0.00
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.00	-0.01	0.01	0.00	0.00	-0.02	0.00	-0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.03	-0.01	-0.02	0.03	-0.03	-0.02	0.00	-0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.01	0.01	0.02	-0.02	0.00	0.03	0.01
Total Non-OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.09	0.03	0.04	0.06	0.01	-0.14	-0.01	0.19	0.01
World	0.00	-0.10	0.02	0.03	0.06	0.00	0.00	-0.02	0.17	0.18	0.08	-0.02	-0.14	0.04	0.31	0.05
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	-0.13	0.03	0.03	0.08	0.00	0.10	-0.04	0.15	0.11	0.08	-0.02	-0.12	-0.14	0.13	-0.03

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2008	2009	2Q09	3Q09	4Q09	1Q10	Mar 10	Apr 10	May 10 [2]	Latest month vs. Apr 10	Latest month vs. May 09
North America											
LPG&Ethane	2.70	2.79	2.53	2.61	3.17	3.21	3.00	2.52	2.50	-0.02	0.04
Naphtha	0.36	0.33	0.35	0.33	0.32	0.39	0.40	0.43	0.39	-0.04	0.05
Motor Gasoline	10.54	10.56	10.65	10.75	10.52	10.21	10.38	10.72	10.83	0.11	0.22
Jet/Kerosene	1.77	1.62	1.62	1.67	1.57	1.62	1.68	1.59	1.66	0.06	0.09
Gasoil/Diesel Oil	5.00	4.61	4.39	4.42	4.72	4.80	4.86	4.69	4.68	-0.01	0.31
Residual Fuel Oil	1.07	0.93	0.93	0.84	0.93	0.98	0.96	0.97	0.98	0.01	0.16
Other Products	2.73	2.46	2.47	2.67	2.31	2.35	2.59	2.70	2.61	-0.09	0.20
Total	24.18	23.30	22.94	23.28	23.55	23.57	23.87	23.62	23.65	0.02	1.08
Europe											
LPG&Ethane	1.02	0.92	0.94	0.88	0.89	0.98	1.01	1.02	0.92	-0.10	0.02
Naphtha	1.16	1.11	1.04	1.09	1.15	1.27	1.29	1.14	1.14	0.00	0.05
Motor Gasoline	2.36	2.29	2.37	2.39	2.20	2.06	2.21	2.29	2.22	-0.07	-0.07
Jet/Kerosene	1.32	1.27	1.27	1.35	1.24	1.20	1.19	1.12	1.27	0.15	0.05
Gasoil/Diesel Oil	6.27	6.02	5.77	5.78	6.09	6.12	6.39	5.90	5.67	-0.23	0.15
Residual Fuel Oil	1.66	1.43	1.36	1.37	1.40	1.33	1.26	1.25	1.15	-0.09	-0.19
Other Products	1.57	1.45	1.51	1.60	1.38	1.21	1.31	1.38	1.36	-0.02	-0.07
Total	15.36	14.49	14.27	14.46	14.35	14.17	14.67	14.10	13.75	-0.35	-0.06
Pacific											
LPG&Ethane	0.88	0.86	0.83	0.84	0.87	0.90	0.88	0.85	0.85	0.00	0.04
Naphtha	1.60	1.63	1.59	1.62	1.71	1.76	1.61	1.62	1.56	-0.06	0.01
Motor Gasoline	1.53	1.55	1.52	1.60	1.57	1.51	1.57	1.56	1.51	-0.05	-0.01
Jet/Kerosene	0.89	0.85	0.65	0.60	0.99	1.15	1.04	0.88	0.63	-0.26	0.03
Gasoil/Diesel Oil	1.69	1.60	1.57	1.49	1.68	1.65	1.72	1.64	1.46	-0.18	-0.08
Residual Fuel Oil	0.91	0.75	0.73	0.65	0.72	0.77	0.76	0.70	0.67	-0.03	-0.03
Other Products	0.54	0.42	0.38	0.44	0.45	0.45	0.46	0.39	0.41	0.02	0.06
Total	8.04	7.66	7.27	7.25	7.99	8.19	8.05	7.65	7.09	-0.56	0.02
OECD											
LPG&Ethane	4.60	4.57	4.31	4.33	4.93	5.08	4.90	4.39	4.27	-0.12	0.09
Naphtha	3.12	3.06	2.98	3.04	3.18	3.42	3.31	3.19	3.10	-0.09	0.10
Motor Gasoline	14.43	14.40	14.55	14.74	14.30	13.79	14.15	14.57	14.56	-0.01	0.14
Jet/Kerosene	3.98	3.73	3.54	3.62	3.80	3.98	3.91	3.60	3.56	-0.04	0.18
Gasoil/Diesel Oil	12.95	12.23	11.73	11.69	12.50	12.56	12.98	12.24	11.82	-0.42	0.39
Residual Fuel Oil	3.64	3.12	3.02	2.86	3.04	3.08	2.98	2.91	2.80	-0.12	-0.05
Other Products	4.84	4.33	4.36	4.70	4.14	4.01	4.36	4.47	4.39	-0.08	0.19
Total	47.58	45.45	44.48	44.99	45.90	45.92	46.58	45.37	44.48	-0.89	1.05

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	2Q09	3Q09	4Q09	1Q10	Mar 10	Apr 10	May 10 [2]	Apr 10	May 09
United States[3]											
LPG	1.95	2.05	1.80	1.90	2.41	2.39	2.16	1.78	1.80	0.02	0.03
Naphtha	0.25	0.25	0.25	0.26	0.25	0.27	0.29	0.30	0.27	-0.03	0.04
Motor Gasoline	8.99	9.00	9.10	9.16	8.94	8.68	8.80	9.14	9.23	0.09	0.15
Jet/Kerosene	1.55	1.41	1.41	1.46	1.39	1.42	1.47	1.41	1.44	0.04	0.10
Gasoil	3.95	3.63	3.47	3.46	3.70	3.79	3.85	3.71	3.64	-0.07	0.20
Residual Fuel Oil	0.62	0.51	0.56	0.38	0.51	0.58	0.55	0.58	0.51	-0.07	0.07
Other Products	2.19	1.92	1.98	2.12	1.73	1.80	2.03	2.10	2.03	-0.07	0.12
Total	19.50	18.77	18.57	18.72	18.93	18.93	19.15	19.00	18.92	-0.09	0.71
Japan											
LPG	0.53	0.49	0.46	0.47	0.51	0.53	0.53	0.48	0.47	-0.01	0.04
Naphtha	0.75	0.73	0.71	0.75	0.80	0.84	0.75	0.74	0.70	-0.04	0.03
Motor Gasoline	0.98	0.99	0.97	1.03	1.00	0.96	1.01	1.00	0.94	-0.06	-0.01
Jet/Kerosene	0.59	0.55	0.39	0.34	0.64	0.81	0.72	0.58	0.35	-0.23	0.01
Diesel	0.48	0.40	0.39	0.39	0.43	0.38	0.40	0.38	0.31	-0.07	-0.07
Other Gasoil	0.44	0.44	0.41	0.38	0.46	0.53	0.53	0.47	0.38	-0.09	0.00
Residual Fuel Oil	0.54	0.40	0.39	0.37	0.38	0.39	0.39	0.36	0.36	0.01	0.00
Other Products	0.49	0.37	0.32	0.39	0.38	0.34	0.37	0.31	0.31	0.00	0.01
Total	4.79	4.37	4.04	4.11	4.60	4.79	4.69	4.32	3.84	-0.49	0.02
Germany											
LPG	0.09	0.09	0.10	0.09	0.09	0.10	0.11	0.11	0.09	-0.02	-0.01
Naphtha	0.38	0.37	0.36	0.38	0.38	0.43	0.45	0.35	0.36	0.01	0.00
Motor Gasoline	0.48	0.47	0.49	0.49	0.47	0.42	0.47	0.48	0.48	0.00	0.00
Jet/Kerosene	0.19	0.19	0.19	0.20	0.19	0.17	0.18	0.15	0.20	0.05	0.00
Diesel	0.65	0.64	0.64	0.69	0.66	0.60	0.70	0.69	0.66	-0.03	0.03
Other Gasoil	0.48	0.41	0.34	0.29	0.36	0.46	0.42	0.26	0.35	0.09	0.03
Residual Fuel Oil	0.16	0.15	0.15	0.14	0.14	0.14	0.14	0.13	0.13	-0.01	-0.02
Other Products	0.14	0.11	0.11	0.13	0.11	0.05	0.06	0.11	0.09	-0.01	-0.01
Total	2.57	2.44	2.39	2.41	2.39	2.38	2.51	2.28	2.36	0.09	0.03
Italy											
LPG	0.10	0.10	0.08	0.08	0.12	0.14	0.13	0.10	0.09	-0.02	0.01
Naphtha	0.10	0.09	0.10	0.09	0.09	0.11	0.13	0.12	0.12	0.00	0.02
Motor Gasoline	0.26	0.25	0.26	0.26	0.24	0.22	0.24	0.24	0.23	0.00	-0.02
Jet/Kerosene	0.09	0.09	0.09	0.11	0.09	0.09	0.09	0.09	0.11	0.02	0.02
Diesel	0.51	0.49	0.50	0.50	0.50	0.47	0.52	0.51	0.49	-0.02	0.00
Other Gasoil	0.13	0.13	0.10	0.11	0.16	0.13	0.13	0.11	0.10	-0.01	-0.01
Residual Fuel Oil	0.25	0.21	0.20	0.21	0.19	0.15	0.14	0.15	0.12	-0.03	-0.07
Other Products	0.19	0.16	0.16	0.19	0.14	0.13	0.15	0.16	0.15	-0.01	-0.01
Total	1.63	1.53	1.50	1.55	1.54	1.45	1.52	1.48	1.41	-0.07	-0.05
France											
LPG	0.13	0.09	0.07	0.06	0.09	0.14	0.14	0.10	0.08	-0.02	0.02
Naphtha	0.17	0.14	0.14	0.15	0.14	0.15	0.15	0.16	0.15	0.00	-0.03
Motor Gasoline	0.21	0.20	0.21	0.21	0.19	0.17	0.17	0.20	0.19	-0.02	-0.01
Jet/Kerosene	0.16	0.15	0.15	0.16	0.14	0.14	0.14	0.13	0.16	0.02	0.02
Diesel	0.66	0.66	0.67	0.68	0.68	0.64	0.68	0.71	0.65	-0.06	0.03
Other Gasoil	0.33	0.31	0.24	0.24	0.33	0.35	0.32	0.25	0.19	-0.06	-0.01
Residual Fuel Oil	0.10	0.10	0.09	0.09	0.10	0.11	0.10	0.09	0.08	-0.01	0.00
Other Products	0.19	0.18	0.20	0.18	0.15	0.16	0.19	0.18	0.18	0.00	0.01
Total	1.95	1.83	1.76	1.77	1.82	1.85	1.90	1.83	1.68	-0.15	0.01
United Kingdom											
LPG	0.17	0.16	0.18	0.14	0.14	0.13	0.15	0.17	0.15	-0.02	-0.01
Naphtha	0.02	0.02	0.02	0.02	0.03	0.03	0.02	0.03	0.03	0.00	0.01
Motor Gasoline	0.39	0.37	0.38	0.37	0.35	0.35	0.37	0.36	0.35	-0.01	-0.02
Jet/Kerosene	0.34	0.34	0.33	0.34	0.34	0.35	0.32	0.29	0.31	0.02	0.00
Diesel	0.44	0.45	0.44	0.45	0.44	0.47	0.47	0.44	0.46	0.02	0.02
Other Gasoil	0.14	0.10	0.10	0.11	0.09	0.11	0.13	0.11	0.09	-0.02	-0.01
Residual Fuel Oil	0.09	0.07	0.08	0.07	0.07	0.06	0.06	0.08	0.05	-0.03	-0.02
Other Products	0.15	0.16	0.15	0.16	0.15	0.14	0.16	0.16	0.16	0.00	0.01
Total	1.73	1.67	1.67	1.66	1.61	1.65	1.68	1.64	1.61	-0.03	0.00
Canada											
LPG	0.34	0.34	0.35	0.33	0.34	0.38	0.41	0.35	0.33	-0.03	0.02
Naphtha	0.08	0.05	0.06	0.05	0.05	0.07	0.05	0.09	0.07	-0.02	0.01
Motor Gasoline	0.72	0.73	0.73	0.76	0.72	0.70	0.68	0.76	0.75	-0.01	0.03
Jet/Kerosene	0.12	0.12	0.13	0.12	0.10	0.11	0.11	0.10	0.12	0.02	-0.02
Diesel	0.23	0.23	0.23	0.23	0.23	0.23	0.22	0.21	0.22	0.01	-0.01
Other Gasoil	0.33	0.28	0.23	0.26	0.31	0.32	0.28	0.31	0.34	0.03	0.11
Residual Fuel Oil	0.11	0.09	0.08	0.09	0.09	0.10	0.09	0.11	0.12	0.01	0.04
Other Products	0.32	0.30	0.28	0.32	0.32	0.28	0.28	0.33	0.30	-0.03	0.02
Total	2.24	2.15	2.08	2.16	2.17	2.18	2.13	2.27	2.25	-0.02	0.19

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	1Q10	2Q10	3Q10	4Q10	1Q11	May 10	Jun 10	Jul 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.95	7.96				7.94	7.98	8.01
Iran	3.74			3.71	3.73				3.72	3.72	3.65
Iraq	2.43			2.39	2.35				2.41	2.35	2.38
UAE	2.27			2.28	2.30				2.31	2.29	2.36
Kuwait	2.01			2.03	2.03				2.04	2.04	2.04
Neutral Zone	0.54			0.51	0.54				0.52	0.54	0.54
Qatar	0.77			0.81	0.80				0.80	0.78	0.80
Angola	1.77			1.92	1.81				1.79	1.78	1.74
Nigeria	1.82			2.00	1.96				1.90	1.98	2.16
Libya	1.55			1.53	1.56				1.55	1.58	1.58
Algeria	1.25			1.25	1.24				1.24	1.25	1.25
Ecuador	0.47			0.47	0.46				0.46	0.45	0.45
Venezuela	2.15			2.23	2.24				2.25	2.23	2.23
Total Crude Oil[6]	28.68			29.06	28.98				28.93	28.97	29.19
Total NGLs[1,6]	4.66	5.26	5.87	5.03	5.08	5.35	5.57	5.80	5.08	5.08	5.35
Total OPEC[6]	33.34			34.09	34.07				34.01	34.05	34.55
OPEC: Historical Composition[6]	33.34			34.09	34.07				34.01	34.05	34.55
NON-OPEC[2]											
OECD											
North America	13.62	13.65	13.51	13.86	13.93	13.34	13.47	13.67	14.00	13.74	13.67
United States[5]	7.44	7.46	7.44	7.60	7.73	7.28	7.23	7.50	7.79	7.65	7.59
Mexico	2.97	2.93	2.75	2.99	2.96	2.91	2.88	2.83	2.98	2.93	2.93
Canada	3.22	3.26	3.32	3.27	3.24	3.16	3.37	3.35	3.23	3.15	3.15
Europe	4.52	4.33	4.04	4.52	4.25	4.21	4.34	4.28	4.33	3.96	4.38
UK	1.47	1.45	1.31	1.52	1.48	1.38	1.44	1.42	1.46	1.44	1.45
Norway	2.39	2.23	2.12	2.35	2.13	2.17	2.26	2.23	2.23	1.88	2.28
Others	0.67	0.65	0.62	0.65	0.64	0.65	0.64	0.64	0.64	0.64	0.65
Pacific	0.65	0.67	0.70	0.63	0.63	0.69	0.71	0.70	0.58	0.69	0.69
Australia	0.55	0.56	0.60	0.53	0.53	0.59	0.60	0.60	0.48	0.59	0.58
Others	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.11	0.11
Total OECD	18.80	18.64	18.26	19.01	18.82	18.24	18.51	18.64	18.90	18.39	18.75
NON-OECD											
Former USSR	13.28	13.61	13.77	13.48	13.54	13.60	13.82	13.83	13.54	13.59	13.61
Russia	10.21	10.45	10.51	10.40	10.43	10.45	10.53	10.53	10.44	10.46	10.44
Others	3.07	3.16	3.26	3.09	3.11	3.15	3.29	3.31	3.10	3.13	3.17
Asia	7.46	7.72	7.69	7.67	7.72	7.73	7.74	7.76	7.74	7.82	7.71
China	3.87	4.09	4.06	4.04	4.10	4.12	4.11	4.11	4.10	4.17	4.09
Malaysia	0.74	0.71	0.67	0.74	0.72	0.67	0.70	0.69	0.73	0.70	0.68
India	0.80	0.86	0.89	0.83	0.85	0.89	0.88	0.88	0.82	0.89	0.89
Indonesia	0.98	0.99	0.97	0.99	1.00	0.98	0.99	0.98	1.00	0.99	0.98
Others	1.07	1.07	1.10	1.07	1.06	1.07	1.06	1.10	1.08	1.06	1.07
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
Latin America	3.88	4.11	4.43	4.02	4.09	4.13	4.22	4.32	4.09	4.07	4.11
Brazil[5]	2.03	2.16	2.39	2.09	2.15	2.16	2.23	2.30	2.16	2.13	2.15
Argentina	0.72	0.71	0.70	0.71	0.71	0.72	0.71	0.71	0.71	0.71	0.72
Colombia	0.67	0.79	0.91	0.76	0.78	0.80	0.83	0.86	0.77	0.78	0.79
Others	0.45	0.45	0.44	0.46	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Middle East[3]	1.68	1.71	1.72	1.70	1.70	1.71	1.71	1.74	1.71	1.70	1.71
Oman	0.81	0.87	0.93	0.86	0.87	0.88	0.89	0.92	0.88	0.87	0.88
Syria	0.38	0.37	0.35	0.37	0.37	0.37	0.36	0.36	0.37	0.37	0.37
Yemen	0.29	0.28	0.27	0.28	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.61	2.60	2.63	2.62	2.59	2.59	2.58	2.61	2.61	2.60	2.60
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.62	1.61	1.65	1.63	1.62	1.61	1.60	1.62	1.62	1.62	1.61
Total Non-OECD	29.04	29.89	30.38	29.63	29.79	29.91	30.21	30.39	29.84	29.93	29.89
Processing Gains[4]	2.29	2.20	2.23	2.20	2.20	2.20	2.20	2.23	2.20	2.20	2.20
Global Biofuels[5]	1.58	1.83	2.03	1.78	1.81	1.84	1.86	2.00	1.83	1.79	1.84
TOTAL NON-OPEC[6]	51.71	52.56	52.90	52.62	52.62	52.19	52.79	53.27	52.77	52.31	52.67
Non-OPEC: Historical Composition[6]	51.71	52.56	52.90	52.62	52.62	52.19	52.79	53.27	52.77	52.31	52.67
TOTAL SUPPLY	85.05			86.72	86.68				86.78	86.36	87.22

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Feb2010	Mar2010	Apr2010	May2010	Jun2010*	Jun2007	Jun2008	Jun2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	490.7	506.2	509.2	504.7	508.0	488.6	434.8	495.4	-0.19	-0.09	0.40	0.02
Motor Gasoline	265.0	258.7	252.8	247.2	246.3	233.5	238.1	243.6	-0.01	0.11	0.06	-0.14
Middle Distillate	228.0	216.6	216.9	222.4	232.3	195.6	191.9	237.7	0.14	-0.12	-0.26	0.17
Residual Fuel Oil	49.6	48.6	51.8	53.5	51.7	44.4	48.8	44.7	-0.01	0.01	0.05	0.03
Total Products[3]	687.3	674.6	685.0	699.9	707.8	656.6	653.9	730.4	0.17	-0.54	-0.24	0.36
Total[4]	1319.1	1323.2	1344.3	1359.6	1377.3	1293.6	1239.5	1388.5	0.02	-0.88	0.16	0.59
Europe												
Crude	340.7	330.6	355.6	357.1	339.4	333.1	335.3	343.0	-0.14	0.03	-0.02	0.10
Motor Gasoline	108.9	102.9	95.4	94.1	93.0	95.0	102.2	93.3	0.03	0.05	0.02	-0.11
Middle Distillate	290.3	282.2	279.2	285.5	282.9	261.7	247.9	281.9	0.09	-0.03	-0.05	0.01
Residual Fuel Oil	72.3	73.7	75.5	74.5	75.2	71.0	81.0	74.3	-0.05	0.03	0.02	0.02
Total Products[3]	584.0	568.0	562.9	568.1	564.3	530.9	542.6	557.3	0.13	0.04	-0.06	-0.04
Total[4]	995.3	972.8	991.2	997.6	976.5	939.5	953.2	969.5	-0.01	0.04	0.00	0.04
Pacific												
Crude	160.8	164.9	175.8	166.4	168.2	172.8	168.6	170.2	-0.05	-0.06	0.05	0.04
Motor Gasoline	28.4	25.1	26.8	27.4	26.1	24.1	24.3	26.1	-0.01	-0.02	0.02	0.01
Middle Distillate	65.3	57.9	54.7	60.1	57.9	67.9	59.8	62.3	0.11	-0.11	-0.05	0.00
Residual Fuel Oil	19.4	20.3	20.5	21.2	21.0	22.1	22.4	18.9	0.03	-0.03	0.02	0.01
Total Products[3]	170.4	158.0	156.0	166.5	167.9	182.8	166.8	164.8	0.22	-0.26	-0.03	0.11
Total[4]	394.2	386.0	397.3	403.6	406.2	428.3	409.1	401.0	0.20	-0.39	0.03	0.22
Total OECD												
Crude	992.1	1001.7	1040.6	1028.2	1015.7	994.5	938.6	1008.6	-0.38	-0.12	0.43	0.15
Motor Gasoline	402.3	386.7	375.0	368.7	365.4	352.6	364.6	363.0	0.01	0.14	0.11	-0.23
Middle Distillate	583.6	556.7	550.7	567.9	573.1	525.3	499.5	581.9	0.34	-0.26	-0.36	0.18
Residual Fuel Oil	141.3	142.6	147.8	149.2	147.9	137.5	152.2	137.9	-0.04	0.00	0.09	0.06
Total Products[3]	1441.6	1400.6	1403.9	1434.5	1440.0	1370.3	1363.3	1452.5	0.52	-0.76	-0.33	0.43
Total[4]	2708.5	2682.0	2732.8	2760.8	2760.0	2661.4	2601.8	2758.9	0.21	-1.24	0.19	0.86

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Feb2010	Mar2010	Apr2010	May2010	Jun2010*	Jun2007	Jun2008	Jun2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.6	690.3	706.0	724.1	0.01	0.02	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	184.9	187.8	184.4	185.2	185.2	175.3	181.8	186.7	0.00	-0.02	0.04	-0.03
Products	240.7	240.3	237.7	237.1	237.1	236.6	231.7	238.3	0.03	-0.01	-0.01	-0.03
Pacific												
Crude	388.9	388.8	390.0	390.2	390.9	385.0	384.7	389.1	-0.01	0.01	0.00	0.02
Products	20.0	20.0	20.0	20.0	20.0	16.4	18.9	19.2	0.00	0.01	0.00	0.00
Total OECD												
Crude	1300.4	1303.2	1301.0	1302.0	1302.7	1250.6	1272.5	1299.9	0.00	0.00	0.04	-0.01
Products	262.7	262.3	259.7	259.1	259.1	254.9	252.5	259.5	0.03	0.00	-0.01	-0.03
Total[4]	1564.5	1566.7	1562.1	1562.5	1563.1	1506.5	1526.0	1561.0	0.03	0.00	0.03	-0.04

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2009		End September 2009		End December 2009		End March 2010		End June 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.9	92	194.5	90	192.6	88	196.8	-	-	-
Mexico	48.1	23	50.4	23	44.7	21	51.5	-	-	-
United States[4]	1846.4	99	1850.3	98	1778.4	95	1781.4	-	-	-
Total[4]	2114.6	91	2117.3	90	2037.7	87	2051.8	87	2105.9	89
Pacific										
Australia	40.5	43	44.9	46	40.3	43	41.5	-	-	-
Japan	611.2	149	607.3	132	588.8	123	581.5	-	-	-
Korea	149.1	73	167.0	74	155.0	67	163.6	-	-	-
New Zealand	8.5	55	7.5	48	8.1	51	8.3	-	-	-
Total	809.3	112	826.8	103	792.2	97	794.9	109	817.1	115
Europe[5]										
Austria	19.8	72	20.8	78	21.2	81	22.8	-	-	-
Belgium	33.6	56	34.2	52	34.4	53	35.3	-	-	-
Czech Republic	22.0	99	21.8	104	21.5	124	21.7	-	-	-
Denmark	26.4	161	25.0	153	25.5	154	27.2	-	-	-
Finland	26.6	131	29.3	143	33.1	151	32.5	-	-	-
France	172.9	98	174.0	96	174.9	94	171.8	-	-	-
Germany	280.2	116	276.7	116	284.1	120	287.7	-	-	-
Greece	35.9	95	35.5	90	35.1	85	35.6	-	-	-
Hungary	15.1	94	14.4	89	14.3	115	16.8	-	-	-
Ireland	11.7	76	12.4	71	11.4	66	12.7	-	-	-
Italy	129.1	83	129.0	84	125.6	87	129.2	-	-	-
Luxembourg	0.8	16	0.8	15	0.8	14	0.8	-	-	-
Netherlands	138.4	137	138.1	137	135.7	135	131.0	-	-	-
Norway	23.6	114	24.7	128	21.9	112	21.1	-	-	-
Poland	63.1	109	64.8	116	64.0	126	63.3	-	-	-
Portugal	24.8	92	24.5	92	26.2	99	23.4	-	-	-
Slovak Republic	8.4	99	8.3	103	8.3	109	9.5	-	-	-
Spain	135.6	93	135.0	94	132.6	91	132.0	-	-	-
Sweden	39.5	117	38.5	117	39.5	110	39.3	-	-	-
Switzerland	38.0	153	38.2	137	37.0	155	37.8	-	-	-
Turkey	58.8	93	57.8	111	57.6	119	58.1	-	-	-
United Kingdom	91.7	55	94.2	59	94.4	57	92.4	-	-	-
Total	1396.1	97	1398.3	98	1399.0	99	1402.0	99	1400.2	97
Total OECD	4319.9	96	4342.4	95	4228.8	92	4248.7	94	4323.1	96
DAYS OF IEA Net Imports[6]	-	133	-	133	-	144	-	145	-	-

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End June 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
2Q2007	4168	1506	2661	85	31	54
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4223	1527	2697	91	33	58
1Q2009	4298	1547	2751	97	35	62
2Q2009	4320	1561	2759	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4229	1564	2665	92	34	58
1Q2010	4249	1567	2682	94	35	59
2Q2010	4323	1563	2760	96	35	61

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 2Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Mar 10	Apr 10	May 10	Year Earlier May 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.51	0.44	0.54	0.71	0.60	0.84	0.59	0.50	0.09
Europe	0.70	0.70	0.59	0.60	0.57	0.61	0.55	0.55	0.71	0.58	0.62	-0.04
Pacific	1.19	1.22	1.28	1.16	1.23	1.32	1.25	1.31	1.31	1.12	1.16	-0.04
Saudi Medium												
North America	0.56	0.64	0.40	0.45	0.41	0.34	0.38	0.44	0.37	0.35	0.46	-0.11
Europe	0.05	0.05	0.02	0.02	0.01	0.02	-	-	0.00	-	0.02	-
Pacific	0.34	0.39	0.34	0.33	0.35	0.33	0.33	0.26	0.36	0.34	0.32	0.02
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.03	0.01	0.01	0.00	0.00	0.00	-	0.01	-
Pacific	0.20	0.24	0.15	0.15	0.12	0.12	0.23	0.28	0.21	0.16	0.17	-0.01
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.31	0.45	0.40	0.42	0.42	0.34	0.40	0.21	0.18
Europe	0.30	0.21	0.12	0.12	0.19	0.06	0.06	0.06	0.04	0.07	0.10	-0.03
Pacific	0.17	0.15	0.24	0.20	0.24	0.27	0.35	0.28	0.20	0.19	0.15	0.04
Iraqi Kirkuk												
North America	-	0.08	0.06	0.02	0.11	0.04	0.01	-	0.03	0.07	0.03	0.04
Europe	0.11	0.23	0.31	0.34	0.34	0.29	0.33	0.35	0.28	0.24	0.36	-0.12
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.13	0.16	0.20	0.20	0.28	0.18	0.14	0.04
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.06	0.06	0.07	0.07	0.07	-0.01
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.41	0.48	0.37	0.35	0.46	0.38	0.41	0.45	-0.04
Pacific	0.64	0.61	0.57	0.51	0.57	0.56	0.61	0.65	0.43	0.44	0.43	0.01
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.63	0.33	0.09	0.11	0.13	-	0.35	0.62	-0.26
Europe	0.08	0.06	0.07	0.13	0.04	0.02	0.01	-	0.01	0.03	0.20	-0.16
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.62	0.87	0.75	0.89	0.93	0.86	0.89	0.63	0.26
Europe	0.07	0.07	0.07	0.06	0.06	0.08	0.07	0.04	0.07	0.08	0.06	0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.96	0.87	0.82	0.82	0.85	0.98	1.03	0.97	0.06
Europe	0.14	0.14	0.10	0.09	0.09	0.12	0.12	0.17	0.11	0.12	0.08	0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.01	0.00	0.03	0.00	0.01	0.05	0.00	0.05
Europe	0.02	0.01	0.01	-	0.02	-	-	-	0.03	0.02	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.27	0.17	0.06	0.08	0.10	0.14	0.11	0.31	-0.19
Europe	1.86	1.81	1.72	1.76	1.76	1.80	1.76	1.79	1.99	1.77	1.81	-0.05
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.40	0.63	0.67	0.55	0.55	0.60	0.60	0.33	0.27
Europe	0.24	0.29	0.32	0.39	0.30	0.34	0.26	0.36	0.34	0.28	0.47	-0.19
Pacific	0.01	-	0.00	0.01	-	0.01	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.30	0.19	0.21	0.24	0.17	0.33	0.26	0.29	-0.03
Europe	0.07	0.14	0.13	0.12	0.12	0.15	0.07	0.02	0.06	0.10	0.11	-0.01
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]

(thousand barrels per day)

	2007	2008	2009	2Q09	3Q09	4Q09	1Q10	Mar-10	Apr-10	May-10	Year Earlier May-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7541	7316	6717	7054	7394	7995	7562	6917	9%
Europe	9691	9776	8910	9123	8850	8676	8565	8757	9230	8570	9066	-5%
Pacific	6718	6605	6081	5706	5960	6104	6468	6293	6463	5656	5325	6%
Total OECD	24622	24427	22318	22369	22126	21498	22087	22444	23689	21788	21764	0%
LPG												
North America	28	31	13	11	9	5	12	6	8	3	2	50%
Europe	278	268	249	252	232	261	286	301	311	264	236	12%
Pacific	557	589	529	518	566	529	534	522	529	587	502	17%
Total OECD	863	887	792	781	806	795	832	828	847	855	741	15%
Naphtha												
North America	40	56	22	19	18	12	23	18	28	19	21	-8%
Europe	283	298	312	279	294	388	444	536	478	325	296	10%
Pacific	794	776	841	814	907	896	953	880	877	940	907	4%
Total OECD	1116	1130	1176	1112	1219	1296	1421	1434	1384	1285	1224	5%
Gasoline[3]												
North America	1128	1077	878	889	843	785	690	646	796	846	800	6%
Europe	179	215	193	243	231	62	163	97	215	218	248	-12%
Pacific	73	90	97	71	97	98	70	74	81	82	62	32%
Total OECD	1380	1382	1167	1203	1172	946	924	816	1092	1146	1110	3%
Jet & Kerosene												
North America	183	64	61	45	67	55	66	51	51	63	40	58%
Europe	373	401	451	467	439	444	438	471	357	356	439	-19%
Pacific	43	34	53	49	37	48	46	33	49	34	52	-35%
Total OECD	599	500	566	561	542	547	551	555	457	453	531	-15%
Gasoil/Diesel												
North America	132	74	56	39	36	44	115	47	39	30	52	-41%
Europe	783	871	1033	980	891	1038	1132	1233	967	911	988	-8%
Pacific	91	119	88	81	73	115	88	128	103	132	105	26%
Total OECD	1005	1064	1177	1100	999	1197	1335	1409	1109	1074	1145	-6%
Heavy Fuel Oil												
North America	323	288	270	326	205	226	276	266	362	308	344	-11%
Europe	436	458	534	567	550	544	564	595	580	511	562	-9%
Pacific	95	125	113	128	103	79	136	146	102	148	118	25%
Total OECD	854	871	918	1022	858	848	976	1007	1044	967	1024	-6%
Other Products												
North America	1050	1078	870	896	896	756	687	688	825	810	992	-18%
Europe	771	734	718	713	763	696	626	664	531	645	712	-9%
Pacific	254	298	323	324	337	353	329	391	281	221	346	-36%
Total OECD	2074	2110	1912	1932	1996	1805	1642	1744	1636	1676	2050	-18%
Total Products												
North America	2883	2667	2171	2226	2073	1882	1870	1722	2109	2080	2250	-8%
Europe	3102	3245	3491	3501	3400	3432	3654	3897	3439	3230	3482	-7%
Pacific	1906	2032	2045	1985	2119	2119	2156	2174	2021	2145	2092	3%
Total OECD	7891	7944	7707	7712	7593	7433	7680	7793	7569	7455	7824	-5%
Total Oil												
North America	11097	10713	9497	9767	9390	8600	8924	9116	10104	9641	9624	0%
Europe	12793	13022	12401	12623	12250	12109	12219	12654	12669	11800	12548	-6%
Pacific	8623	8637	8126	7691	8079	8223	8624	8468	8485	7802	7417	5%
Total OECD	32513	32371	30024	30081	29719	28931	29767	30237	31258	29243	29588	-1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (©2010 Platts - a division of McGraw-Hill Inc.).

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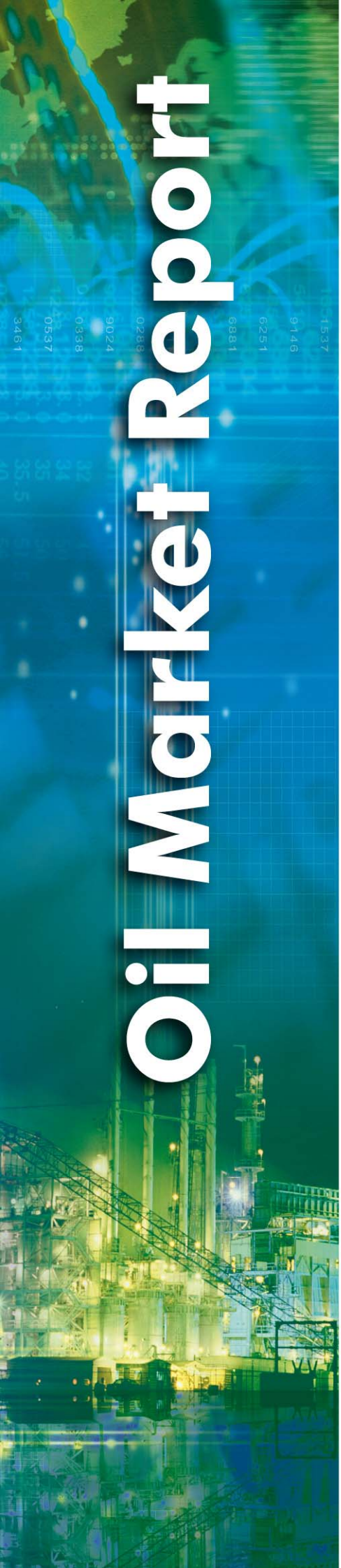

International Energy Agency

10 September 2010

HIGHLIGHTS

- **Benchmark crude futures trended lower during August on concerns the global economic recovery will slow this year and into 2011.** Persistently high global oil stocks and expectations for easing demand growth weighed on prices. Benchmark crudes averaged near $77/bbl in August, and also remain currently within a $75-78/bbl range.

- **Global oil demand is now projected at 86.6 mb/d in 2010 and 87.9 mb/d in 2011**, suggesting increments of 1.9 mb/d and 1.3 mb/d respectively. 2010 readings are revised marginally higher based on stronger data from OECD countries. Significant downside risk persists from fears that the world economic recovery could stall.

- **Global oil supply fell 250 kb/d to 86.8 mb/d in August**, as non-OPEC output dipped to 52.4 mb/d on seasonal maintenance in Canada, the UK and Russia. Non-OPEC projections for 2010 and 2011 are raised minimally, to 52.6 mb/d and 52.9 mb/d, respectively, although Atlantic storms could yet curb autumn Gulf of Mexico supplies.

- **OPEC crude oil supply was down 60 kb/d in August to 29.2 mb/d.** The 'call on OPEC crude and stock change' for 3Q10 is raised to 29.3 mb/d and to 28.8 mb/d for 4Q10 due to a downward revision in OPEC NGLs. The 2011 'call' is 29.2 mb/d, representing an increase of 0.3 mb/d from 2010 levels.

- **July OECD industry stocks rose by 19.0 mb to 2 785 mb,** or 61.4 days of forward demand cover, approaching the record level of August 1998. Preliminary data point to a fifth consecutive monthly build, of 8.7 mb, in August, while oil held in floating storage fell.

- **Global 3Q10 refinery crude throughputs are estimated at 74.7 mb/d,** 0.6 mb/d above 2Q10 on a seasonal lull in maintenance. Runs could fall to 73.9 mb/d in 4Q10, in line with an expected slowdown in oil demand growth. Nonetheless, 4Q10 throughputs could exceed year-ago levels by 1.4 mb/d.

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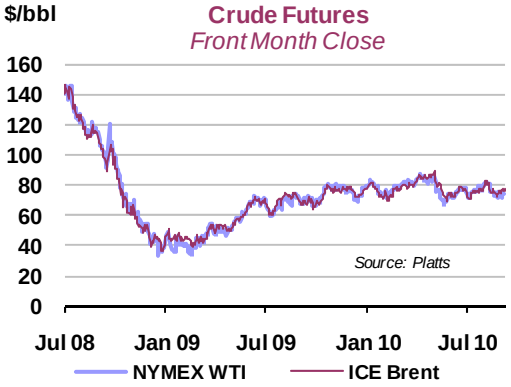
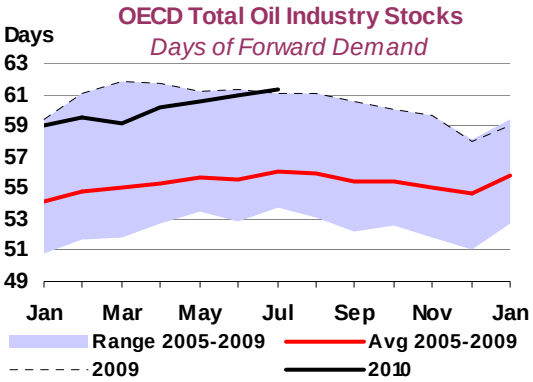
MARKETS BECALMED…FOR NOW

The return from summer vacation can be problematic for analysts seeking inspiration as a tight editorial deadline approaches. Nor is the task made easier when some components of the market are 'treading water', unchanged for several months. Crude prices have generally been range bound in a $70-$85/bbl groove since last October, OPEC production has been anchored close to 29 mb/d since October, OPEC spare capacity has exceeded 5 mb/d since early-2009 and OECD industry stocks have been oscillating around 60 days for most of the last 18 months. Seeking enlightenment through a comparative look back at the September 2009 *OMR* does not help much either. We then wrote about crude prices in a $70-$75/bbl range, collapsing natural gas prices, tentative economic recovery and intense regulatory activity in commodities futures markets. It all sounds familiar, and does little to quell an impression of late-summer market torpor, albeit that could easily change.

Our oil demand expectations for 2010 have been stable at 86.1-86.6 mb/d for the last eleven months. Demand growth of 1.9 mb/d for 2010 has also been steady over several *OMRs* (OECD demand now looks less weak than previously expected, and non-OECD demand slightly less strong). Early-2010 saw a consensus closer to 1.0 mb/d for 2010 growth, though many have now shifted higher as six months of 'actual' data have come in. Of course, any impression of certainty about 2010 demand, let alone expectations for 2011, is illusory, as final consolidated data can lag by 12-36 months. Weekly data are superseded by monthly data, which in turn are honed when annual revisions arrive. Data timeliness and accuracy do not always coincide, with the possible exception of pricing. But the statistical rigour of data review and improvement after the event is a force for greater accuracy, even if it causes analysts to revisit their perceptions on the prevailing state of the market. It will be interesting to see whether recent revisions to Chinese energy data back to 2005 and beyond change our own and others' view of market dynamics.





Market bears now suggest that economic slow-down in 2H2010 will inevitably curb demand growth and, although we retain a relatively optimistic base case of 4.5% GDP growth for 2010, we too see annualised demand growth easing from around 2.3 mb/d in 1H10 to 1.5 mb/d in 2H10. We expect growth to moderate further to 1.3 mb/d in 2011, although as noted last month, a weaker-than-expected economic outcome (of, say, 2.8% growth for GDP), could knock as much as 1.2 mb/d off 2011 absolute demand.

So for the time being, nagging concerns over the robustness of economic recovery, a US gasoline season which ended with a whimper and questions on the durability of still-robust non-OECD demand growth are holding at bay perceived short-medium term supply risks (be they from hurricanes, a *Macondo*-inspired drilling moratorium or geopolitical and domestic volatility in Iran, Iraq or Nigeria). This market 'stalemate' has nonetheless generated a welcome respite from the intense volatility of 2007-2009. A healthy supply cushion for now means that isolated events have less power to drive prices either side of their current tramlines for long. But the market is unlikely to remain this nonchalant for ever, and nor should we be complacent about the continued existence of such a comfort zone. True, economic risks that are skewed to the downside could place a ceiling over prices in the next 12-15 months. On the other hand, our base case suggests a market tightening again from mid-2011 onwards. In such an event, we are unlikely to have to trawl back issues of the *OMR* for editorial inspiration in another year's time.

DEMAND

Summary

- **Forecast global oil demand for 2010 is revised up by 50 kb/d on higher-than-anticipated data submissions for June and July, but left unchanged for 2011.** The changes stem from OECD readings, with the non-OECD posting marginal downward adjustments. Global oil demand is now projected at 86.6 mb/d in 2010 (+2.2% or +1.9 mb/d year-on-year) and 87.9 mb/d in 2011 (+1.5% or +1.3 mb/d), with a continuing significant downside risk if the world economy were to stall.

- **Forecast OECD oil demand for 2010 and 2011 is adjusted up by 60 kb/d on average on stronger-than-anticipated data for North America and the Pacific.** Total OECD demand is now estimated at 45.6 mb/d in 2010 (+0.3% or +150 kb/d year-on-year), but should resume structural decline in 2011, averaging 45.4 mb/d (-0.5% or -220 kb/d versus 2010).

Global Oil Demand (2009-2011)

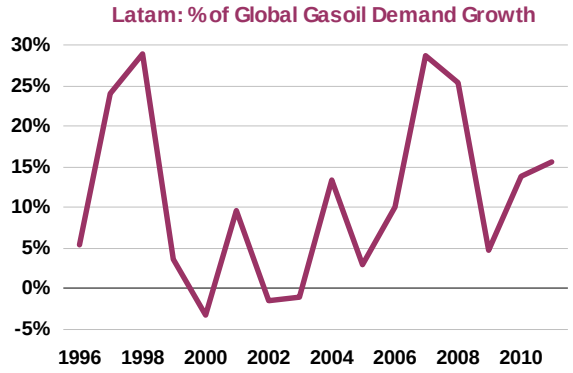
(million barrels per day)

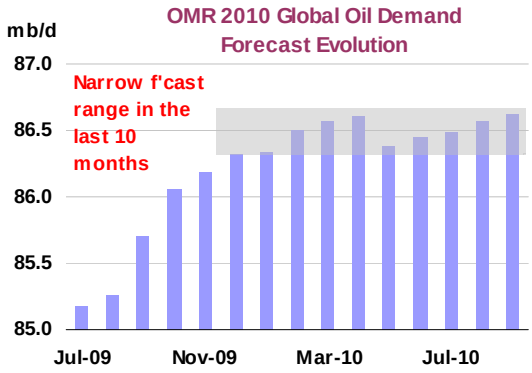
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.4
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.0	30.0	30.0	29.9	29.9	30.1	30.2	30.1	30.1
Asia/Pacific	25.5	25.8	25.7	26.8	26.0	27.3	27.0	26.3	27.3	26.9	27.9	27.5	26.9	27.9	27.5
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.9	15.2	15.1	15.0	14.9	14.8	15.2	15.1	15.0
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3
Middle East	6.6	7.1	7.6	6.9	7.1	7.0	7.4	7.8	7.2	7.3	7.3	7.7	8.1	7.5	7.7
World	**84.2**	**83.9**	**85.1**	**85.7**	**84.7**	**86.1**	**86.6**	**86.8**	**87.0**	**86.6**	**87.6**	**87.6**	**88.0**	**88.3**	**87.9**
Annual Chg (%)	-3.4	-2.6	-0.6	0.9	-1.4	2.2	3.2	1.9	1.5	2.2	1.8	1.1	1.5	1.5	1.5
Annual Chg (mb/d)	-3.0	-2.3	-0.5	0.8	-1.2	1.9	2.7	1.6	1.3	1.9	1.5	1.0	1.3	1.3	1.3
Changes from last OMR (mb/d)	0.01	0.01	0.01	0.01	0.01	0.03	0.09	0.04	0.03	0.05	-0.02	0.08	-0.06	0.02	0.00

- **Forecast non-OECD oil demand for both 2010 and 2011 is revised down by 30 kb/d on average on slightly lower readings in Asia and the Middle East.** Growth is slowing broadly as anticipated, with total demand seen averaging 41.0 mb/d in 2010 (+4.4% or +1.7 mb/d year-on-year), and further rising to 42.5 mb/d in 2011 (+3.6% or +1.5 mb/d).

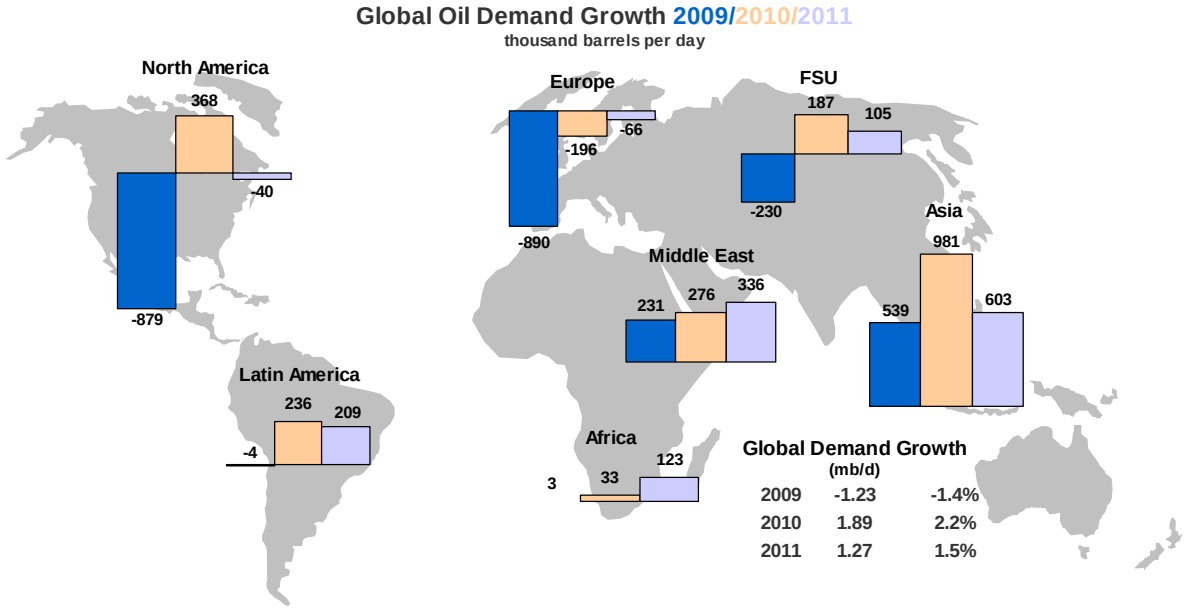
Global Overview

Forecast global oil demand for 2010 has been revised marginally (+50 kb/d), reflecting little change in fundamentals. Uncertainty regarding a 'double-dip' recession in the OECD persists, with faltering readings in its largest economy, the US – yet oil demand submissions have been higher-than-anticipated, particularly in North America and the Pacific. Meanwhile, although oil demand growth in the non-OECD is gently slowing down as had largely been assumed, notably in China, it has also been supported by one of Latin America's periodic bouts of gasoil and residual fuel oil consumption spikes, this time on strong agricultural and industrial output, cold winter temperatures and natural gas shortages.



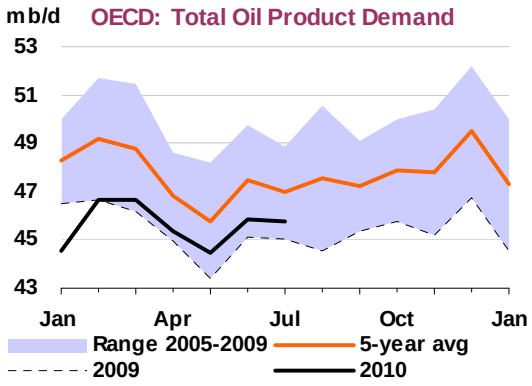


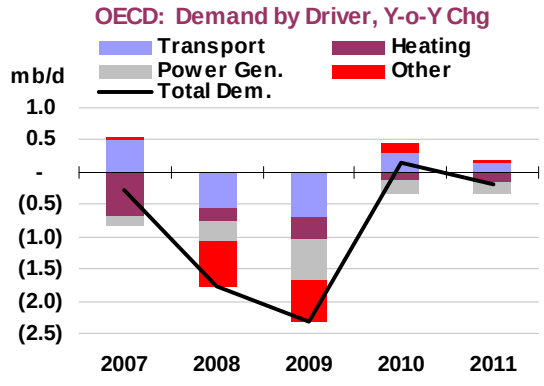
However, despite this uncertainty, our 2010 forecast has been remarkably – and paradoxically – stable. Since 4Q09, it has evolved within a 500 kb/d range (86.1-86.6 mb/d), entailing yearly growth of roughly +1.7 mb/d on average. Since December, in particular, the range has narrowed to only 300 kb/d (86.3-86.6 mb/d), anchored by the reporting of actual demand data and IMF economic assumptions that have changed marginally. By contrast, other forecasts – which initially envisaged 2010 demand growth at less than 1 mb/d – have been revised up sharply in recent months. We currently project global oil demand at 86.6 mb/d in 2010 (+2.2% or +1.9 mb/d year-on-year) and 87.9 mb/d in 2011 (+1.5% or +1.3 mb/d). However, as much as this year's forecast is bound to evolve, next year's arguably presents an even greater downside risk if the world economy were to stall. As we noted last month, global 2011 demand could be 1.2 mb/d lower than shown here were GDP growth 30% weaker.



OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) increased by 1.6% year-on-year in July. Resilient demand in **OECD North America** (which includes US Territories) and **OECD Pacific**, mostly buttressed by naphtha, gasoline and distillate demand, offset flat readings in **OECD Europe**, where weak deliveries of LPG, gasoline, fuel oil and 'other products' countered growth in other categories.





Revisions to June data were substantial (+360 kb/d). They were driven largely by North America (+260 kb/d), as US jet fuel/kerosene and residual fuel oil deliveries turned out to be stronger than suggested by preliminary weekly figures, and the Pacific (+110 kb/d), with changes concentrated in

Japan's distillates, fuel oil and 'other products'. European readings, on the other hand, were largely unchanged. Total OECD demand thus rose by +1.5% year-on-year in June, almost twice as much as implied by preliminary data. Overall, demand is adjusted up by 70 kb/d in 2010 to 45.6 mb/d (+0.3% or +150 kb/d year-on-year) and by 50 kb/d in 2011 to 45.4 mb/d (-0.5% or -220 kb/d year-on-year).

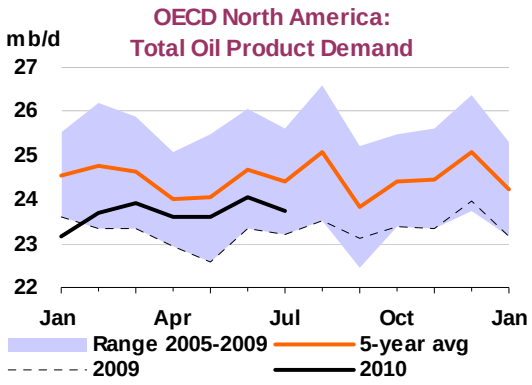
OECD Demand based on Adjusted Preliminary Submissions - July 2010
(million barrels per day)

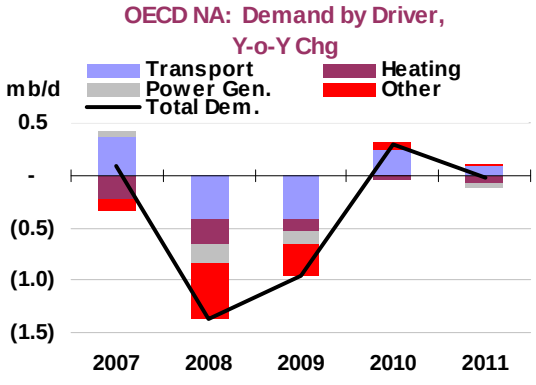
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.95**	**0.7**	**1.79**	**3.9**	**3.76**	**4.8**	**0.73**	**-4.2**	**0.93**	**25.8**	**5.58**	**1.07**	**23.75**	**2.3**
US50	9.35	1.0	1.56	3.4	3.22	4.6	0.28	-11.4	0.49	54.9	4.15	0.1	19.05	2.3
Canada	0.76	-0.1	0.14	4.6	0.22	-3.2	0.30	19.4	0.12	47.3	0.75	5.3	2.29	5.7
Mexico	0.78	-1.3	0.06	19.2	0.28	-1.7	0.12	-1.7	0.24	-9.2	0.63	2.9	2.12	-0.6
OECD Europe	**2.40**	**-2.6**	**1.37**	**3.0**	**4.61**	**0.9**	**1.39**	**4.9**	**1.33**	**-3.3**	**3.62**	**-0.2**	**14.72**	**0.2**
Germany	0.49	2.2	0.21	4.4	0.71	3.9	0.35	24.2	0.15	2.3	0.62	2.7	2.55	5.6
United Kingdom	0.37	-3.6	0.32	1.5	0.45	-0.2	0.11	8.4	0.06	-5.5	0.33	-4.1	1.64	-1.1
France	0.21	-6.9	0.16	0.4	0.73	0.2	0.23	10.9	0.10	9.2	0.41	-5.0	1.83	-0.3
Italy	0.26	-5.5	0.12	7.0	0.55	-0.5	0.11	2.9	0.17	-29.3	0.39	-0.1	1.60	-4.6
Spain	0.15	-6.7	0.13	-1.5	0.54	0.0	0.14	-14.4	0.20	-0.1	0.32	-0.2	1.47	-2.4
OECD Pacific	**1.65**	**5.1**	**0.59**	**8.5**	**1.06**	**5.2**	**0.50**	**9.8**	**0.71**	**0.4**	**2.77**	**-2.3**	**7.28**	**2.2**
Japan	1.07	7.6	0.32	6.2	0.41	6.8	0.38	5.3	0.38	-9.6	1.49	-2.8	4.06	1.4
Korea	0.19	5.2	0.13	18.5	0.28	4.1	0.11	28.9	0.29	20.1	1.09	-2.4	2.09	4.3
Australia	0.33	-0.6	0.12	4.6	0.33	1.6	0.00	0.0	0.03	-24.1	0.16	0.8	0.96	0.2
OECD Total	**15.00**	**0.7**	**3.76**	**4.3**	**9.43**	**2.9**	**2.62**	**3.1**	**2.97**	**5.2**	**11.97**	**-0.1**	**45.74**	**1.6**

* Including US territories

North America

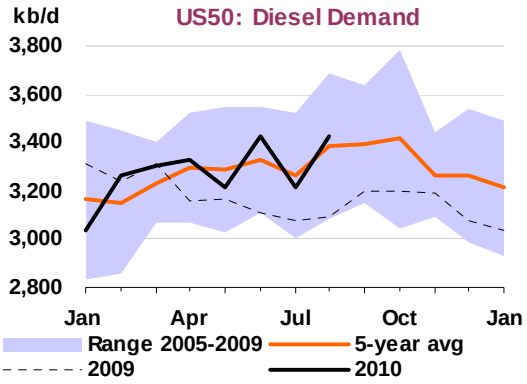
Preliminary data show oil product demand in North America (including US territories) rising by 2.3% year-on-year in July, following a 3.2% increase in June. Growth in July was led by diesel, jet fuel/kerosene and residual fuel oil, while gasoline demand rose by a mild 0.7%. Though we continue to maintain a regional real GDP growth assumption of +3.0% for 2011, recent indicators suggest that consensus over the economic outlook remains tenuous. Moderating oil demand may point to economic deceleration in 2H10 – after four months of rising oil demand growth from January-May, readings slowed in June and July. We expect 2H10 regional oil demand to grow at only 1.0% year-on-year, versus 2.1% in 1H10.

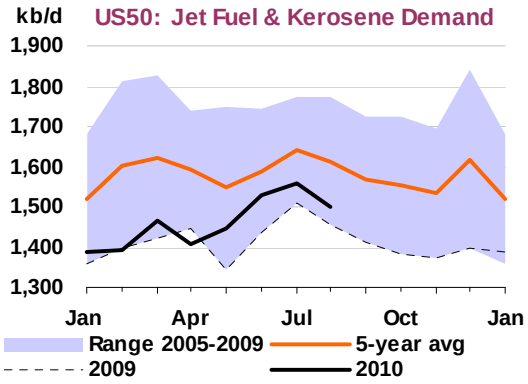




Still, June preliminary data were revised up by 255 kb/d, mostly due to higher-than-expected jet fuel/kerosene and residual fuel oil readings in the US. The upward revision meant that regional jet fuel/kerosene demand grew by 5.4% year-on-year in May-June. This was the first annual rise in consumption during two consecutive months since November 2007, albeit from a very low base and with month-on-month strength benefitting from volcano-related disruptions in April. North American oil demand for 2010 is seen rising to 23.7 mb/d (+1.6% or +370 kb/d year-on-year and 15 kb/d higher versus our last report). Looking forward, 2011 oil demand should fall slightly to 23.6 mb/d (-0.2% or -40 kb/d and 20 kb/d higher than our last report) with stagnant gasoline consumption and declines in petrochemical feedstocks and heating/power generation fuels outweighing growth in middle distillates.

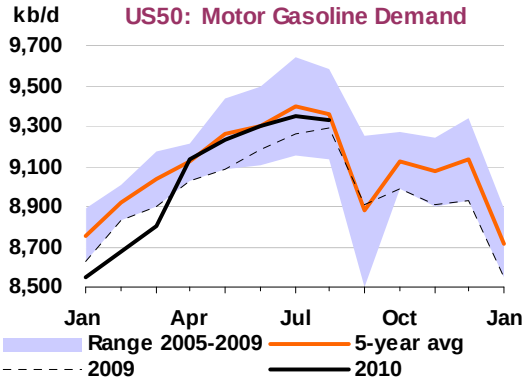
Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 1.5% year-on-year in August, following a 2.3% year-on-year rise in July. August data featured year-on-year gains in middle distillates and gasoline, outweighing declines in residual fuel oil and heating oil.

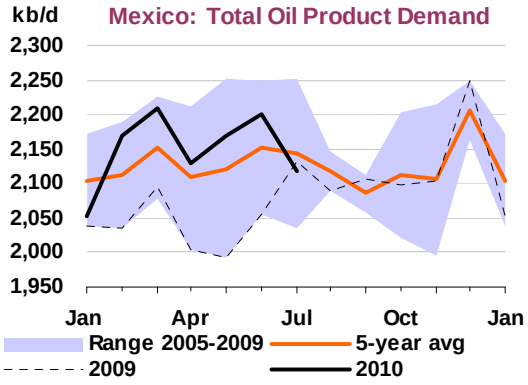




Diesel demand grew at an estimated 10.6% in August, though high levels of diesel exports may continue to inflate weekly demand readings. While we assume a split of distillate between diesel and heating oil based on historical patterns, we continue to forgo our normal weekly-to-monthly pre-emptive adjustment for July and August because of the uncertain magnitude of supplies moving abroad. Still, given minimal revisions to June diesel demand (which grew by 10.1% year-on-year), improved manufacturing and trucking indicators and depressed prior-year readings, it is likely that revised August consumption will still show strong growth. Sustained growth has also emerged in jet fuel/kerosene, which grew by 3.1% year-on-year in August after rising 3.4% in July. However, August readings were characterised by sharply declining growth comparisons as the month progressed.

Gasoline demand growth has petered out as the summer driving season ends. August readings suggest consumption grew by only 0.4% year-on-year, versus 1.0% in July and 1.3% in June. The latest estimates stem from weekly data that, at the time of writing, only included up to 27 August, thus missing end-month deliveries potentially related to the Labor Day holiday weekend. The American Automobile Association projected that holiday driving would rise by 10.3% versus 2009. However, worries about the impact of Hurricane Earl (which proved far less destructive than feared) may have curtailed some travel plans on the East Coast, but also fostered additional stockpiling by retailers. According to MasterCard, domestic gasoline sales in the week from 28 August to 3 September were lower week-on-week, yet up 1.7% on a yearly basis. Thus, the precise end of the summer driving season remains ambiguous for now.



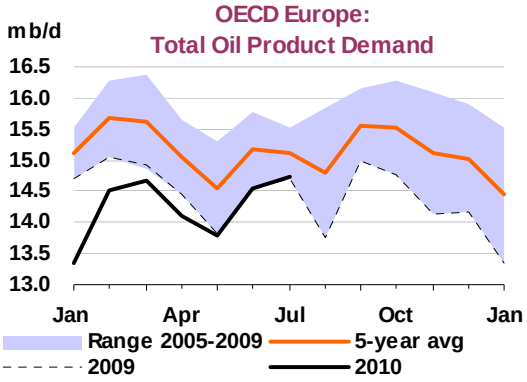


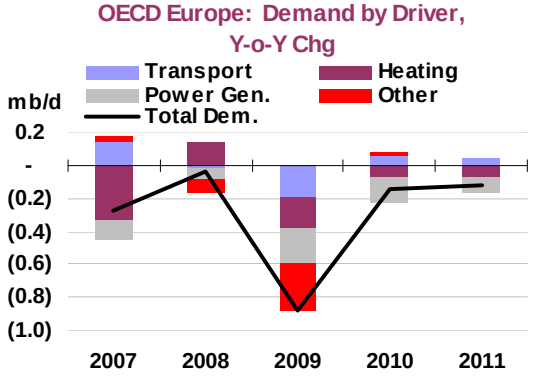
Mexican oil demand posted its first year-on-year contraction in July, declining 0.6%, after ten consecutive months of growth and strong June readings (+7.1%). July data were downwardly revised from previous growth of 2.8%, led by reductions to gasoline, diesel and 'other products'. While close

linkages to a slowing US economy may play a role, a seasonal mismatch in consumption patterns and a previous-year spike in 'other products' demand better explain the weakness versus 2009. Summer oil consumption typically peaks in June, as it has this year, but in 2009 the peak occurred in July, likely due to the still nascent economic recovery. As such, Mexico's June-July average demand growth, at +3.2%, may provide a better barometer of underlying consumption than looking at each month individually.

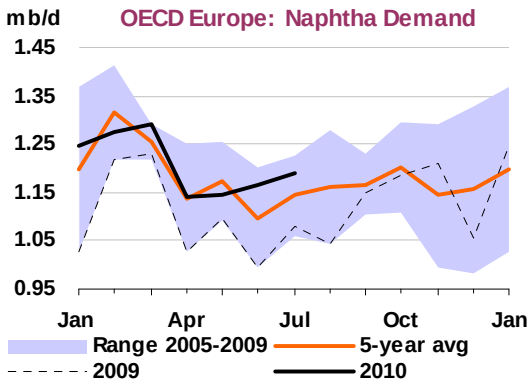
Europe

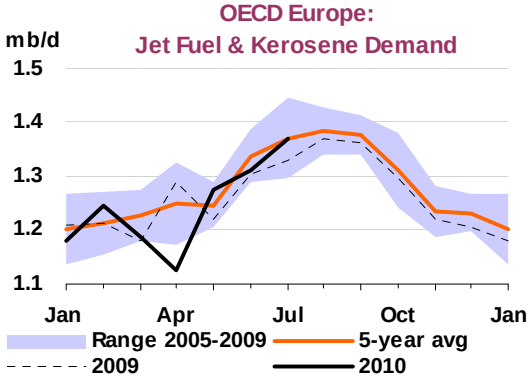
July preliminary inland data show that oil product demand in Europe was broadly unchanged versus the same month of 2009 (+0.2%). Weak deliveries of LPG, gasoline, residual fuel oil and 'other products' continued to offset sustained demand for distillates and, particularly, for naphtha (+10.1%). The rebound in jet fuel/kerosene is also noteworthy after April's volcano disruptions, with demand now back to the five-year average.



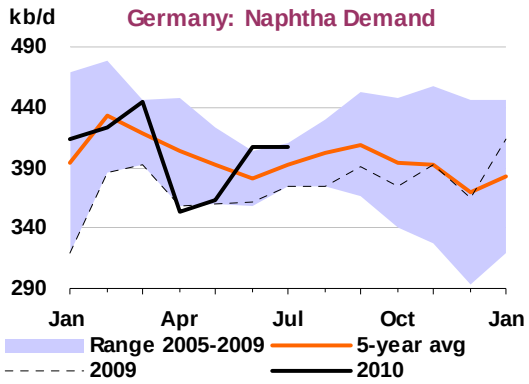


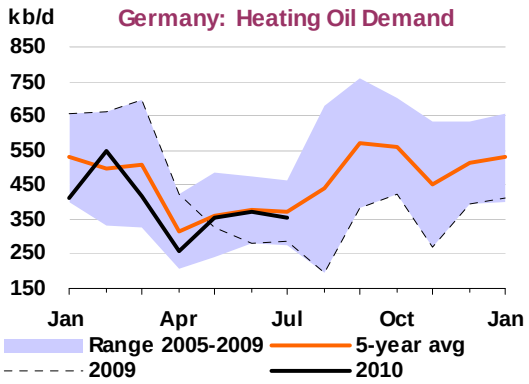
Revisions to June preliminary demand data were minimal (-10 kb/d), as stronger-than-expected deliveries of naphtha and gasoil were offset by weaker-than-expected readings for most other product categories. Overall, total OECD Europe demand is nudged up by 10 kb/d to 14.3 mb/d in 2010 (-1.3% or -180 kb/d compared with the previous year), and should decrease to 14.2 mb/d in 2011 (-0.6% or -80 kb/d versus 2010, largely unchanged versus last month's report).





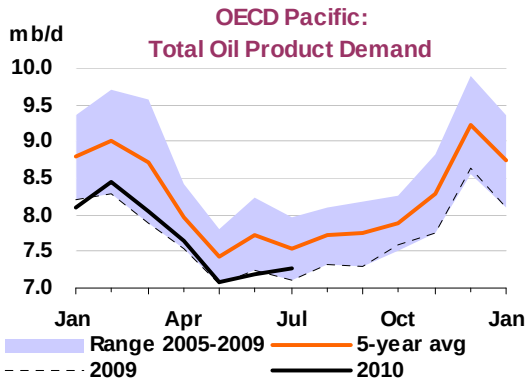
As in the previous month, Germany provided most of the oil demand momentum in July. German deliveries of naphtha and heating oil have been particularly strong, underpinned by the country's much stronger-than-expected economic performance in 2Q10 (+2.2% versus France's +0.6%). Similarly, the refilling of household heating oil tanks has continued to boost deliveries (at 56% of capacity, filling is slightly above its five-year average, but still below the 66% posted in July 2009).

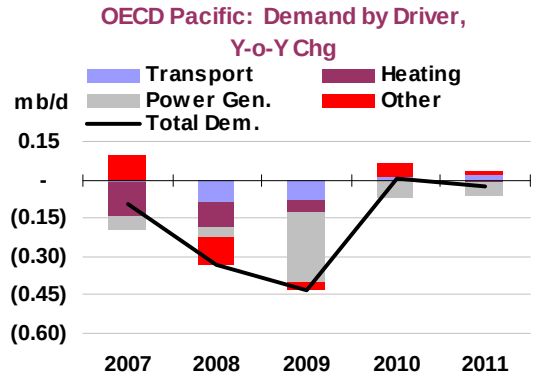




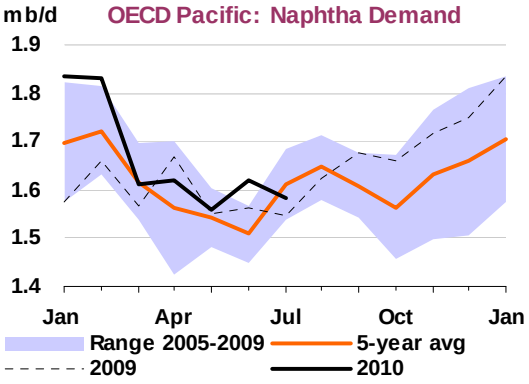
Pacific

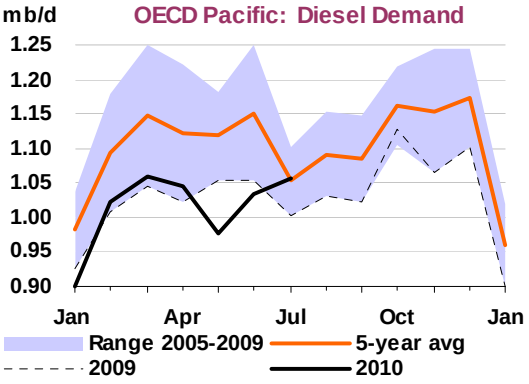
Preliminary data indicate that oil product demand in the Pacific rose by 2.2% year-on-year in July, on the back of buoyant distillate readings. Korea (+4.3%) largely provided the growth impetus, with sustained demand for transportation fuels and naphtha. It was followed more distantly by Japan (+1.4%). Yet sluggish economic activity in Japan, fuel efficiency improvements and interfuel substitution in favour of natural gas and nuclear power are likely to keep a lid on regional oil demand growth. For example, the peak summer power demand season, which typically spans from July to September, has not entailed so far a surge in residual fuel oil use or direct crude burning.





June data revisions, at +110 kb/d, mostly pertained to distillates, residual fuel oil and 'other products'. The fall in OECD Pacific demand in June was thus less steep (-0.6% year-on-year) than suggested by preliminary figures (-2.2%). Total oil product demand in 2010 is revised up slightly (+40 kb/d) to 7.6 mb/d (-0.4% or -35 kb/d year-on-year) and 7.5 mb/d (-1.3% or -100 kb/d compared with the previous year and 25 kb/d more versus last month's report).

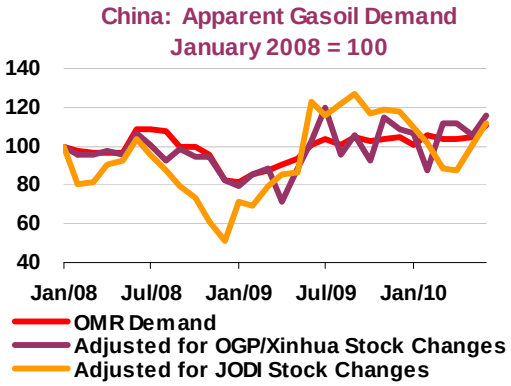


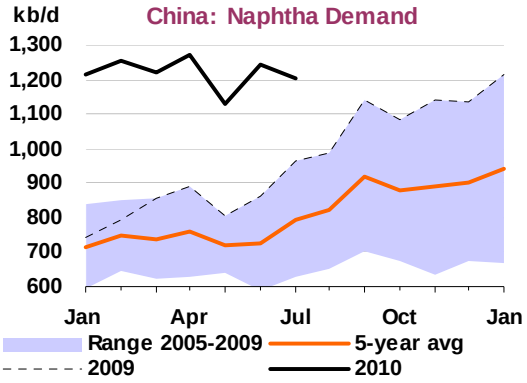


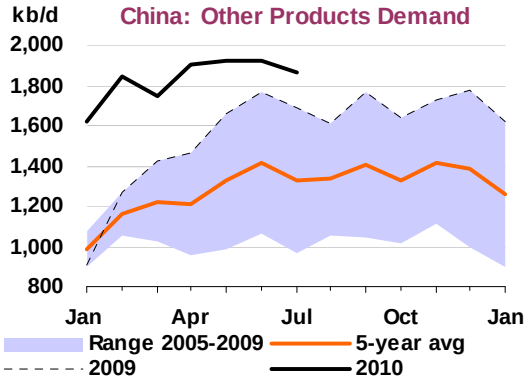
Non-OECD

China

Preliminary data show that China's apparent oil demand (refinery output plus net oil product imports) rose by 3.3% year-on-year in July. As expected, demand appears to be slowing down when compared with previous months as the government tames economic activity. In addition, oil product destocking also played a role. Guaranteed refining margins (as long as international crude prices remain below $80/bbl) previously spurred inventory builds, notably regarding gasoil, based upon partial stock data from various sources. Finally, baseline effects also tend to distort the picture, as demand picked up sharply in 2H09 – suggesting, *ceteris paribus*, that underlying growth rates for 2H10 might be expected to tail off somewhat.







July oil demand growth was essentially driven by LPG (+9.1%), naphtha (+24.5%, despite concerns of dwindling plastics needs and ample polyethylene stocks), and by 'other products' (+10.2%). Looking ahead, the forecast remains largely unchanged, despite recent announcements that the government will shut down some 2,000 energy-inefficient factories across the country over the next few months. These closures are likely to affect mostly very small enterprises, notably in the cement, paper and iron industries, which may not be accounted for in official statistics. Moreover, such firms provide local jobs, a key consideration amid an economic slowdown, suggesting there could be some lag in attaining such a target. Thus, total Chinese oil demand is expected to average 9.1 mb/d in 2010 (+9.0% year-on-year) and 9.5 mb/d in 2011 (+4.3%), although the prognosis is likely to be revised in the months ahead.

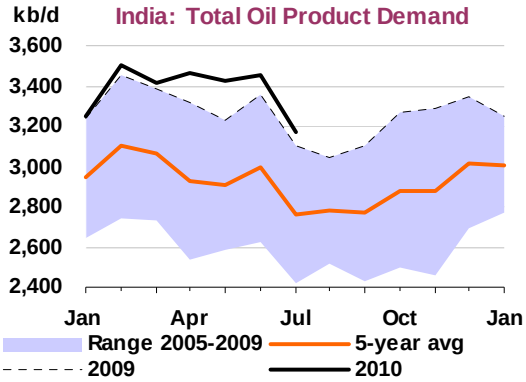
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	739	722	700	-17	-22	-2.4	-3.0
Naphtha	952	1,209	1,290	257	81	27.0	6.7
Motor Gasoline	1,507	1,543	1,617	36	75	2.4	4.9
Jet Fuel & Kerosene	335	373	404	38	31	11.5	8.4
Gas/Diesel Oil	2,697	2,958	3,113	260	155	9.7	5.2
Residual Fuel Oil	580	491	433	-89	-57	-15.4	-11.7
Other Products	1,560	1,832	1,962	272	131	17.4	7.1
Total Products	**8,369**	**9,126**	**9,520**	**757**	**394**	**9.0**	**4.3**

Other Non-OECD

India's oil product sales – a proxy of demand – rose by 2.2% year-on-year in July, supported by strong readings for LPG, gasoline and gasoil (+7.4%, +14.9% and +5.7%, respectively). In particular, with car sales rising by 38% year-on-year in July after 30% growth in June, gasoline demand remains strong.

Of the three fuels, only the pace of gasoil growth slowed, since heavier monsoon rains and fewer power outages reduced gasoil demand from farming and industry.

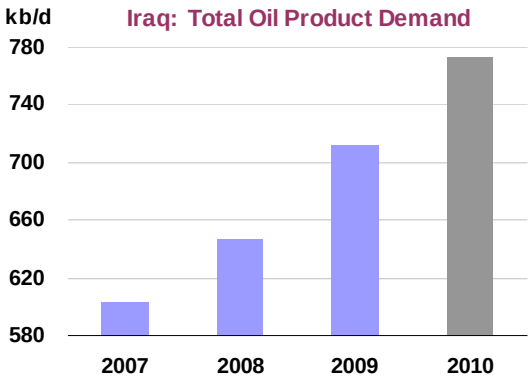


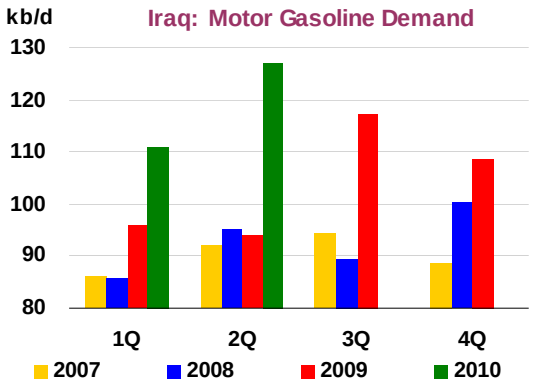
India: Demand by Product

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	439	466	31	27	7.7	6.2
Naphtha	319	277	237	-43	-39	-13.3	-14.2
Motor Gasoline	305	338	367	33	28	10.8	8.4
Jet Fuel & Kerosene	294	297	298	3	2	0.9	0.7
Gas/Diesel Oil	1,167	1,262	1,350	95	88	8.1	7.0
Residual Fuel Oil	407	381	368	-26	-13	-6.3	-3.5
Other Products	361	351	360	-11	9	-2.9	2.6
Total Products	**3,261**	**3,343**	**3,446**	**83**	**102**	**2.5**	**3.1**

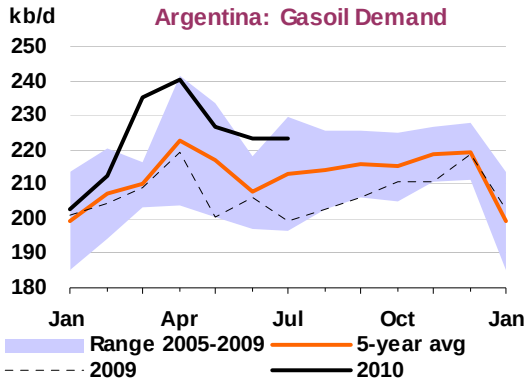
According to JODI submissions, gasoline demand in **Iraq** has skyrocketed this year, averaging roughly 130 kb/d in 2Q10 (+35.5% year-on-year), equivalent to almost a fifth of the country's total oil demand. Although rising consumption reflects a gradual return to normality after nearly seven years of military occupation, other factors also help explain this surge. On the one hand, a heat wave has boosted electricity needs (both for air conditioning and refrigeration), with daily temperatures hovering around 50°C in August. Much of Iraq's electricity is still produced by private generators, mostly of which are reportedly run on gasoline, rather than gasoil. On the other hand, significant volumes of Iraqi gasoline are reportedly smuggled into Iran, which has found it increasingly hard to import gasoline given prevailing international sanctions.

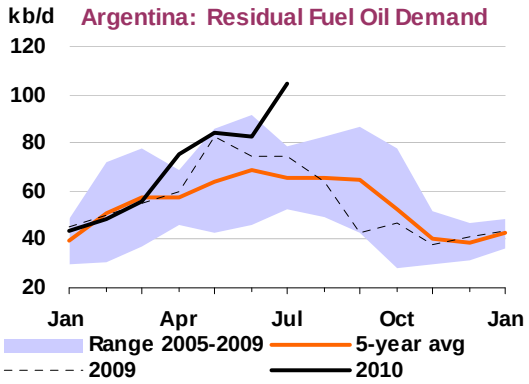




Cold weather in **Argentina** during July and August, which prompted government rationing of natural gas deliveries for industry and power generation, has continued to boost oil demand. In July, residual fuel oil consumption spiked, increasing over 40% year-on-year, while gasoil demand (up 11.9% year-on-year) continued to post strong readings. Some manufacturing firms reportedly started importing gas-derived raw materials, owing to low operating rates for the petrochemical industry. Still, the downside effect on

LPG/ethane demand has been marginal – the bulk of consumption goes to home usage (e.g. cooking/heating) and, by most accounts, residential users have remained well supplied.





At the same time, the government has begun enforcing a law to restrict gasoline and diesel price rises at the pump. Service stations have reportedly rolled prices back to 31 July levels and government inspectors have threatened fines and refinery closures if they believe ample supplies are not being provided to the market. Overall, we have revised up Argentina's oil demand estimates by 10 kb/d for 2010, with expected annual growth of 65 kb/d (+10.3%). In 2011, the demand increase is expected to be less robust, at 20 kb/d (+2.9%), with slower economic growth, but with potential upside should challenging winter weather and gas market conditions return.

SUPPLY

Summary

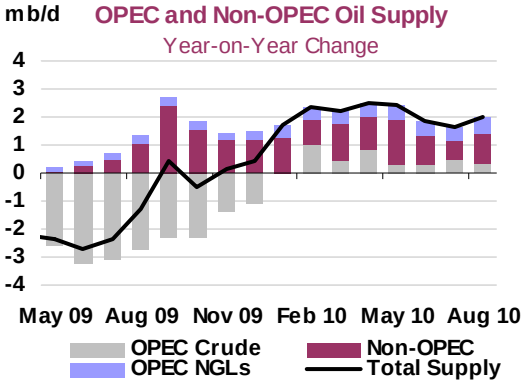
- **Global oil supply fell by 250 kb/d month-on-month to 86.8 mb/d in August**, largely on lower non-OPEC output. Year-on-year, global output is up by 2.0 mb/d, around half of which stems from higher non-OPEC, a quarter from OPEC NGLs and a fifth from OPEC crude production.

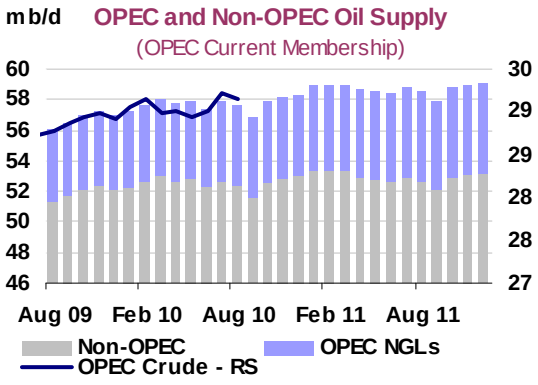
- **Non-OPEC supply dipped by 0.2 mb/d to 52.4 mb/d in August** due to seasonal maintenance in Canada, the UK and Russia. Despite stronger recent US and Canadian production, and an absence of hurricane-related shut-ins in August, the forecasts for 2010 and 2011 were only raised minimally, to 52.6 mb/d and 52.9 mb/d respectively. US Gulf of Mexico weather remains unstable though, with numerous storms forming in the Atlantic.

- **BP and the US authorities reported that the *Macondo* well had been secured** in September. With a debate over the causes and prospective regulatory improvements still underway, we maintain last month's assessment that 60 kb/d and 100 kb/d of US Gulf of Mexico oil production will be 'lost' in 2010 and 2011 respectively due to delays in drilling. So far, we see little impact in other countries with offshore production.

- **OPEC crude oil supply was marginally lower in August**, down 60 kb/d to 29.2 mb/d. Production from the 11 members with output targets, which excludes Iraq, averaged 26.8 mb/d last month, unchanged from July levels. Lower output by the UAE and Nigeria was offset by higher production from Angola and Iran.

- **The 'call on OPEC crude and stock change' for 3Q10 is raised by 100 kb/d, to 29.3 mb/d** and by 200 kb/d to 28.8 mb/d for 4Q10 due to a downward revision in OPEC NGLs. For 2011 the call is forecast at 29.2 mb/d, up 300 kb/d over 2010 levels. OPEC effective spare capacity in August stood at 5.56 mb/d.





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

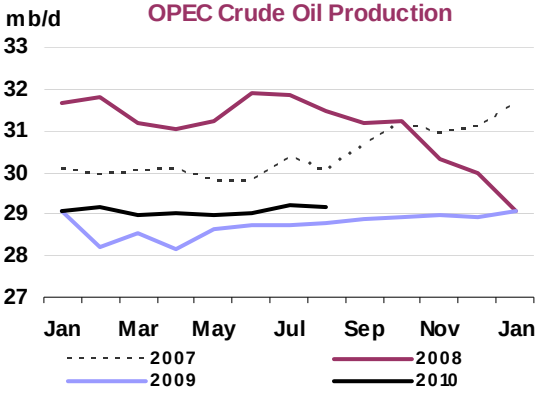
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

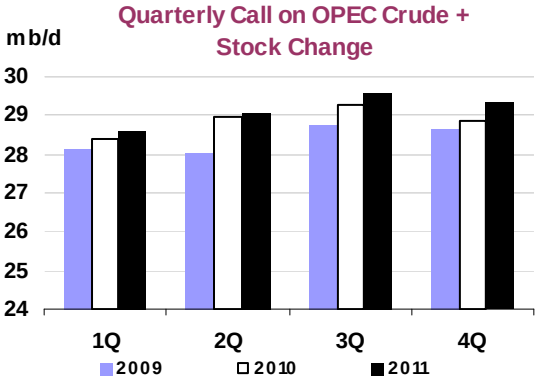
OPEC crude oil supply was marginally lower in August, down by 60 kb/d to 29.15 mb/d. Production from the 11 members with output targets, which excludes Iraq, averaged 26.83 mb/d last month, unchanged from July levels. Lower output by the UAE and Nigeria was offset by higher production from Angola and Iran.

Relative to targeted production cuts, compliance rates were unchanged at 53% last month. The July-August rates are slightly weaker than the 55-58% rates seen in 1H10. The group is now pumping 1.99 mb/d above the implied 24.845 mb/d collective target. OPEC's next ministerial meeting to review the market outlook and production levels will take place on 14 October in Vienna.

The 'call on OPEC crude and stock change' for 3Q10 is raised by 100 kb/d, to 29.3 mb/d and by 200 kb/d to 28.8 mb/d for 4Q10 due to a downward revision in OPEC NGLs and slightly higher demand. For 2011 the call is forecast at 29.2 mb/d, up 300 kb/d over 2010 levels. Effective spare capacity stands at 5.56 mb/d.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

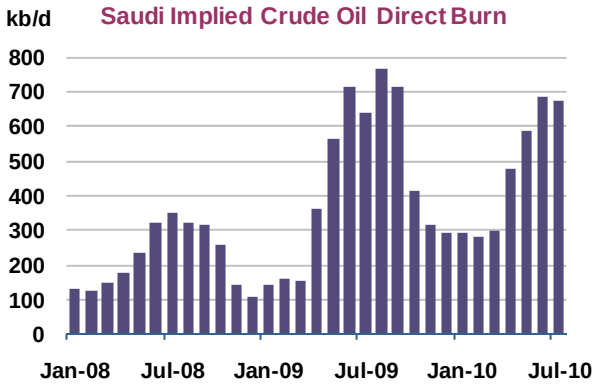


Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Iraqi production has been faltering since the beginning of the year due to increased militant activity and operational problems. Iraqi August supply was down by 60 kb/d, to 2.32 mb/d, largely on lower supplies of Kirkuk from the north. It also stood some 180 kb/d below year-ago levels, when output appeared to be hitting a steady 2.5 mb/d. Since then, operational and technical problems in the south have reduced output there and volumes seem unlikely to pick up anytime soon. Iraq is now expecting production in the southern region to rise by some 600 kb/d by the end of 2011 given new targets agreed with joint venture partners. However, the ongoing political stalemate following the March 2010 elections, coupled with logistical and bureaucratic problems, will likely cause delays in reaching that target level. Indeed, such considerations played into our *MTOGM* projection of a net increase of 'only' 1.0 mb/d in Iraqi production capacity by 2015.

August exports were estimated at 1.77 mb/d compared with 1.83 mb/d in July. Northern exports of Kirkuk crude fell to just 320 kb/d in August, compared with 375 kb/d in July. Pipelines carrying oil to the Ceyhan terminal on the Mediterranean were attacked three times in August. Repeated attacks and technical problems on infrastructure along the northern export corridor are behind the steady erosion in exports of Kirkuk crude since the beginning of the year. Exports in August are 30% lower than the 2010 high of 465 kb/d posted in January.

Southern exports of Basrah crudes were off slightly, by 5 kb/d to 1.44 mb/d in August. State marketer SOMO cut allocations of Basrah Light to Asian term buyers for September, reportedly due to production problems at the southern fields.



Saudi Arabia's production was assessed at 8.28 mb/d, unchanged from July levels. Production is around 200 kb/d above the country's target level but latest JODI data indicate the higher output is being allocated for domestic use as crude oil for direct burn to meet increased power demand during the peak summer months. The implied crude burn rate in June and July was just shy of 680 kb/d, about 17% higher than the second-quarter average of 583 kb/d and, perhaps more revealingly, more than double the rate of around 300 kb/d seen in summer 2008. Year-to-date through July, implied crude oil direct burn has averaged 470 kb/d, slightly higher than the 2009 average of 435 kb/d. If recent history is a guide, crude oil for direct burn likely increased further in August and will again also in September. In addition, this year Ramadan fell largely in August, which should translate into higher power demand for electricity and cooling. As a result, August demand for direct burn crude may prove to have been higher than even the peak 765 kb/d reached in August 2009.

Iranian crude oil output was up by an estimated 20 kb/d, to 3.7 mb/d in August. The volume of Iranian crude and condensate held in floating storage appears to have declined at end-August, with estimates showing a drawdown of 10-15 mb, to 30-35 mb. However, Iranian floating storage levels may increase again as new sanctions have the unintended consequence of squeezing crude buyers. Market reports have suggested that new sanctions imposed this summer on Iran by the UN, the US, European Union and, more recently, Japan and South Korea target the country's gasoline suppliers, bankers and other financial institutions but specifically exclude crude oil sales. Nonetheless, the tougher, wide-ranging sanctions on financial activities have indirectly made it more difficult for traders to secure letters of credit for their crude purchases.

In addition, shipping and insurance companies are increasingly unwilling to do business with Iran so as not to violate new US sanctions. On 16 August, the US Treasury Department issued new regulations affecting US and foreign financial institutions that restrict business activities with Iranian companies, including the country's central bank and powerful Revolutionary Guard. Lloyd's of London, as well as other insurers, have opted not to insure or reinsure petroleum shipments going into Iran in a move to comply with stricter sanctions. Meanwhile, international shipping associations have adopted clauses in their contracts allowing a ship owner to refuse a petroleum trade to Iran. Market reports emerged in August suggesting Iran was having problems finding buyers for its crude, even though exports are not directly affected by sanctions.

Aside from Iran, **Angola** was the only other member country to increase supplies in August. Angola crude output edged higher last month following the end of maintenance work. Production rose by 50 kb/d to 1.79 mb/d. Output at Total's Girassol operations was gradually being restored after a technical problem forced the company on 13 July to declare *force majeure* on exports.

Nigerian production averaged 2.14 mb/d in August, off a marginal 20 kb/d due to sabotage. Shell declared *force majeure* on 16 August following damage to a pipeline from the Cawthorne Channel field, which feeds into the Bonny Light system.

Nonetheless, Nigerian output remains well above year-ago levels as companies make inroads in repairing damaged infrastructure. Shell has steadily increased long shut-in production at its Forcados and EA fields this year. A three-month-old force majeure on Qua Iboe supplies ended early in the month. ExxonMobil declared *force majeure* on 12 May after discovering a leak at one of its crude oil pipelines connected to its Qua Iboe export terminal, but now plans are afoot to raise capacity from 260 kb/d in August to 400 kb/d in October. The Shell/Nigerian joint venture partnership reported it is close to launching a new

$1.1 billion pipeline to the Bonny export terminal. The new 97-kilometre Nembe Creek Trunkline will have a capacity to transport 600 kb/d from 14 flow stations in the Niger Delta to the Bonny export terminal in Rivers State.

Despite the steady progress this year in restoring shut-in production, growing discontent among former rebels over the lack of progress with the government's amnesty programme threatens to ignite a new round of violence. The country is grappling with a myriad of critical issues, not least because the government decided in early September to move forward elections. Nigerian officials announced on 7 September that the country will hold its presidential election on 22 January. However, if past elections are a guide, many expect an increase in violence in the run-up to the January polls. Critically, President Goodluck Jonathan, who is from the volatile southern Niger Delta region, has indicated he intends to run for the presidency but has not yet made a formal announcement. Traditionally, the presidency rotates between the Muslim north and Christian south every two terms, so technically the next president should still be a northerner since former president Yar'Adua only served half of his first term before his death earlier this year. Observers also fear that if Jonathan ran but lost the election, the ceasefire agreement would unravel and oil infrastructure would once again be vulnerable to militant attacks.

OPEC Crude Production

(million barrels per day)

	Jun 2010 Supply	Jul 2010 Supply	Aug 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Aug 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.25	1.26	1.26	1.38	0.12	0.200	55%
Angola	1.78	1.74	1.79	2.00	0.21	0.244	0%
Ecuador	0.45	0.46	0.46	0.48	0.02	0.067	57%
Iran	3.75	3.68	3.70	3.96	0.26	0.562	20%
Kuwait[2]	2.31	2.30	2.30	2.58	0.28	0.374	83%
Libya	1.58	1.56	1.56	1.70	0.14	0.252	56%
Nigeria[3]	1.98	2.16	2.14	2.25	0.11	0.319	0%
Qatar	0.78	0.80	0.79	1.00	0.21	0.122	57%
Saudi Arabia[2]	8.25	8.28	8.28	12.20	3.92	1.318	89%
UAE	2.29	2.36	2.32	2.72	0.40	0.379	87%
Venezuela[4]	2.23	2.23	2.23	2.45	0.22	0.364	38%
OPEC-11	**26.65**	**26.83**	**26.83**	**32.72**	**5.89**	**4.201**	**53%**
Iraq	2.35	2.38	2.32	2.50	0.18		
Total OPEC	**29.00**	**29.21**	**29.15**	**35.22**	**6.07**		
(excluding Iraq, Nigeria, Venezuela					*5.56)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria current capacity estimate excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in August.

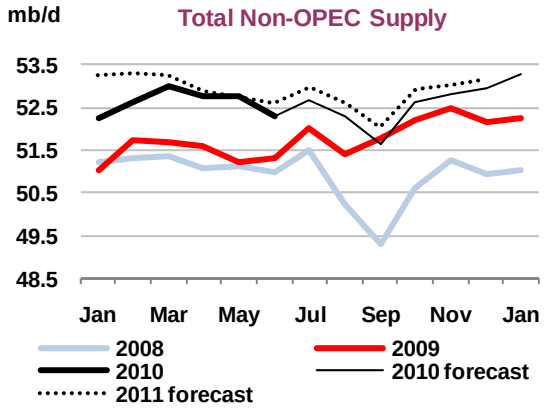
OPEC NGLs

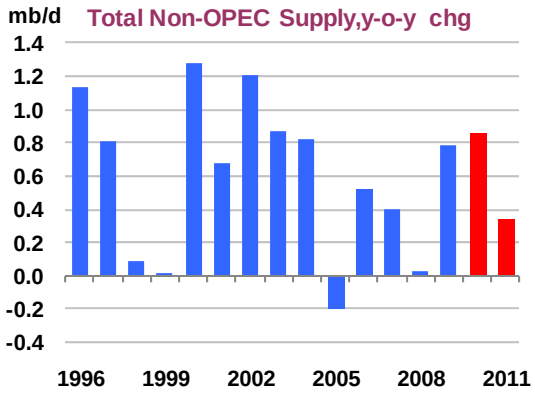
OPEC NGL supplies were revised down for second-half 2010 and 2011 due to delayed project start-ups in the UAE. Total OPEC NGLs were lowered on average by 150 kb/d to 5.3 mb/d for 2H10 and down by an average 100 kb/d, to 5.8 mb/d for 2011.

NGL supply from the UAE is now forecast to increase by 200 kb/d year-on-year in 2011. The third phase of the onshore Habshan Gas Complex (OGD-3) started production about a month ago, but it has encountered technical glitches, which are being resolved. The second phase Asab gas development (AGD-2) project is in the commissioning phase, with production expected to start in the next one to two months compared with an earlier planned start date of April. Condensate production from the new plants at Habshan and Asab is estimated at 40 kb/d and 20 kb/d, respectively, by end year. Asab's total peak capacity of 80 kb/d and Habshan's at 180 kb/d are spilt evenly between NGLs and condensate.

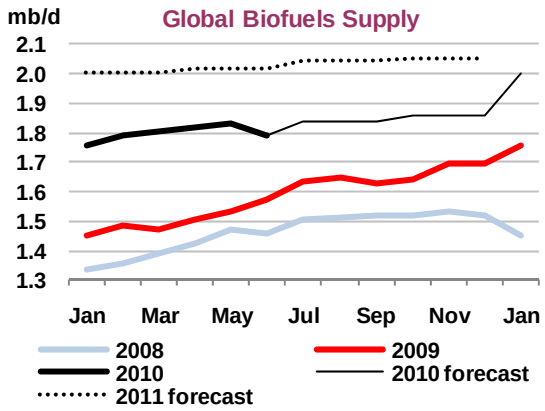
Non-OPEC Overview

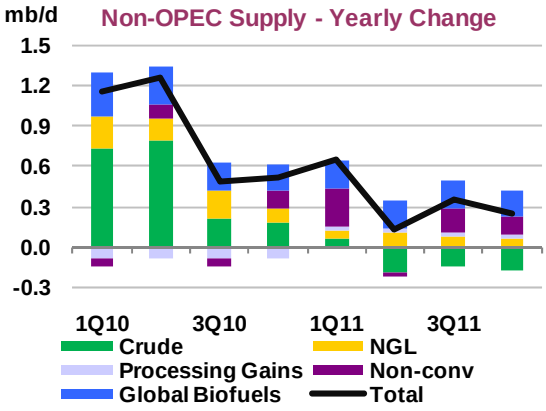
Non-OPEC supply dipped by 0.2 mb/d to 52.4 mb/d in August due to seasonal maintenance in Canada, the UK and at Russia's Sakhalin 1 project. Revisions to the outlook are minimal this month, with 2010 and 2011 production forecasts upped by 25 kb/d and 45 kb/d respectively, while previous years' levels were trimmed by an average 25 kb/d due to a lower Brazil fuel ethanol baseline. The marginally stronger forecasts for 2010 and 2011 were largely due to better-than-expected recent US and Canadian output, and an absence of hurricane-related shut-ins in the US Gulf of Mexico in August. In Norway, June seasonal maintenance – while heavy – was still slightly lower than expected. Total non-OPEC supply is now forecast to average 52.6 mb/d in 2010, rising to 52.9 mb/d in 2011, annual increments of 0.9 mb/d and 0.4 mb/d respectively.





Global biofuels supply is revised down by 10 kb/d for 2009 and by an average of 25 kb/d historically for the duration of the series on a re-appraisal of annual Brazilian ethanol production. Intra-year revisions were minimal, though an ongoing evaluation of production seasonality within the Brazilian series will likely yield future adjustments to historical data. Ethanol output for 2010 and 2011 has been trimmed as a result of the re-evaluation and somewhat diminished expectations for Brazilian growth. As a result global biofuels supply is expected to grow by 245 kb/d to 1.8 mb/d in 2010 and by 185 kb/d to 2.0 mb/d next year. Still, biofuels represent a significant contribution to total short-term non-OPEC supply growth, together with Canadian oil sands and crude oil from Brazil, Colombia, China and the FSU.





Supply growth for 2010/2011 as a whole is heavily weighted towards the first two quarters of 2010, when incremental output averaged 1.2 mb/d year-on-year. Subsequent quarters see that figure dip to 0.4 mb/d on average. Partly this is related to anticipated lower US Gulf of Mexico supply, where we maintain our forecast 60 kb/d and 100 kb/d curbs to production in 2010 and 2011 respectively due to drilling delays following the *Macondo* disaster. In addition, production estimates for the latter half of the year contain a downward adjustment for hurricane shut-ins. Following actual 25 kb/d and 105 kb/d

shortfalls in June and July this year due to precautionary storm shut-ins, we currently carry a downward adjustment of 500 kb/d for September – historically the most heavily affected month of the season – which tails off thereafter.

Elsewhere, we see growth in Russia slowing, as incremental greenfield output is reduced – our current forecast sees Russian oil supply plateauing in 4Q10. Chinese output growth is also set to peter out in 1Q11 and production will decline thereafter, as a raft of new, mainly offshore, fields reaches peak capacity. Lastly, biofuels growth is also anticipated to slow. Any forecast is subject to revision when actual data becomes available, but it is worth emphasising again that were there no significant hurricane impact for the rest of the year, this would add 0.2 mb/d to global supply for both 3Q10 and 4Q10.

Non-OPEC Supply

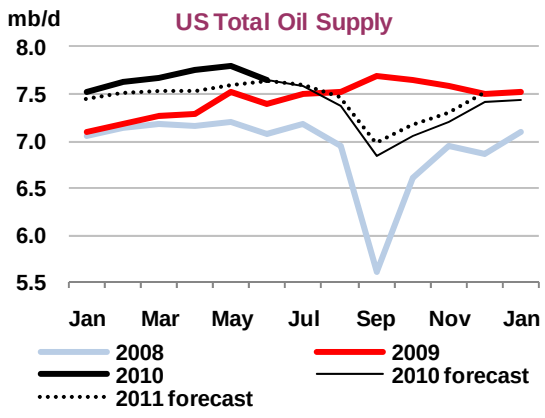
(million barrels per day)

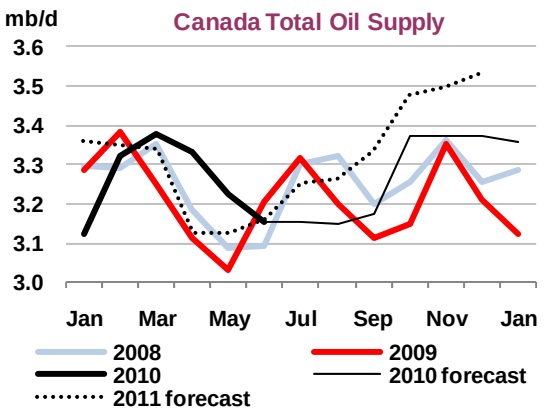
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.1	13.6	13.6	13.8	13.8	13.6	13.5	13.6	13.6
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.1	4.3	4.3	4.3	4.0	3.9	4.1	4.1
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.9**	**18.4**	**18.6**	**18.7**	**18.7**	**18.2**	**18.1**	**18.4**	**18.4**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.0	4.0	4.0	4.0
Other Asia	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.0**	**29.6**	**29.8**	**29.9**	**30.2**	**29.9**	**30.4**	**30.3**	**30.3**	**30.5**	**30.4**
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.8	1.8	1.8	2.0	2.0	2.0	2.0	2.0
Total Non-OPEC	**51.5**	**51.3**	**51.7**	**52.3**	**51.7**	**52.7**	**52.6**	**52.2**	**52.8**	**52.6**	**53.3**	**52.8**	**52.6**	**53.1**	**52.9**
Annual Chg (mb/d)	0.2	0.3	1.4	1.4	0.8	1.2	1.3	0.5	0.6	0.9	0.6	0.1	0.4	0.3	0.4
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0

OECD

North America

US – August Alaska actual, others estimated: US oil production in August is now assessed flat at 7.8 mb/d compared to July, after the month passed without any hurricane-related shut-ins and on stronger-than-anticipated preliminary data. Recent, higher, production levels for a handful of Other Lower-48 states, have been carried forward, notably for North Dakota, where liquids output from the Bakken Shale boosted total state oil production to over 300 kb/d in June, up from around 200 kb/d one year earlier. At the same time, NGL production in June was slightly weaker. Total US oil supply for both 2010 and 2011 is adjusted up by around 90 kb/d, and is now forecast to average 7.6 mb/d in 2010, dipping slightly to 7.5 mb/d in 2011.





A Quiet August in the US Gulf May Prove Fleeting

On 4 September, BP and the US authorities declared closure in the battle to secure the damaged *Macondo* well that had spewed an estimated 5 mb of oil into surrounding waters since the *Deepwater Horizon* drilling rig exploded in late April. The well is now capped and cemented, its blowout preventer has been replaced, and it is now merely an additional safety measure to intercept the original borehole via a nearby relief well – expected in coming weeks. A sigh of relief is in order, even though the damaged well has not leaked oil since mid-July, when BP succeeded in placing a containment cap on top of it, halting the flow (see *Macondo: The Beginning of the End?* in *OMR* dated 11 August 2010).

Meanwhile, investigations into the precise causes of the *Macondo* disaster rumble on. A final analysis of causes and remedies will only be possible when all results are released, now expected in late October (BP published its own version on 8 September). The findings will be crucial to determine how safety regulations may be tightened, and will therefore have a bearing on the pace of future offshore oil development in the US and elsewhere. We currently maintain our assumption, as highlighted in last month's report, that 60 kb/d and 100 kb/d will be 'lost' to 2010 and 2011 US crude oil production respectively, due to drilling delays largely caused by the deepwater drilling moratorium, expected to remain in place until end-November. Currently, while other countries with offshore production are generally taking a wait-and-see attitude ahead of the results of the *Macondo* enquiry, we are not for now assuming any wider impact on production.



Following Hurricane Alex and Tropical Storm Bonnie in June/July, a series of storms has crossed the Atlantic in August and early September, though most have so far either weakened before lashing the Gulf Coast and its oil infrastructure, or veered to the north and up the US East Coast. In early September, Hurricane Earl caused severe damage when making landfall on the US eastern seaboard, though had no effect on oil production and caused only small disruptions to refining. While August saw minimal precautionary shut-ins of oil or gas production (and no damage to date at all this year), we currently maintain a hurricane adjustment of 500 kb/d for September and around half that on average for the following three months respectively, based on the five-year average level of outages. Meteorologists forecast that more storms are to come, with September historically the month when operational shut-ins are heaviest. That said, if the rest of the year were to remain free of hurricane-related shut-ins, this would add 0.2 mb/d to global supply for both 3Q10 and 4Q10.

Despite physical (if not regulatory) closure at *Macondo* and a lack of August hurricane outages, a spotlight remains on the US Gulf of Mexico, home to 30% of the country's crude oil production. On 3 September, a fire broke out at a Mariner-operated platform working on the *Vermilion 380* block in shallow water offshore Louisiana. However, investigations so far have showed that the fire was most likely in the living quarters, was not due to an explosion and that safety systems had forced the automatic shut-in of output of crude and gas (recent production volumes were apparently around 1.4 kb/d of crude and 9 200 Mcf/d of natural gas respectively in late August).

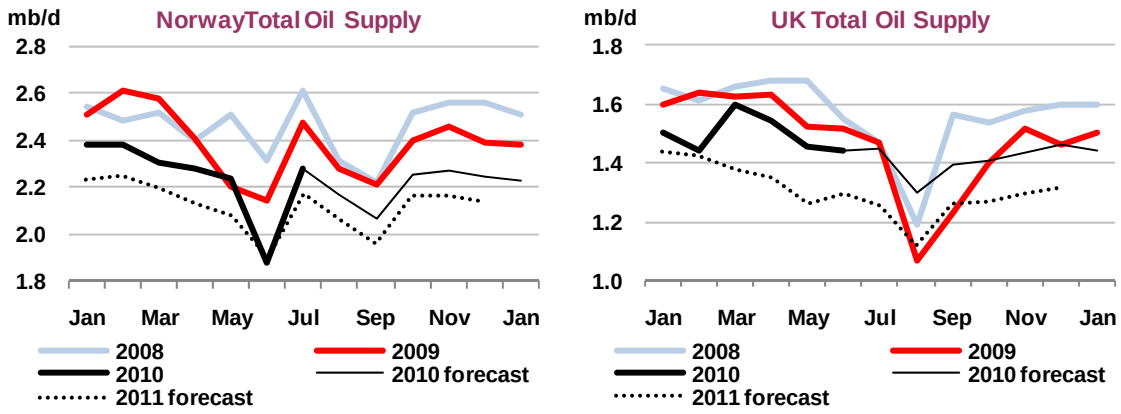
While a fuller investigation will show what happened, the US government has already made clear its view that the *Vermilion* incident was an 'industrial accident' that was in no way similar to the earlier *Macondo* disaster. But some critics of drilling made the comparison, potentially slowing what had earlier seemed growing momentum for an early lifting of the deepwater drilling moratorium ahead of 30 November.

Canada – Newfoundland July actual, others June actual: Canadian oil supply is estimated to have fallen to 3.2 mb/d in July on seasonal maintenance at bitumen upgraders and hence lower synthetic crude output. June saw a hefty upward revision of 235 kb/d to preliminary data, largely on higher reported bitumen output. The latter is partly carried forward, leading to a 30 kb/d upward revision to forecast production in 2010. Oil supply in 2010 and 2011 is expected to average 3.3 mb/d. August production at a cluster of fields offshore Newfoundland was not affected by Hurricane Earl on its journey up the eastern seaboard of North America.

Mexico – July actual: Mexican oil production rose marginally in July, to 2.95 mb/d, as output at its largest oilfield, Ku-Maloob-Zaap (KMZ), picked up again to 825 kb/d and production from the Cantarell field was steady at 480 kb/d. Nonetheless, total production has dipped nearly 50 kb/d since the beginning of the year and is expected to fall a further 70 kb/d by year's end. Total oil production in 2010 is forecast to average 2.9 mb/d, falling to 2.8 mb/d in 2011.

North Sea

Norway – June actual, July provisional: In Norway, July oil supply rose to 2.2 mb/d, following heavy seasonal maintenance in June, which took out 325 kb/d of crude output. June data was revised up by 40 kb/d, while preliminary production numbers for July were 110 kb/d lower than forecast. Maintenance in June was most pronounced at the Ekofisk group of fields, but field-by-field data published by the Norwegian Petroleum Directorate (NPD) showed that production levels at the trouble-stricken Gullfaks C platform were not as badly-hit as thought, though other fields such as Tordis were affected too. Pressure problems had forced the evacuation of the Gullfaks C platform in late-May, but operations were reportedly back to normal by mid-July. Annual production estimates are left unchanged, with output in 2010 forecast to average 2.2 mb/d, and set to fall to 2.1 mb/d in 2011.



UK – June actual: Contrary to expectations based on loading schedules for key crude grades, preliminary data showed UK production fell a sharp 250 kb/d to 1.2 mb/d in June, pointing to higher seasonal maintenance. Output is expected to rise to 1.4 mb/d in July, before dipping to 1.3 mb/d again in August, as some more maintenance is undertaken. July saw some problems at the Buzzard field at the end of the month, briefly reducing output to 80 kb/d. Meanwhile, the Maule field started up in July, with expected peak capacity of 12 kb/d to be attained by year-end. By early 2011, the Athena, Bardolino and Burghley fields will add another collective 45 kb/d. A maturing base will nonetheless cause a drop in forecast production from 1.4 mb/d in 2010 to 1.3 mb/d in 2011.

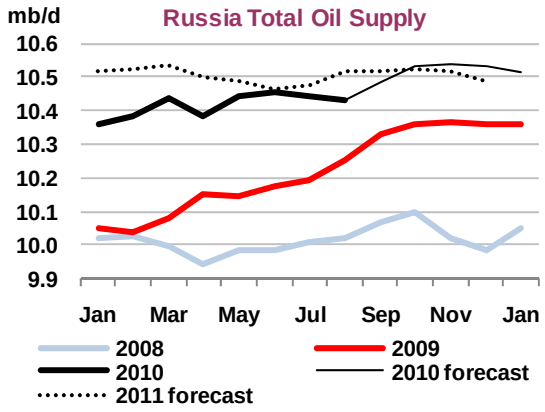
Pacific

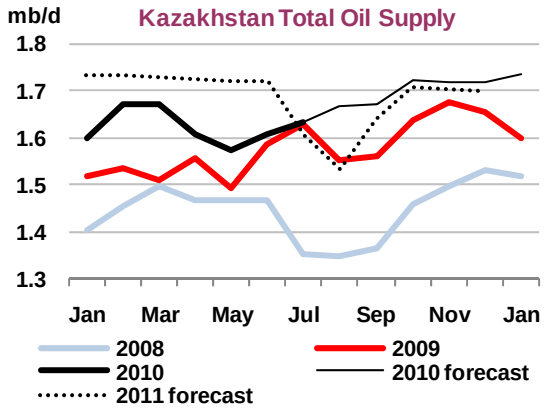
Australia – June actual: Despite production picking up nearly 45 kb/d to 530 kb/d in June on growing output at the Pyrenees field, and higher NGL production, June and subsequent months were revised down on consistent underperformance *vis-à-vis* forecast. In sum, this led to a downward adjustment of

10 kb/d for 2010 and 15 kb/d for 2011, which now see oil production averaging 550 kb/d and 585 kb/d respectively.

Former Soviet Union (FSU)

Russia – July actual, August provisional: In August, Russian oil production fell by 100 kb/d to 10.36 mb/d due to heavy maintenance at the Sakhalin 1 complex. July data was revised up by a marginal 20 kb/d, while August output came in 70 kb/d below forecast, largely on lower production from the Petroleum Sharing Agreements (PSAs), which include the Sakhalin projects and Kharyaga. Annual output forecasts are unchanged, with 2010 expected to average 10.45 mb/d, having grown a strong 240 kb/d over 2009, and rising a more modest 50 kb/d to 10.50 mb/d in 2011.





Kazakhstan – July preliminary: Kazakhstan's oil production rose by nearly 50 kb/d to 1.65 mb/d in July, as maintenance at the large Tengiz field came to an end. Intent on plugging a forecast budget deficit, the government re-introduced a crude export duty in August, which currently amounts to around US$2.70/bbl. Companies involved in the two consortia that operate the large Tengiz and Karachaganak fields are disputing whether their agreements, signed in the low-price era of the 1990s, allow for the tax. Others argue that the government's imposition of the export duty, and its recent suggestion to double it from early 2011, may be largely a bargaining chip with the International Oil Companies (IOCs) active in the country. Many think it likely that the consortium operating Karachaganak may cede a 5-10% share to the government in return for a waiver of the tax. Recent years have seen the government insist on part-ownership of the consortium that is developing the super-giant Kashagan field in an attempt to gain more control over its own natural resources. Total Kazakhstani oil production is forecast to rise from 1.66 mb/d in 2010 to 1.70 mb/d in 2011.

FSU net oil exports hit a new record high in July, increasing by 550 kb/d (+5.9%) to 9.9 mb/d. A cut in the Russian crude export duty improved economics and producers hiked their shipments accordingly, with crude exports inching up to a new record level of 6.8 mb/d (+4.7%). Outflows from the Black Sea climbed by 25% on the month, and together with increased deliveries through the Druzhba pipeline, offset slight falls in shipments from the Baltic and Arctic/Far East. The rise in the Black Sea was led by Novorossiysk, where volumes reached 1 mb/d (+350 kb/d month-on-month), with shipments boosted by the exporting of volumes previously held in port storage. Additionally, the Ukrainian port of Pivdenne profited from maintenance elsewhere as volumes more than doubled on the month but remained depressed compared to pre-June levels. Shipments of products rose by 240 kb/d (+8.3%) to 3.1 mb/d following the end of seasonal refinery maintenance and a reduction in product export duties, which prompted exporters to ship the previous month's held-over cargoes. Fuel oil volumes increased by 120 kb/d while gasoil and 'other products' rose by 60 kb/d each.

It is estimated that crude shipments in August fell back close to their June level following the raising of the crude export tax from $249/tonne to $264/tonne (+6%). However, the fall was likely cushioned by increased crude volumes shipped from Primorsk, where planned maintenance on the Baltic Pipeline System supplying the port was interrupted by wildfires. FSU crude exports will likely not rebound in September, reflecting deteriorating economics as oil prices have fallen while crude export duties rose by a further 4% to $274/tonne. In the near-term, both crude and product exports will likely continue to oscillate based on changes in the oil price-linked tax regime. However, underlying year-on-year growth could be underpinned by eastward shipments through the ESPO. Reports imply that buyers are absorbing the export tax introduced on 1 July, as reflected in 4Q10 cargoes selling for record premia to Dubai crude. In addition, future Kozmino loading schedules show no sign of falling.

FSU Net Exports of Crude & Petroleum Products

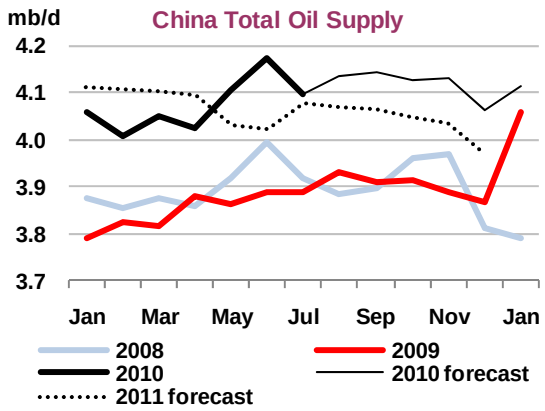
(million barrels per day)

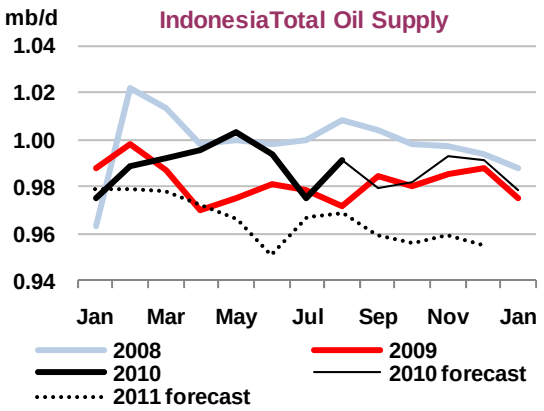
	2008	2009	3Q2009	4Q2009	1Q2010	2Q2010	May 10	Jun 10	Jul 10	Latest month vs. Jun 10	Latest month vs. Jul 09
Crude											
Black Sea	2.06	2.21	2.14	2.15	1.79	2.00	2.15	1.74	2.17	0.43	0.05
Baltic	1.46	1.62	1.59	1.64	1.60	1.63	1.59	1.68	1.60	-0.09	0.05
Arctic/FarEast	0.29	0.46	0.46	0.48	0.71	0.77	0.74	0.81	0.72	-0.09	0.28
BTC	0.67	0.78	0.83	0.76	0.69	0.81	0.83	0.83	0.84	0.01	-0.03
Crude Seaborne	**4.48**	**5.07**	**5.02**	**5.04**	**4.78**	**5.20**	**5.31**	**5.06**	**5.33**	**0.27**	**0.35**
Druzhba Pipeline	1.08	1.12	1.09	1.14	1.13	1.10	1.08	1.13	1.20	0.07	0.14
Other Routes	0.42	0.37	0.37	0.30	0.44	0.35	0.31	0.34	0.30	-0.03	-0.06
Total Crude Exports	**5.98**	**6.56**	**6.48**	**6.48**	**6.36**	**6.65**	**6.70**	**6.53**	**6.83**	**0.31**	**0.42**
Of Which: Transneft	3.98	4.14	4.06	4.13	3.94	3.90	3.96	3.84	4.17	0.33	0.24
Products											
Fuel oil	1.14	1.15	1.21	1.19	1.13	1.29	1.33	1.20	1.32	0.12	0.10
Gasoil	1.03	1.15	1.16	1.12	1.20	1.13	1.24	1.12	1.17	0.06	-0.02
Other Products	0.60	0.69	0.66	0.59	0.73	0.64	0.65	0.57	0.64	0.06	-0.06
Total Product	**2.77**	**2.99**	**3.04**	**2.90**	**3.06**	**3.06**	**3.22**	**2.89**	**3.13**	**0.24**	**0.02**
Total Exports	**8.74**	**9.55**	**9.52**	**9.38**	**9.42**	**9.71**	**9.92**	**9.42**	**9.96**	**0.54**	**0.44**
Imports	0.04	0.04	0.04	0.05	0.05	0.04	0.03	0.05	0.04	-0.01	0.00
Net Exports	**8.70**	**9.51**	**9.48**	**9.33**	**9.37**	**9.67**	**9.90**	**9.37**	**9.92**	**0.55**	**0.44**

Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

Other Non-OPEC

China – July actual: Chinese oil production fell by 135 kb/d to just over 4.0 mb/d in July, largely on lower offshore output and resulting in a modest downward revision. Total 2010 oil supply is now expected to average 4.1 mb/d, still a sharp rise of 0.2 mb/d from 2009, while 2011 production is set to dip again to 4.0 mb/d. In the near-term, Chinese offshore oil production, which has been a major driver of growth, is expected to stagnate. But the government announced recently that it plans to spend $35-45 billion on offshore oil development in the next five years, with an aim to raise total output in this sector to 1 mb/d by 2015 (it averaged 600 kb/d in 2009 and 750 kb/d in July this year).

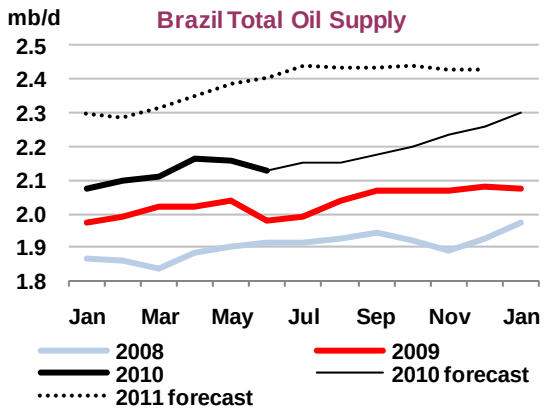


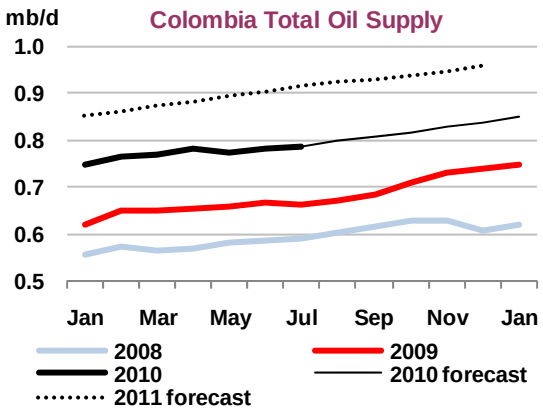


Indonesia – August actual: Indonesia's total oil supply picked up slightly in August, to just below 1.0 mb/d. Upstream regulator BPMigas announced in late August that it had approved 15 new development plans for oil and gas projects, totalling 24 mb of crude and condensate as well as 982 Bcf of natural gas. These should help the country in its stated aim to average total oil production of 965 kb/d in 2010 and 970 kb/d in 2011, despite a mature base with many ageing fields. The new fields are to be developed by a range of international oil companies active in the country, as well as state oil firm Pertamina. At the same time, Pertamina itself announced that it had revised down by half its estimated investment spending for 2010 to around $2.9 billion due to delays at projects and a stronger domestic currency versus the US dollar. However, a large chunk of the curbed investment would have flowed to refinery projects, while other planned spending, such as for the much-delayed Cepu block, are expected to be carried over into 2011 and perhaps beyond.

Our current forecast is for Indonesian oil supply to stay steady at 990 kb/d in 2010 and to dip to 965 kb/d in 2011. The 2010 level is higher than the government target due to an estimated 30 kb/d of gas liquids not accounted for by government crude and condensate production statistics. In our estimation, 2011 production also declines more sharply than the government forecast.

Brazil – June actual: Safety inspections forced a halt to operations on Petrobras's P-33 production platform offshore in the Campos Basin in mid-August. Strikes and protests by an oil workers' union highlighted concerns over safety issues on ageing platforms and unions have since called for suspension of work at other production facilities, including P-31 and P-35. The P-33 platform, which has a production capacity of 60-65 kb/d, was reportedly pumping well below that volume before its closure. The actual impact on production is therefore not yet clear. Meanwhile, the Urugua and Cachalote fields started production in June, with projected peak capacities of 35 kb/d and 100 kb/d respectively. Later in the year, Tupi, the first large-scale development in the pre-salt, is expected to commence ramp-up from its current 20 kb/d pilot volume to its 100 kb/d phase-1 capacity. Total Brazilian oil production (excluding fuel ethanol) is forecast to rise from 2.2 mb/d in 2010 to 2.4 mb/d in 2011. The latter will be Brazil's first year as a net exporter of oil, though significant volumes will only be available to the world market in subsequent years.





Colombia – July actual: Colombian oil supply continued its steady climb as new fields ramped up output. July production came in at 790 kb/d, 130 kb/d higher than July 2009. A blast at the Transandino pipeline in mid-August forced state oil company Ecopetrol to re-route 15 kb/d through Ecuador temporarily.

Export pipelines remain a key constraint to rapidly-growing oil production in Colombia and Ecopetrol intends to invest in boosting capacity in coming years. The company recently announced a plan to invest $4.2 billion to construct a new 450 kb/d line from the eastern Llanos Orientales region to the Caribbean export terminal at Coveñas, which will also be expanded. Pipeline bombings have become far more rare in recent years, as rebel groups' power wanes.

OECD STOCKS

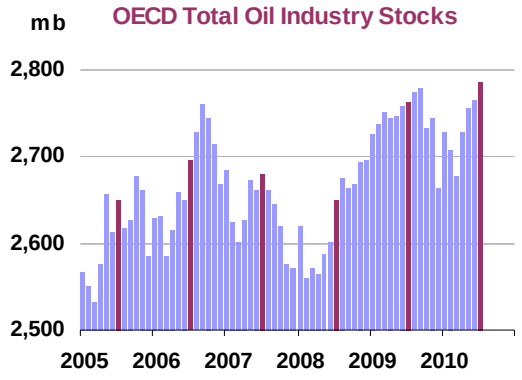
Summary

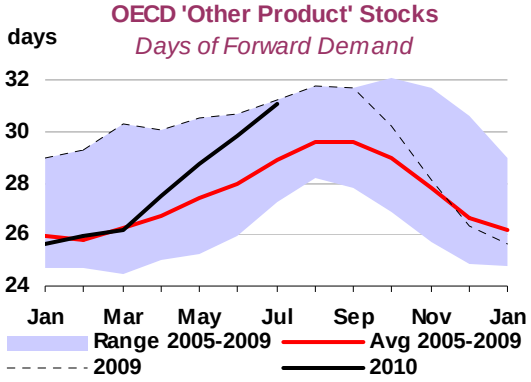
- **OECD industry stocks rose by 19.0 mb to 2 785 mb in July**, approaching the record level of August 1998. However, the increase was less than the five-year average build of 31.7 mb. Products grew by 21.3 mb, with gains concentrated in North American middle distillates and 'other products'. Crude oil stocks fell by 0.6 mb, as draws in Europe and North America outweighed a build in the Pacific.

- **Forward demand cover rose to 61.4 days in July**, up from 61.0 days in June. North American 'other products' cover rose by 2.5 days, while European and North American fuel oil and Pacific motor gasoline cover provided a partial downward offset.

- **Preliminary August data indicate OECD industry oil stocks increased by 8.7 mb**, the fifth consecutive monthly build. Crude oil levels fell by 9.4 mb from the previous month, but the drop was offset by a product gain of 18.2 mb. By comparison, the five-year average stock movement shows a build of 3.2 mb.

- **Short-term oil floating storage fell for the third consecutive month** to 72 mb at end-August, from 90 mb in July. Crude oil fell sharply from 59 mb in July to 37 mb in August on large draws in the Middle East Gulf and US Gulf. A build in Northwest Europe brought product floating storage up to 35 mb.





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

OECD industry stocks rose by 19.0 mb to 2 785 mb in July, driven by steep increases in middle distillates and 'other products' in the US. However, the fourth consecutive monthly increase came up short of the average July build (+31.7 mb) over the past five years. Nonetheless, at 2 785 mb, OECD commercial stocks stood only 11.3 mb below record levels. In August 1998, inventories were assessed at 2 797 mb, the highest level on record since the start of official OECD Monthly Oil Statistics (MOS) reporting in 1984.

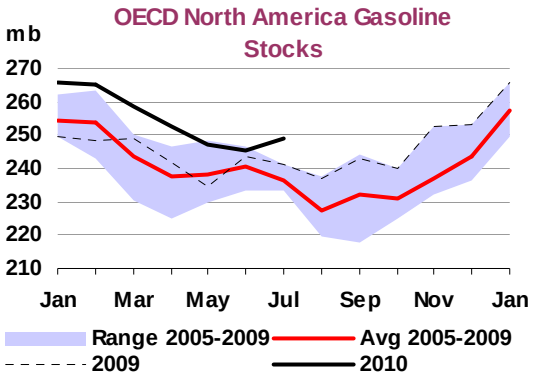
Preliminary Industry Stock Change in July 2010 and Second Quarter 2010

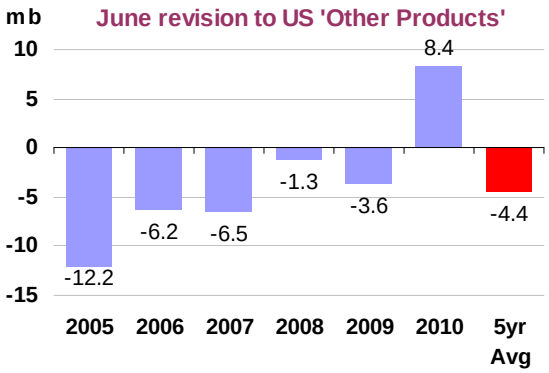
	July (preliminary) *(million barrels)*				July (preliminary) *(million barrels per day)*				Second Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**-2.1**	**-1.6**	**3.1**	**-0.6**	**-0.07**	**-0.05**	**0.10**	**-0.02**	**0.09**	**0.13**	**0.02**	**0.23**
Gasoline	3.9	-2.5	-2.7	-1.3	0.13	-0.08	-0.09	-0.04	-0.15	-0.09	0.01	-0.22
Middle Distillates	11.4	-0.1	0.9	12.2	0.37	0.00	0.03	0.39	0.16	0.05	0.00	0.20
Residual Fuel Oil	-2.3	-1.2	-1.0	-4.5	-0.07	-0.04	-0.03	-0.14	0.02	0.04	0.01	0.07
Other Products	13.4	-0.2	1.6	14.8	0.43	-0.01	0.05	0.48	0.39	0.02	0.09	0.50
Total Products	**26.4**	**-3.9**	**-1.2**	**21.3**	**0.85**	**-0.13**	**-0.04**	**0.69**	**0.43**	**0.01**	**0.11**	**0.55**
Other Oils[1]	-1.5	-0.3	0.1	-1.7	-0.05	-0.01	0.00	-0.06	0.14	-0.03	0.08	0.20
Total Oil	**22.8**	**-5.8**	**2.0**	**19.0**	**0.74**	**-0.19**	**0.06**	**0.61**	**0.67**	**0.11**	**0.21**	**0.99**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

The July build stemmed from sharp, albeit seasonal, gains in North American middle distillates and 'other products' (11.4 mb and 13.4 mb, respectively). The builds increased regional forward demand cover of 'other products' by 2.5 days, while distillate cover rose by 1.2 days. Draws in gasoline and residual fuel oil provided some offset, reducing the overall OECD product stock-build to 21.3 mb. Meanwhile, crude and 'other oil' inventories edged slightly lower (0.6 mb and 1.7 mb, respectively) as draws in North America and Europe offset gains in the Pacific.

Although gasoline inventories fell by 1.3 mb in July, they drew less than the seasonal five-year average of 5.6 mb and forward demand cover rose above the five-year range. In North America, summer is traditionally a season when gasoline stocks fall, but this year stronger refinery output caused inventories to move counter-seasonally up by 3.9 mb in July and preliminary August data point to a further 2.3 mb gain in the US. By contrast, July gasoline inventories in the Pacific and Europe plummeted by 2.7 mb and 2.5 mb, respectively.





May inventory levels were adjusted lower (3.8 mb) as Canada revised crude oil and other product stocks, but a greater upward revision to June readings (6.3 mb) raised the baseline. June's revision implied a 9.2 mb stock build in the OECD, in contrast with a previously reported 0.8 mb draw. Both crude and product stocks came in higher, but the bulk of the baseline change stemmed from an upward revision to US 'other products', contrasting with more typical downward revisions for June based on the five-year average.

Revisions versus 11 August 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	May 10	Jun 10	May 10	Jun 10	May 10	Jun 10	May 10	Jun 10
Crude Oil	**-4.3**	**3.4**	**1.5**	**2.6**	**0.1**	**-2.0**	**-2.6**	**4.0**
Gasoline	0.1	-1.1	0.2	2.0	0.0	0.1	0.3	1.0
Middle Distillates	-0.1	-1.3	0.8	3.4	0.0	0.0	0.7	2.1
Residual Fuel Oil	0.0	-0.9	-0.2	1.8	0.0	0.0	-0.2	0.8
Other Products	-2.1	7.7	0.0	-2.4	0.0	0.4	-2.1	5.7
Total Products	**-2.1**	**4.4**	**0.7**	**4.8**	**0.1**	**0.4**	**-1.3**	**9.5**
Other Oils[1]	0.2	-6.7	0.0	-1.2	0.0	0.6	0.2	-7.3
Total Oil	**-6.2**	**1.1**	**2.3**	**6.1**	**0.2**	**-1.0**	**-3.8**	**6.3**

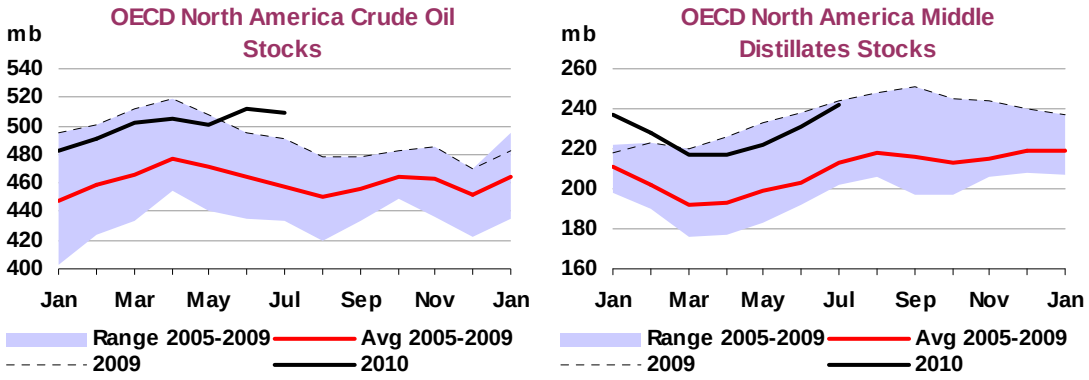
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Preliminary August data point to a 8.7 mb stock build, the fifth in a row, bringing OECD inventories 2.6 mb below the record level of August 1998. Twelve years ago, inventories rose in part due to surging stocks in the US. This year, the build was also triggered by a gain in US inventories, which rose to the highest levels since the start of US weekly reporting. Offsetting decreases came from Japan and Europe, where inventories fell by 7.6 mb and 2.0 mb, respectively.

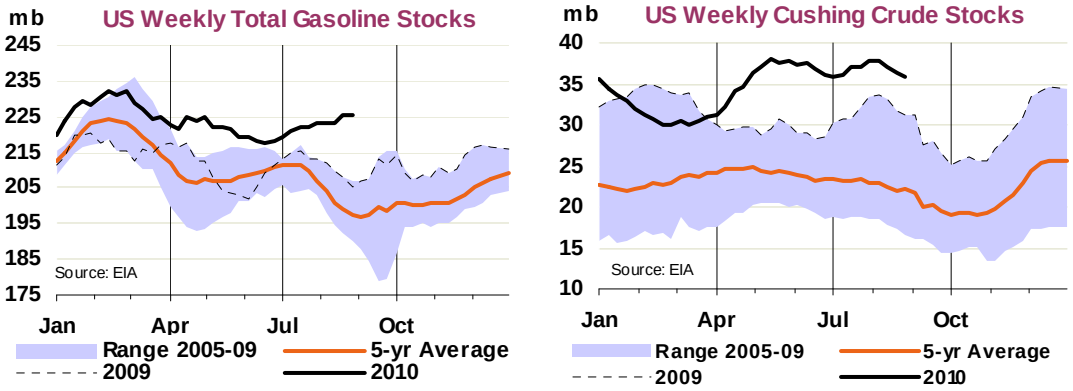
Analysis of Recent OECD Industry Stock Changes

OECD North America

North American commercial inventories rose by 22.8 mb to 1 401 mb in July, building by more than twice the five-year average increase of 9.3 mb. Higher refinery runs in the US pushed crude oil stocks lower by 2.1 mb, while 'other oils' shed a further 1.5 mb. Products built by 26.4 mb, driven by steep increases in middle distillates and 'other products' (11.4 mb and 13.4 mb respectively). A counter-seasonal build in gasoline inventories also contributed to the overall increase.



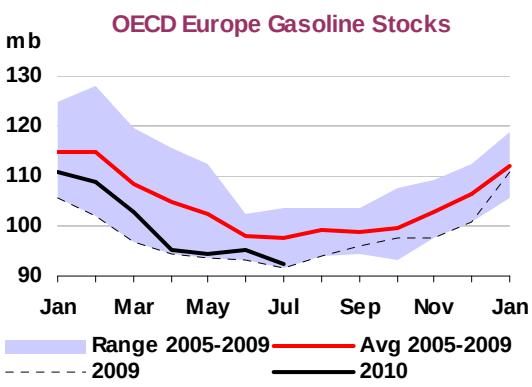
US oil inventories rose by 18.4 mb in August, according to EIA weekly data, reaching the highest level of inventories since the start of US weekly reporting in 1990. The build was driven by crude, middle distillates and gasoline (4.6 mb, 4.6 mb and 2.3 mb, respectively), and it strongly contrasted with a more normal crude- and gasoline-led average draw of 6.2 mb over the past five years. However, inventories held at the NYMEX WTI delivery hub in Cushing, Oklahoma, fell by 2.1 mb to 35.8 mb in August.

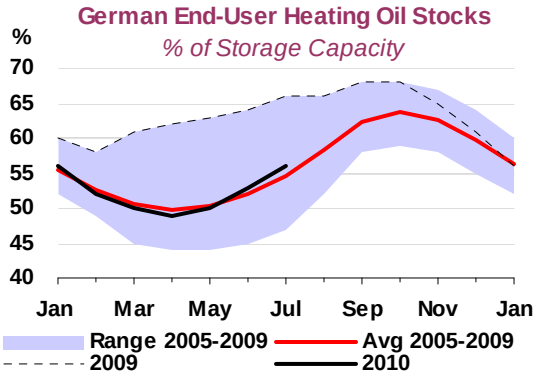


Market uncertainty arising from variable estimates for nameplate and operable storage capacity at Cushing might be about to diminish, however. The EIA, as part of its Energy and Financial Markets Initiative, has begun gathering storage capacity data for crude and products at PADD levels, including tank farms in the Oklahoma counties of Lincoln, Payne, and Creek, commonly accepted as representative of Cushing storage. The data will be collected on a semi-annual basis for March and September and the EIA plans to publish the storage capacity data with the November release of the *Petroleum Supply Monthly* (PSM) report.

OECD Europe

Industry inventories in OECD Europe fell by 5.8 mb to 977 mb in July. Crude and products inventories drew by 1.6 mb and 3.9 mb, respectively, contrasting with the five-year 10.0 mb average build. Crude oil stocks decreased in the UK and France, while builds in Norway and Germany partly cushioned the draw. On the product side, gasoline and residual fuel oil posted the largest decreases (-2.5 mb and -1.2 mb, respectively). Meanwhile, German end-user heating oil stocks rose to 56% of storage capacity in July.

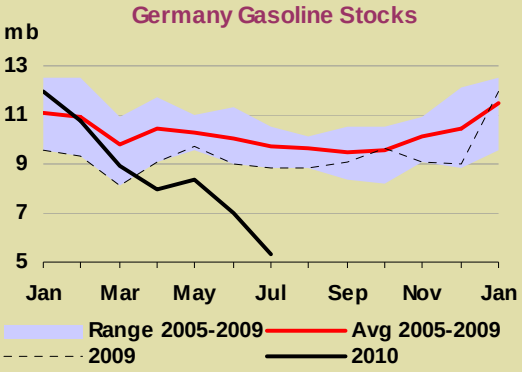




Is Germany short of gasoline?

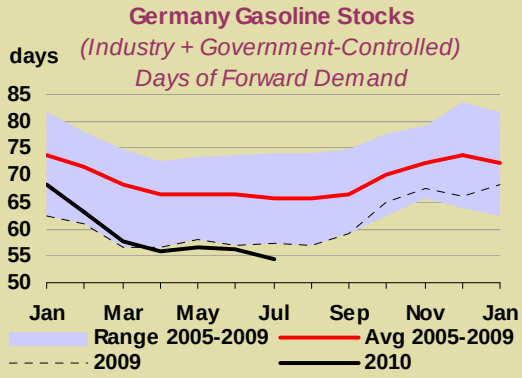
German commercial gasoline inventories declined by more than 50% from January to July 2010. Although stock levels in January built more sharply than usual due to a weather-related drop in gasoline demand, at 11.9 mb the stocks were only 0.8 mb above the five-year average January levels. The subsequent freefall to 5.3 mb in July is more difficult to explain.

Gasoline demand has long been in decline as a result of ongoing dieselisation, possibly accelerated by last year's government stimulus (a kind of cash for clunkers programme). Yet the impact of new cars on fuel efficiency and the number of gasoline-fuelled cars switched for diesel-fuelled ones remain unclear. Dieselisation and more fuel-efficient vehicles, combined with pressure from EU/German legislation requiring 8% biofuels use in 2015 (on an energy content basis), could explain decreasing demand and provide some of the rationale to reduce commercial stock holding.



Meanwhile, refinery output of gasoline declined in line with demand, while yields fell from 24.4% in 1H09 to 22.8% on average in 1H10. Absolute refinery output also fell sharply after a closure of the 260 kb/d hydroskimming refinery in Wilhelmshaven in October 2009 due to poor economics. Upgrading plans were recently cancelled and ConocoPhillips is considering either turning the plant into a storage terminal or selling it. In the latter case, an inventory sell-off prior to a sale of fixed assets could also have contributed to recent gasoline stock-draws.

Germany has traditionally been a net exporter of gasoline, albeit exports have declined. Declining domestic production has seen imports rising, notably from the Netherlands, with inventory draws also potentially having been used to help meet domestic demand.

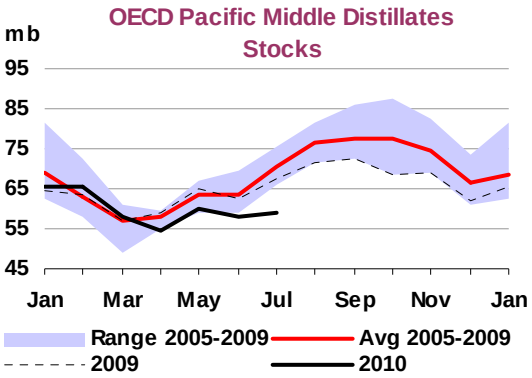


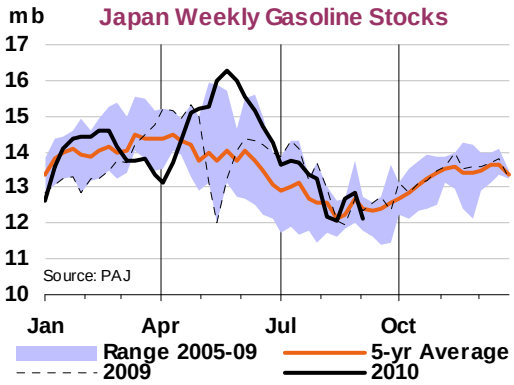
In the bigger picture, commercial gasoline inventories form about 20% of total gasoline stocks in Germany. Sizeable government-controlled stocks were generally stable in 1H10, although trending at the bottom or below the five-year range, and increased marginally in June. As such, the steep commercial stock draw from January to July 2010 brought total gasoline holdings down by a less alarming, but nonetheless significant, 18%. That said, forward demand cover decreased by 14 days to 54.3 days for total stocks, below the five-year range. It will be interesting to see whether re-stocking of winter-grade material and a seasonal increase in throughputs (margins permitting) in coming months generate a more comfortable level of commercial gasoline cover, or whether German gasoline remains one of the few potential areas of European supply tightness through to end-2010.

Product inventories held in independent storage in Northwest Europe rose in August, driven by additions to the gasoil pool. In addition, product floating storage held off Northwest Europe expanded by 4 mb to 18 mb. There was no crude floating storage reported in the region. However, the latest Euroilstock data point to another monthly decrease in the EU-15 plus Norway oil inventories. Crude oil fell by 5.4 mb offsetting a 3.4 mb build in products led by middle distillates.

OECD Pacific

Pacific commercial inventories rose by 2.0 mb to 407 mb in July, as an increase in crude outweighed product draws, mainly concentrated in gasoline and fuel oil. By comparison, stocks built on average by 12.3 mb over the past five years. On the product side, gasoline and residual fuel oil drew by 2.7 mb and 1.0 mb, respectively, partly balanced by a 1.6 mb gain in 'other products'. Crude inventories rose by 3.1 mb, in line with seasonal norms, but they continue to trend below the five-year range.

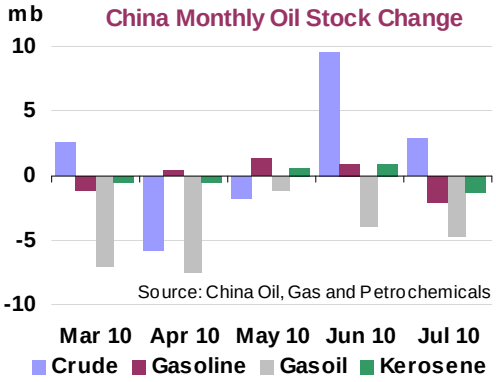


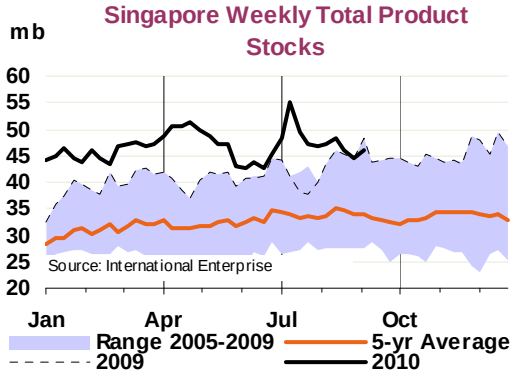


Preliminary weekly data from the Petroleum Association of Japan (PAJ) indicate a 7.6 mb draw in August, contrasting the five-year average build of 8.5 mb. After a period of depressed crude runs, an uptick in Japanese throughput curtailed crude oil stocks by 8.6 mb, while products increased by 1.0 mb, driven by gains in kerosene and gasoil.

Recent Developments in China and Singapore Stocks

In China, crude oil inventories built by 2.9 mb in July, according to *China Oil, Gas and Petrochemicals* (China OGP). Crude imports fell 15% in July as an oil spill required a temporary 10-day closure of Dalian port. The nearby WEPEC and Dalian refineries were short of crude and trimmed runs. As a result, product inventories declined. Gasoil shed 4.8 mb, while gasoline and kerosene fell by a combined 3.5 mb.



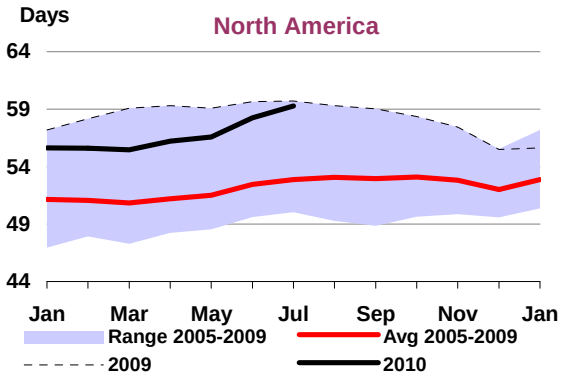


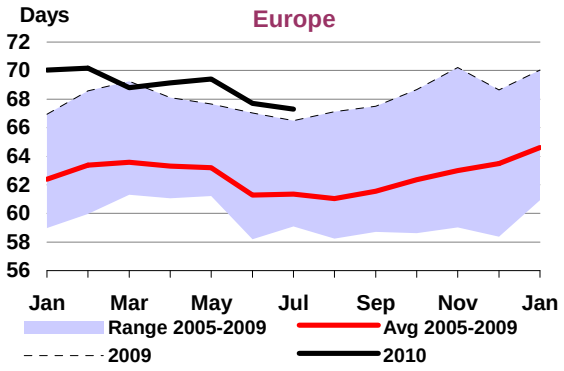
Singapore onshore inventories declined by 1.0 mb to 46 mb in August, according to data from International Enterprise. Middle distillates edged 1.3 mb lower on stronger demand from Indonesia and Vietnam, while fuel oil decreased by 0.9 mb following lower imports and steady bunker demand. An offsetting build came from light distillates as weaker regional demand contributed to a 1.2 mb gain.

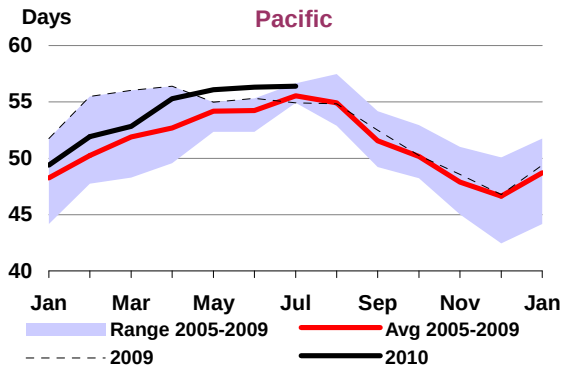
Regional OECD End-of-Month Industry Stocks

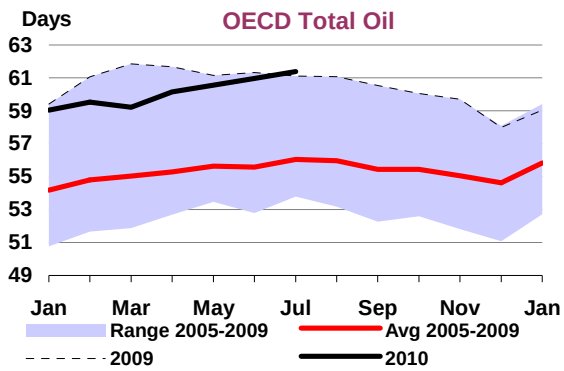
(in days of forward demand and millions barrels of total oil)

Days[1]

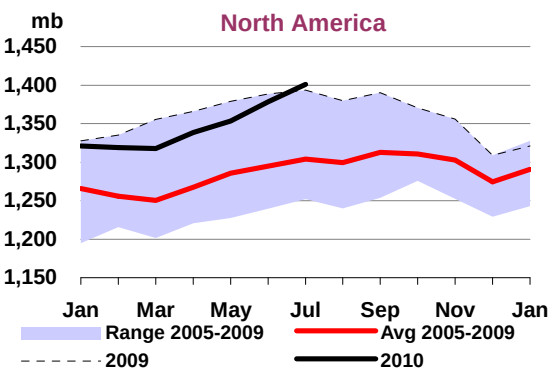


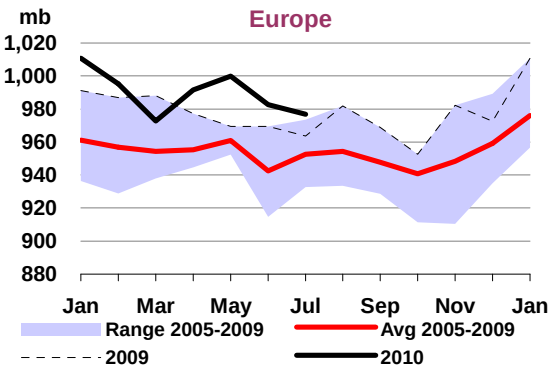


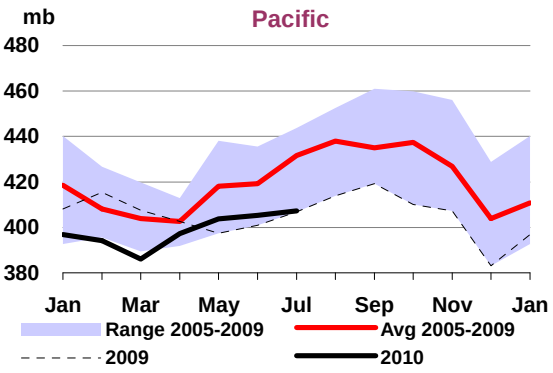


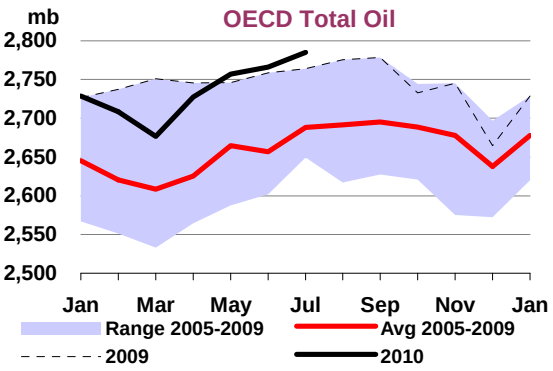


Million Barrels









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

PRICES

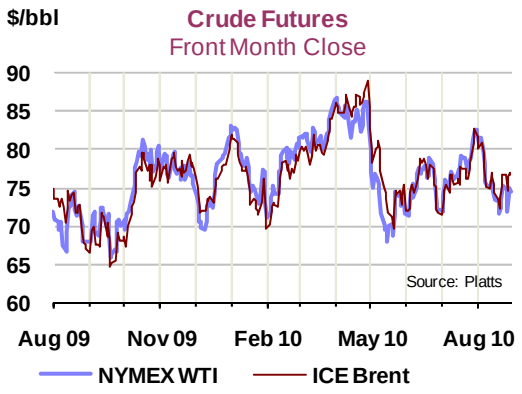
Summary

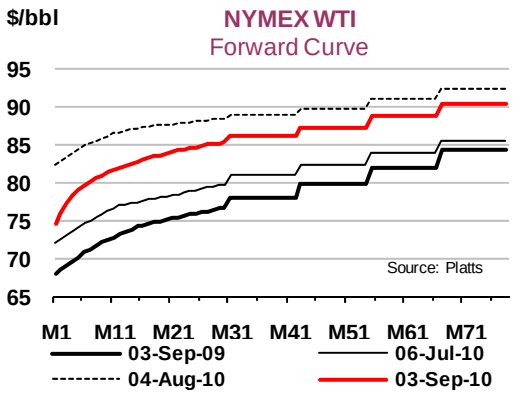
- **Benchmark crude oil futures trended lower during August amid mounting concerns the global economic recovery will slow markedly this year and into 2011.** Continued high levels of global oil stocks and expectations that demand growth will ease in coming months also weighed on prices. A more active-than-normal hurricane season is one of the few props supporting markets and tempering downward price shifts. WTI and Brent futures both averaged close to $77/bbl for the month and by early September were trading in a relatively narrow $75-78/bbl range.

- **Hedge funds and other non-commercial investors in August also signalled a shift in their normally bullish outlook for future oil prices.** Non-commercials cast a vote of no confidence for further price rises above $80/bbl by accumulating a record number of short positions.

- **With an unspectacular US summer driving season formally ended after the Labor Day holiday, gasoline has clearly emerged as the weak link in the US product chain.** Gasoline crack spreads in Atlantic basin markets have plummeted more than 40% from May levels. While gasoil and other middle distillate cracks improved on the month, swelling inventories may yet undermine their strength.

- **Crude tanker rates remained exceptionally soft in August, under pressure from the flotilla of surplus vessels.** Oversupply was most pronounced in East of Suez markets where it negated strong demand. Short-term floating storage of crude fell dramatically by end-August, with the Middle East accounting for 69% of the drawdown. Products storage, however, has seen a recent resurgence in volumes, notably of middle distillates. Floating storage of crude and products now amounts to 72.4 mb, its lowest level since March 2009.





Market Overview

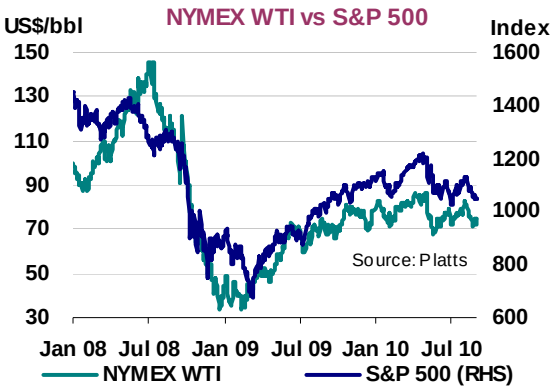
The 'summer time blues' appeared to affect oil markets in August. A more pessimistic outlook for the pace of economic recovery for the rest of the year and into 2011 emerged last month, and appears to have sapped some momentum from the oil market. Prices mirrored weaker sentiment in broader financial markets, with the Dow Jones Industrial Average and S&P 500 posting their worst August since 2001. Equally, continued high levels of global oil stocks also weighed on prices. Benchmark futures trended lower in August but still traded in the middle of the $65-85/bbl range seen over the past year.

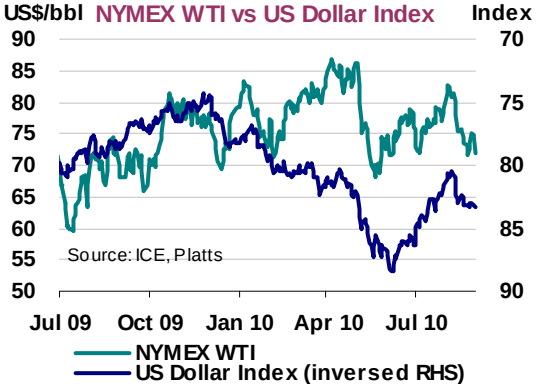
Despite the downturn over the month, average prices in August were up over July levels. WTI prices gained around $0.30/bbl, to an average $76.67/bbl, while Brent futures rose a stronger $1.76/bbl to $77.12/bbl, with the latter's strength due in large part to lower supplies of North Sea crudes as a result of scheduled field maintenance work.

Over the course of August, however, prices steadily eroded on mounting concerns that the economic recovery was stagnating, especially in the US. After a brief run-up in prices in line with hurricane activity in early August, Brent and WTI futures ended the month down by 8% and 12%, respectively. WTI prices fell from around $81.35/bbl on the first of the month to just under $72/bbl at end August. Over the same period, Brent declined from about $80.82/bbl to $74.64/bbl.

In early September, prices briefly snapped back after better-than-expected US and China manufacturing surveys raised the prospect of stronger oil demand growth, with WTI futures posting their biggest one-day gain in nearly a month on 1 September. Benchmark futures prices were trading in a relatively narrow $75-78/bbl range at the time of writing.

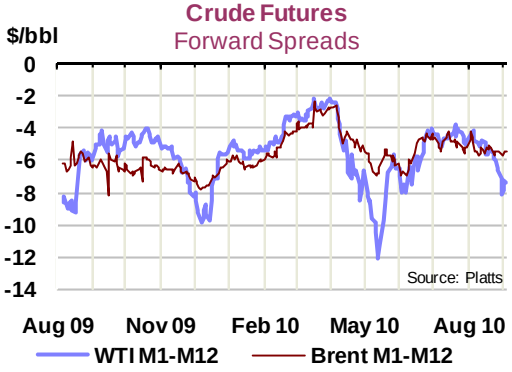
A more active-than-normal hurricane season is one of the few props supporting markets and tempering downward price shifts. Prices briefly moved above the $80/bbl threshold in early August as Hurricane Earl gathered steam, but eased again once the storm passed without inflicting any damage on oil infrastructure. So far this season, there have been three major storms potentially threatening Gulf of Mexico and US East Coast oil installations but none have had a material impact on operations. The 5-year average loss of supply due to hurricane activity between July and November is estimated at 225 kb/d. There has been no damage to oil infrastructure this year and the only significant loss of output due to precautionary shut-in occurred in July, averaging about 100 kb/d. However, meteorologists caution that September is typically the month with the stormiest weather, and we assume a five-year average loss of 500 kb/d. This is already factored into our non-OPEC outlook.





Oil prices have closely tracked macroeconomic expectations and financial market activity over the past year. However, during the past month oil prices diverged from rising equity markets at times, leading analysts to suggest near-term supply and demand fundamentals may be reasserting their influence as the primary driver of oil prices for now at the expense of macroeconomic data. The relatively high global inventory cover is singled out for putting the current cap on any sustained upward price moves above $80/bbl. OECD oil inventories are on track to reach their highest level since 1998.

In the US market, oil inventories are at 20-year highs. Exceptionally high crude stocks, including volumes held at Cushing storage depots, pressured prompt prices, with the contango between the front month WTI futures contracts and forward months steadily deepening, after narrowing in July. The WTI M1-M2 contango increased to around $1.43/bbl in early September, compared to an average of $0.59/bbl in August and just $0.43/bbl in July. The WTI M1-M12 price spreads widened to around $7.50/bbl in early September compared with $5.45/bbl in August and $4.55/bbl in July.



A less-than-stellar summer gasoline season also shone a spotlight on stubbornly high unemployment rates in the US and weaker consumer confidence. Underscoring the weak summer driving season gasoline crack spreads in August were around 40% below May levels. On the NYMEX, heating oil futures started trading at a premium to gasoline futures earlier than usual. While gasoil and other middle distillate crack spreads improved on the month, swelling inventories may yet undermine their strength. Distillate stocks reached 20-year highs in the US while in Europe floating storage levels of mostly gasoil and jet fuel continued to swell by end-August.

In the absence of significant hurricane activity, a growing number of analysts see the current oversupply, coupled with prospects for the global economic recovery to slow markedly this year and next, likely tempering sustained upward price moves. Meanwhile our own supply/demand balance sees little sign of sustained market tightening before well into 2011.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Jun	Jul	Aug	Aug-Jul Avg Chg	% Chg	Week Commencing: 02 Aug	09 Aug	16 Aug	23 Aug	30 Aug
NYMEX										
Light Sweet Crude Oil	75.40	76.38	76.67	0.28	0.4	81.81	78.18	74.86	73.16	74.03
RBOB	87.39	86.58	83.76	-2.81	-3.4	90.84	84.81	81.42	79.39	80.25
No.2 Heating Oil	85.96	84.29	86.27	1.97	2.3	91.48	86.95	84.09	83.29	85.51
No.2 Heating Oil ($/mmbtu)	14.76	14.47	14.81	0.34	2.3	15.70	14.93	14.44	14.30	14.68
Henry Hub Natural Gas ($/mmbtu)	4.78	4.59	4.22	-0.37	-8.8	4.63	4.31	4.20	3.89	3.82
ICE										
Brent	75.66	75.36	77.12	1.76	2.3	81.49	77.77	75.56	74.23	76.24
Gasoil	88.29	86.70	88.52	1.81	2.1	93.39	89.31	86.59	85.30	87.01
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-0.25	1.03	-0.45	-1.47		0.32	0.40	-0.70	-1.07	-2.21
NYMEX No.2 Heating Oil - WTI	10.56	7.91	9.60	1.69		9.66	8.78	9.23	10.13	11.48
NYMEX RBOB - WTI	11.98	10.20	7.10	-3.10		9.02	6.63	6.55	6.23	6.22
NYMEX 3-2-1 Crack (RBOB)	11.51	9.43	7.93	-1.50		9.24	7.35	7.45	7.53	7.98
NYMEX No.2 - Natural Gas ($/mmbt	9.97	9.88	10.59	0.71		11.08	10.62	10.23	10.41	10.86
ICE Gasoil - ICE Brent	12.64	11.35	11.40	0.06		11.90	11.54	11.03	11.07	10.78

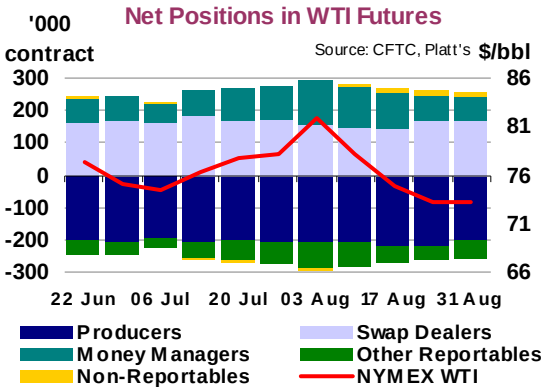
Source: Platts

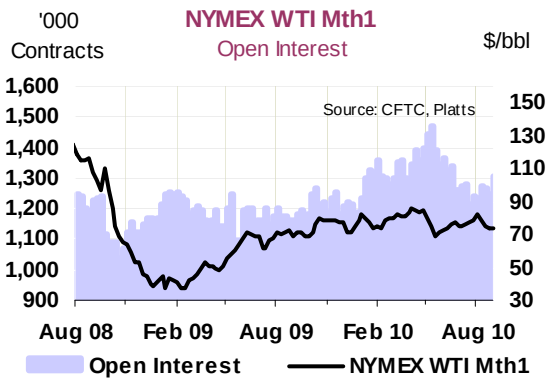
Futures Markets

Hedge funds and other non-commercial investors in August also signalled a shift in their erstwhile bullish outlook for prices. Non-commercials cast a vote of no confidence for further price rises above $80/bbl by taking on a record number of short positions.

Trading activity in crude oil futures on the NYMEX picked up in August after July open interest fell to the lowest level since end-2009, in part due to seasonal slowdown in activity and part due to the narrow trading range. Open interest in NYMEX WTI rose slightly to 1 308 million contracts in August, up 5.6% from July. Money managers switched sides during the month as they unwound long positions at the beginning of August and increased short positions to record levels. Their net long holdings dropped by 87% during August. Other reportables, swap dealers and producers took the other side of the market by increasing their net long positions.

Open interest in NYMEX RBOB gasoline futures fell slightly, to 235 000 contracts. Money managers have practically erased their net long exposure by taking 26 000 new short positions from 6 600 short held at end-July. Money managers have also gone net short in heating oil and natural gas futures (short holdings up by 19 600 and 37 600, respectively).





International efforts to enact stricter trading regulations are moving apace and are likely to take on more prominence when France assumes the head of the G-20 next month. France, considered one of the more ardent proponents of stricter regulation, has sent detailed proposals to the European Commission calling for common action to regulate commodities markets. France's proposals include limiting positions in derivative markets and increasing transparency, notably on the identity of market participants and movements. The French recommendation also sets out guidelines for a more comprehensive European supervisory system for trading commodity derivatives.

Meanwhile, the US Commodity Futures Trading Commission (CFTC) formally withdrew its proposed rule on energy position limits in mid-August as it prepares to issue broader curbs on speculative activity across all commodities, including energy.

Spot Crude Oil Prices and Differentials

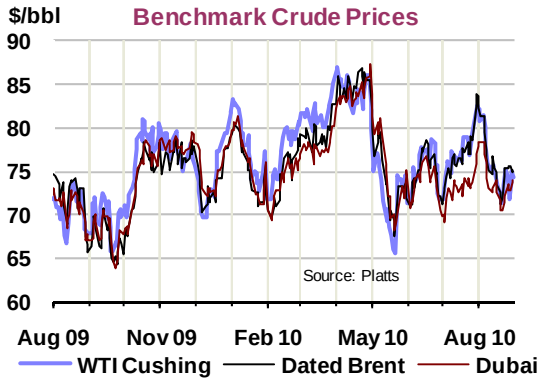
(monthly and weekly averages, $/bbl)

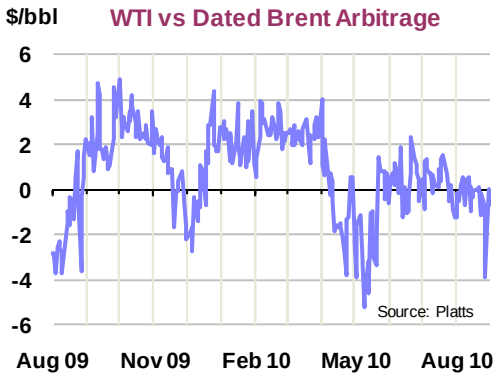
	Jun	Jul	Aug	Aug-Jul Avg Chg	%	Week Commencing: 02 Aug	09 Aug	16 Aug	23 Aug	30 Aug
Crudes										
Dated Brent	74.85	75.64	77.15	1.51	2.0	82.74	78.01	74.99	73.15	75.34
Brent (Asia) Mth1 adjusted	75.25	75.21	76.72	1.52	2.0	80.90	77.95	75.57	73.23	75.50
WTI (Cushing) Mth1 adjusted	75.29	76.32	76.62	0.29	0.4	81.92	78.17	74.84	72.92	73.90
Urals (Mediterranean)	74.37	73.80	75.45	1.66	2.2	79.57	75.69	73.74	72.85	75.18
Dubai Mth1 adjusted	73.99	72.49	74.09	1.60	2.2	77.46	75.08	73.15	71.25	73.36
Tapis (Dated)	77.32	77.63	78.90	1.28	1.6	83.48	79.50	77.46	75.49	78.31
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	0.44	0.68	-0.53	-1.22		-0.82	0.16	-0.16	-0.23	-1.44
Urals (Mediterranean)	-0.48	-1.84	-1.69	0.15		-3.18	-2.32	-1.25	-0.30	-0.16
Dubai Mth1 adjusted - Dated Brent	-0.86	-3.15	-3.06	0.09		-5.28	-2.93	-1.85	-1.90	-1.99
Tapis (Dated)	2.47	1.99	1.76	-0.23		0.74	1.49	2.47	2.34	2.96
Prompt Month Differential										
Forw ard Cash Brent Mth1-Mth2 adj.	-0.62	0.03	-0.43	-0.46		-0.23	-0.42	-0.53	-0.56	-0.42
Forw ard WTI Cushing Mth1-Mth2 adj.	-0.99	-0.42	-0.56	-0.14		-0.44	-0.44	-0.36	-0.68	-1.36

Source: Platts

Spot Crude Oil Prices

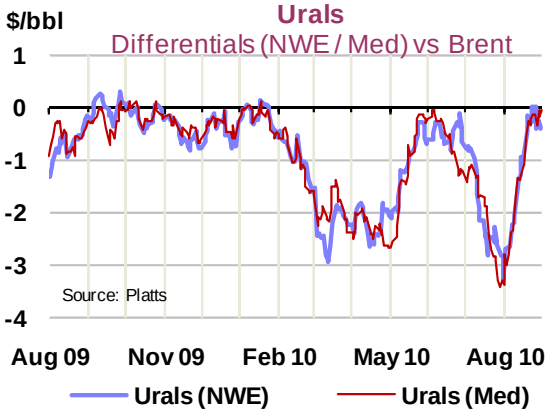
Spot crude oil prices trended lower in August but managed to post month-on-month increases. WTI spot prices rose a modest $0.29/bbl to $76.62/bbl while Dated Brent gained a stronger $1.51/bbl, to $77.15/bbl. Dubai spot prices rebounded smartly from July, up by $1.60/bbl to $74.09/bbl as demand picked up for Middle East crudes. Exceptionally high levels of crude stocks going into a period of significant refinery run cuts during the September-November maintenance season is adding downward pressure on spot markets.

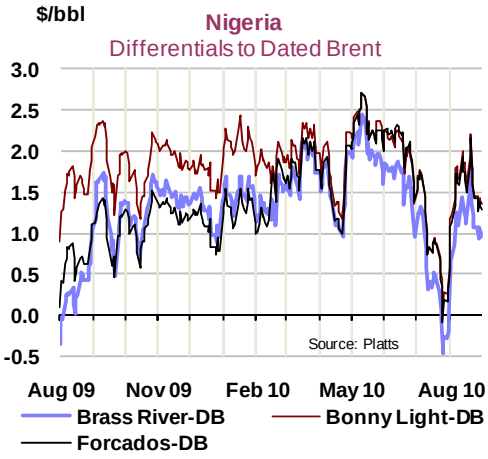




Price trends for Atlantic basin markers WTI and Brent diverged markedly over the past month. The growing glut of stocks in the US added further downward pressure on prompt prices while maintenance work in the North Sea boosted Brent's premium. As a result, WTI was once again trading at a discount to Brent in August, averaging $0.53/bbl for the month versus a premium of $0.68/bbl in July and $0.44/bbl in June. By the end of the first week of September, the spread had widened to a discount of $3.65/bbl.

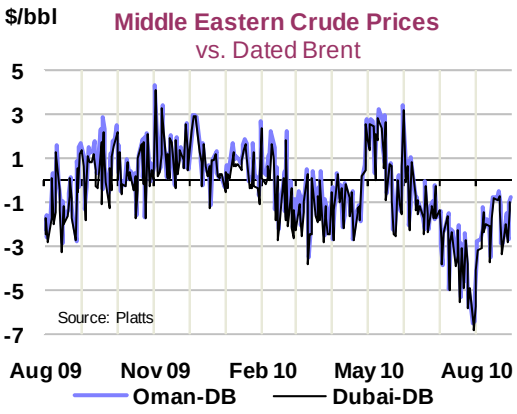
Brent's relative strength also distorted pricing relationships with other crudes pegged to the benchmark at end-July and early-August, especially West African grades, but the differentials gradually recovered over the month.





By contrast, Urals differentials to Brent strengthened smartly over the month due to a scheduled drop in Russian exports in September. In the Mediterranean, Urals discounts to Dated Brent narrowed from around $3.20/bbl in the first week of August versus $0.16/bbl by the last week. But the high prices for Urals eroded refining margins, prompting buyers to seek alternative grades until prices come down.

In Asia, the Brent/Dubai spread also narrowed over the month on stronger demand for Middle Eastern crudes ahead of the peak winter demand season. Dubai's discount to Dated Brent steepened from $3.15/bbl on average in July to around $5.25/bbl in the first week of August before gradually narrowing to just under $2/bbl at end-month.



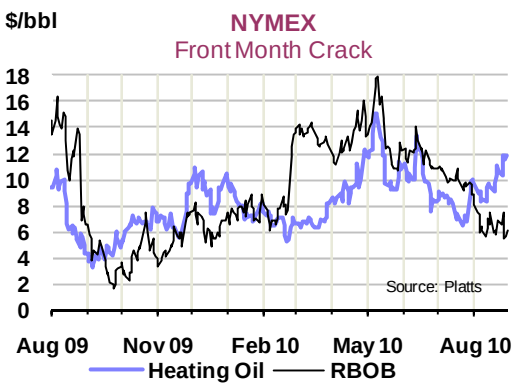
The relative strength of Dubai and stronger demand for Mideast crudes given the upcoming seasonal shift in focus to distillate-rich grades is behind a number of Middle East producers jacking up official selling prices for October. Saudi Aramco raised prices for all crude exports, with European customers seeing the highest increases.

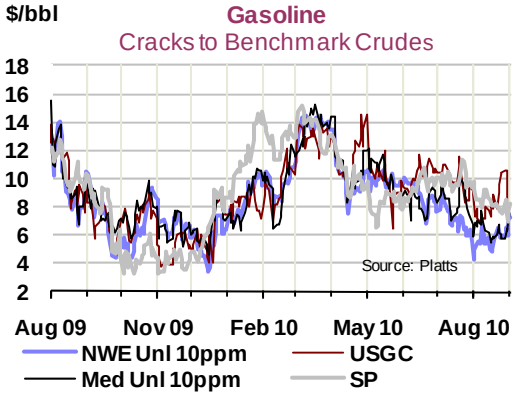
Increments range from a low of $0.45/bbl for Arab Heavy in Northwest Europe to a high of $1.65/bbl for Arab Medium in the Mediterranean. The price hikes are in line with levels seen for competing grades such as Urals. By contrast, US and Asian customers saw smaller increases of $0.05/bbl to $0.15/bbl. Prices for Arab Super Light in Asia were the exception, up a steeper $0.75/bbl on the back of strong naphtha crack spreads.

Spot Product Prices

Even before the official end to what proved to be a disappointing summer gasoline season in the northern hemisphere, market activity shifted to heating fuels and diesel markets. On the NYMEX, heating oil shifted to trading at a premium to gasoline earlier than usual this year. In Asia, gas oil and jet kerosene markets posted the strongest month-on-month increases.

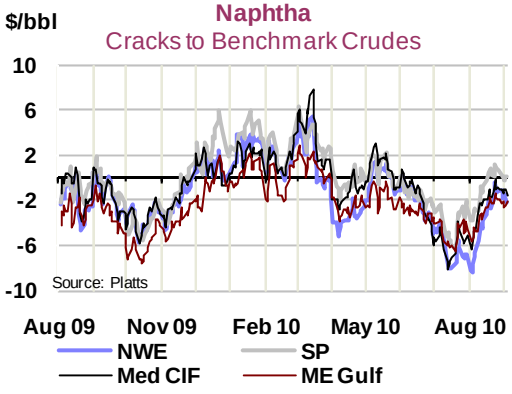
Overall in August spot prices for refined products were higher, bar gasoline in the US and Mediterranean markets. With the unspectacular US summer driving season formally ended after the Labor Day holiday, gasoline has clearly emerged as the weak link in the US product supply chain. Gasoline crack spreads in Atlantic basin markets have plummeted more than 40% from May levels. In New York, crack spreads narrowed to a few cents above $9/bbl in August compared with just under $12/bbl in July, around $13.50/bbl in June and over $16/bbl in May.



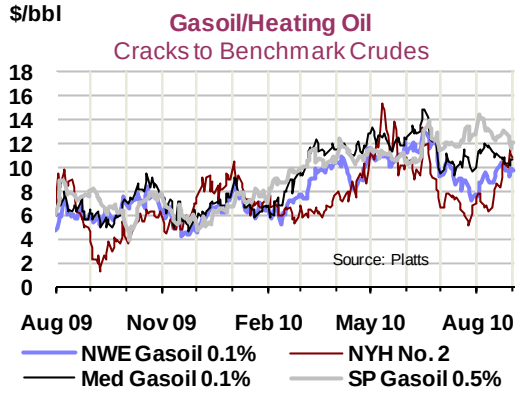


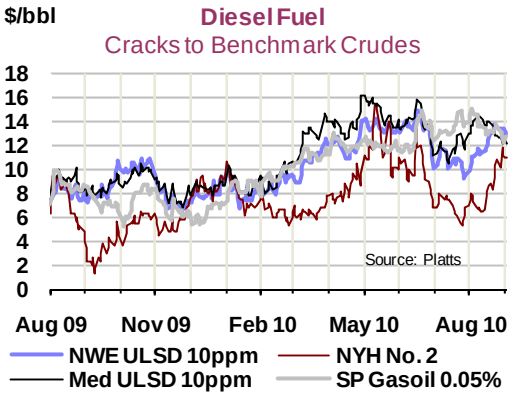
In Europe, weak demand for export cargoes from the US undermined gasoline markets, with cracks now down 50% from the peak 2010 levels reached in March. Differentials to Brent in Northwest Europe fell by about $1.10/bbl to $7.24/bbl in August and are now about half of the average $14/bbl seen in March. In the Mediterranean, Urals cracks were off by $2.08/bbl to $6.33/bbl, about half of March levels of $13.56/bbl.

In Asia, gasoline crack spreads were also weaker with differentials to Dubai in Singapore off $1.50/bbl in August to $8.43/bbl and in Japan down a smaller $1.20/bbl to $10.34/bbl. By contrast, naphtha markets in Asia and Europe rebounded in August on stronger petrochemical demand and a shortage of prompt supplies, with spot prices up month-on-month by $4-5/bbl. The higher spot prices led to a steady improvement in cracks spreads in August but they still remained in negative territory, though differentials to Dubai crude in Singapore briefly turned positive mid-month. In Asia, higher petrochemical buying by China strengthened naphtha crack spreads. Increased spot purchase by Taiwan's Formosa Plastics for its ethylene cracker following the refinery fire also supported naphtha markets. Differentials to Dubai crude in Singapore narrowed to -$0.78/bbl in August compared with -$3.92/bbl in July.



In Europe, naphtha markets were supported by increased purchases from petrochemical buyers due to a shortage of prompt supplies amid refinery cutbacks as well as relatively higher LPG prices. Naphtha differentials to Brent narrowed to -$3.91/bbl in August versus -$6.36/bbl in July.





Markets are now squarely focused on middle distillates. Gas oil and other middle distillate crack spreads improved over the month but high inventories may yet undermine their strength. Distillate stocks reached 20-year highs in the US while in Europe floating storage levels of mostly gas oil and jet fuel continued to swell by end-August. In the Mediterranean, differentials for diesel rose by $1.85/bbl to $13.53/bbl while gas oil gained a smaller $0.78/bbl to $11.19/bbl. In the US heating oil cracks to WTI increased to $8.22/bbl last month compared with $6.81/bbl in July.

Spot Product Prices

(monthly and weekly averages, $/bbl)

	Jun	Jul	Aug	Aug-Jul		Week Commencing:					Jun	Jul	Aug
				Chg	%	02 Aug	09 Aug	16 Aug	23 Aug	30 Aug			
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	85.22	84.00	84.39	0.39	0.5	89.61	85.41	82.10	80.59	83.56	10.37	8.36	7.24
Naphtha	72.76	69.28	73.24	3.96	5.7	75.14	73.51	72.22	71.98	73.54	-2.09	-6.36	-3.91
Jet/Kerosene	88.64	86.68	88.56	1.88	2.2	93.25	89.42	86.46	85.42	87.29	13.79	11.05	11.41
ULSD 10ppm	88.41	86.21	89.05	2.84	3.3	93.19	89.42	87.04	86.66	88.33	13.56	10.57	11.90
Gasoil 0.1%	86.74	84.70	86.35	1.65	1.9	90.91	87.22	84.25	83.32	85.01	11.89	9.06	9.20
LSFO 1%	69.55	71.63	72.86	1.23	1.7	76.73	73.78	71.64	69.79	69.60	-5.31	-4.00	-4.29
HSFO 3.5%	65.72	65.81	68.08	2.27	3.4	71.50	68.83	66.76	65.52	66.25	-9.13	-9.83	-9.07
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	82.79	82.21	81.79	-0.42	-0.5	86.20	82.46	79.51	78.97	82.11	8.42	8.41	6.33
Naphtha	72.61	68.07	73.02	4.94	7.3	74.40	73.22	72.22	72.06	73.71	-1.76	-5.73	-2.44
Jet Aviation fuel	87.06	84.22	86.80	2.58	3.1	91.15	87.36	84.94	83.97	86.02	12.69	10.42	11.35
ULSD 10ppm	88.35	85.48	88.98	3.50	4.1	92.98	89.96	87.47	85.82	87.46	13.99	11.68	13.53
Gasoil 0.1%	87.33	84.21	86.64	2.44	2.9	90.70	87.53	85.00	83.60	85.53	12.96	10.41	11.19
LSFO 1%	68.38	70.97	72.16	1.19	1.7	75.65	72.61	71.43	69.35	69.20	-5.99	-2.83	-3.29
HSFO 3.5%	65.47	65.09	68.33	3.23	5.0	71.57	69.46	67.17	65.52	65.91	-8.90	-8.70	-7.12
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	88.77	88.25	85.73	-2.53	-2.9	93.00	86.64	83.31	81.66	82.39	13.48	11.93	9.11
Unleaded	84.12	83.78	81.74	-2.04	-2.4	88.02	81.96	79.36	78.48	80.22	8.82	7.45	5.12
Jet/Kerosene	88.02	86.30	88.71	2.40	2.8	92.62	88.83	87.26	86.80	87.98	12.73	9.98	12.09
No. 2 (Heating Oil)	85.41	83.14	84.83	1.70	2.0	89.39	84.78	82.78	82.70	84.83	10.11	6.81	8.22
LSFO 1%†	67.89	69.49	71.55	2.06	3.0	74.70	72.45	70.72	69.35	70.02	-7.40	-6.83	-5.06
No. 6 3%†	66.69	67.11	68.55	1.44	2.1	71.05	69.69	67.43	66.50	68.30	-8.61	-9.21	-8.07
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	83.26	82.42	82.52	0.10	0.1	86.54	83.80	81.39	79.09	81.20	9.28	9.93	8.43
Naphtha	72.42	68.57	73.31	4.74	6.9	74.09	74.01	73.39	71.92	73.37	-1.57	-3.92	-0.78
Jet/Kerosene	86.64	85.32	87.15	1.84	2.2	91.56	88.03	85.69	84.03	86.10	12.65	12.83	13.07
Gasoil 0.5%	85.67	84.69	87.14	2.44	2.9	91.33	88.24	85.72	84.14	85.50	11.68	12.21	13.05
LSWR Cracked	67.05	73.40	74.75	1.35	1.8	77.63	75.94	74.71	72.40	70.61	-6.94	0.91	0.66
HSFO 180 CST	67.87	68.63	69.89	1.26	1.8	72.89	70.77	69.00	67.63	68.13	-6.11	-3.86	-4.20
HSFO 380 CST 4%	69.21	69.36	70.49	1.13	1.6	73.27	71.44	69.73	68.22	69.10	-4.78	-3.13	-3.60

Source: Platts * CIF † Cargoes

Refining Margins

The picture for refining margins was mixed in August. Average monthly margins in North West Europe (NWE) and Singapore improved, US West Coast margins fell, while Mediterranean, US Gulf Coast and Chinese margins saw diverging trends. Despite some increases from early-August lows, margins in general remain poor by historical standards and underpin a fairly cautious outlook for refinery crude runs in coming months. North West European margins inched higher in August from early month lows, as product cracks, especially for distillates, improved on tighter supplies. In the Mediterranean, margins were mixed. Urals cracking and hydroskimming margins improved on average in August on better middle distillate, naphtha and fuel oil cracks, but as Urals strengthened relative to Brent during the months, margins also deteriorated. Es Sider margins moved slightly lower.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jun 10	Jul 10	Aug 10		Aug 10-Jul 10	06 Aug	13 Aug	20 Aug	27 Aug	03 Sep
NW Europe	Brent (Cracking)	3.29	0.78	1.06	↑	0.27	-0.41	0.84	1.19	2.21	2.23
	Urals (Cracking)	3.10	1.92	2.06	↑	0.13	1.80	2.59	1.98	2.01	1.88
	Brent (Hydroskimming)	0.76	-1.31	-0.89	↑	0.41	-2.63	-1.13	-0.57	0.41	-0.01
	Urals (Hydroskimming)	-1.96	-2.74	-2.28	↑	0.46	-2.96	-1.80	-2.11	-2.03	-2.72
Mediterranean	Es Sider (Cracking)	1.29	0.98	0.61	↓	-0.37	0.53	0.86	0.57	0.67	0.29
	Urals (Cracking)	1.66	0.89	0.94	↑	0.06	0.69	1.45	1.01	0.91	0.39
	Es Sider (Hydroskimming)	-3.27	-2.90	-3.05	↓	-0.15	-3.53	-2.93	-2.73	-2.76	-3.75
	Urals (Hydroskimming)	-4.17	-4.80	-4.00	↑	0.81	-4.70	-3.42	-3.63	-3.87	-5.02
US Gulf Coast	Bonny (Cracking)	-0.72	-0.54	-1.52	↓	-0.97	-1.88	-2.52	-1.64	-0.27	-0.63
	Brent (Cracking)	-0.80	-1.94	-2.76	↓	-0.82	-4.16	-3.73	-2.50	-0.94	-1.84
	LLS (Cracking)	0.04	-0.68	-1.00	↓	-0.32	-1.96	-2.02	-0.97	0.35	-0.34
	Mars (Cracking)	0.14	-0.10	0.25	↑	0.34	-1.06	-0.38	0.13	1.70	0.95
	Mars (Coking)	2.01	1.48	2.01	↑	0.53	0.88	1.11	1.89	3.49	2.68
	Maya (Coking)	5.75	3.65	3.31	↓	-0.34	2.61	2.18	3.45	4.34	4.16
US West Coast	ANS (Cracking)	1.78	1.50	0.99	↓	-0.51	1.18	0.96	0.47	1.97	-0.27
	Kern (Cracking)	5.48	4.63	3.22	↓	-1.41	3.65	2.27	3.05	5.00	3.55
	Oman (Cracking)	1.38	4.15	1.19	↓	-2.96	3.57	1.37	-0.02	1.37	-1.21
	Kern (Coking)	15.65	14.47	11.33	↓	-3.14	13.80	11.36	10.01	11.63	9.22
Singapore	Dubai (Hydroskimming)	-2.74	-1.53	-1.28	↑	0.25	-1.46	-1.46	-1.36	-0.82	-1.61
	Tapis (Hydroskimming)	-3.32	-3.68	-2.94	↑	0.73	-4.34	-2.76	-2.29	-2.01	-3.84
	Dubai (Hydrocracking)	-0.67	0.14	0.52	↑	0.39	0.53	0.37	0.34	0.84	0.29
	Tapis (Hydrocracking)	-1.45	-3.18	-2.26	↑	0.91	-3.57	-2.15	-1.79	-1.36	-2.57
China	Cabinda (Hydroskimming)	-6.52	-2.99	-2.77	↑	0.22	-4.45	-2.36	-1.88	-2.02	-3.79
	Daqing (Hydroskimming)	-4.52	0.40	-0.29	↓	-0.69	0.03	-0.21	-0.15	0.08	-2.53
	Dubai (Hydroskimming)	-2.48	-1.27	-1.09	↑	0.17	-1.25	-1.26	-1.19	-0.65	-1.44
	Daqing (Hydrocracking)	-0.72	2.07	1.39	↓	-0.67	1.79	1.34	1.30	1.69	0.12
	Dubai (Hydrocracking)	-0.34	0.48	0.78	↑	0.30	0.80	0.64	0.59	1.10	0.54

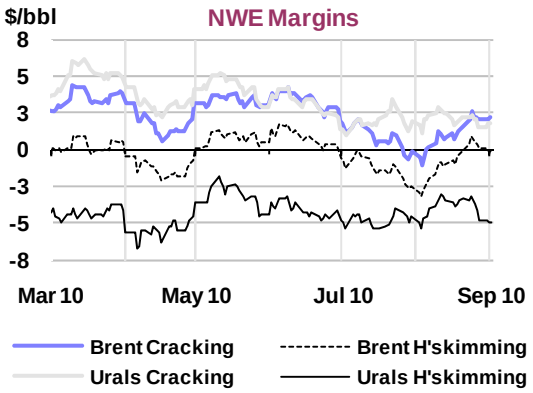
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

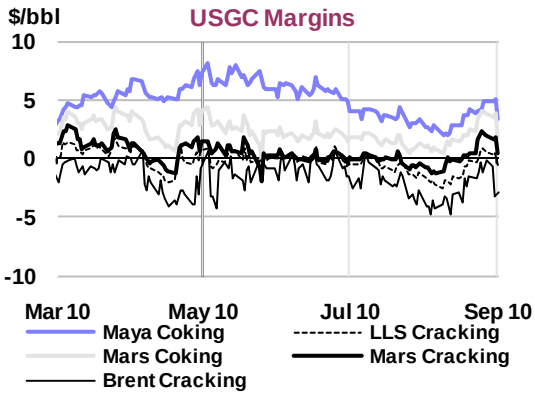
*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.

Sources: IEA, Purvin & Gertz Inc.

US margins were also mixed in August. US Gulf Coast margins fell on average in the month, except for Mars, though generally rose in the second half of August. Sharply lower throughputs reduced supplies, pushing gasoline cracks and margins higher in the second half of the month, with approaching Atlantic storms likely also playing a psychologically supportive role. On the West Coast, margins all fell in August in line with sliding gasoline prices. The end of the driving season and high product inventories saw regional gasoline prices plummet; Los Angeles RBOB spot prices fell from $96.45/bbl at the end of July to $84.80/bbl at the end of August.

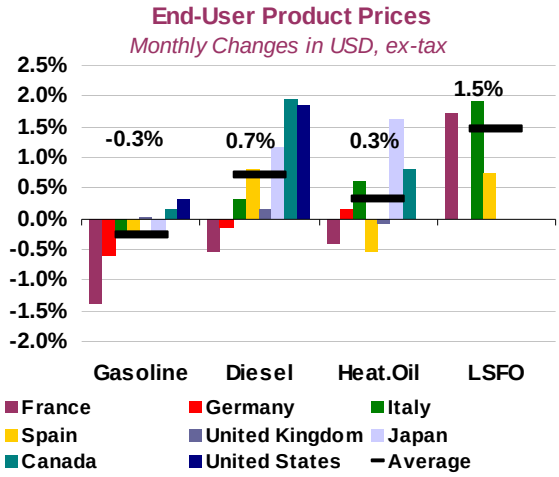
Singapore margins increased over the month, with Dubai hydrocracking remaining positive and Tapis improved from the very low levels seen at the beginning of August.





End-User Product Prices in August

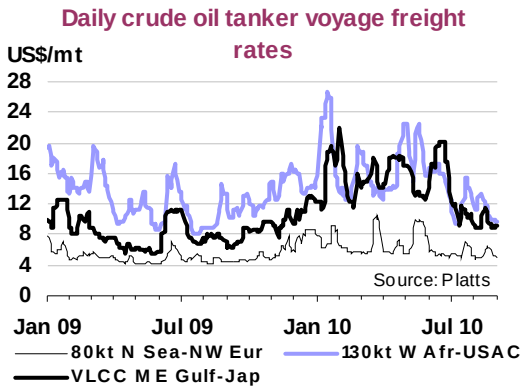
End-user prices in US dollars, ex-tax, continued July's increases, rising in August by a slight 0.5% across the IEA region. Price rises were led by low-sulphur fuel oil which increased by, on average, 1.5% with notable increases in Italy (+1.9%) and France (+1.7%). On the same basis, gasoline weakened by an average 0.3% with only the US (+0.3%) and Canada (+0.1%) reporting price increases. The average IEA diesel price inched up by 0.7% with only France (-0.5%) and Germany (-0.2%) experiencing price contractions.

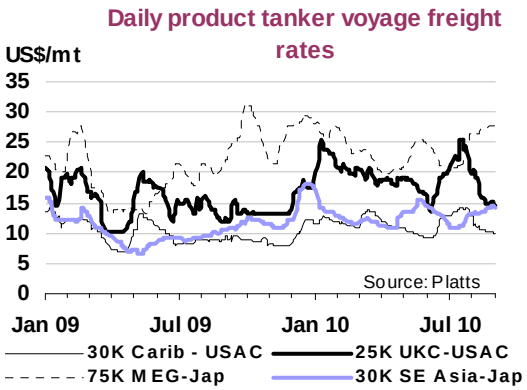


The effect of the weakening US dollar, which increases the purchasing power of non-US users, is evident when prices in national currencies are examined. Gasoline pump prices fell across all surveyed countries by between 0.2% (Canada) and 1.5% (Japan), except in the US where they increased by 0.3%. Forecourt gasoline prices averaged $2.73/gallon in the US, ¥134/litre in Japan and £1.16/litre in the UK. In continental Europe, prices ranged from €1.17/litre in Spain to €1.39/litre in Germany. Forecourt diesel price trends were geographically distinct, prices decreasing slightly in Japan and Europe while rising significantly in North America. End-user diesel prices averaged $2.95/gallon in the US, ¥114/litre in Japan and £1.19/litre in the UK whilst in the Eurozone they ranged from €1.08/litre in Spain to €1.21 in Italy.

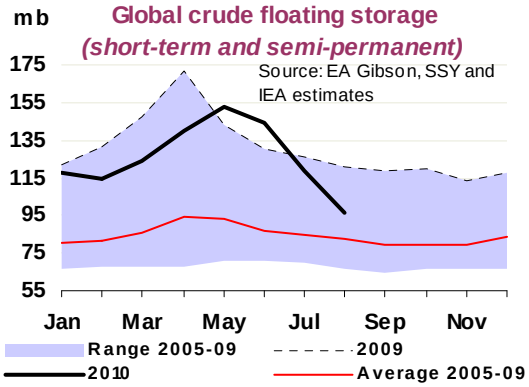
Freight

Dirty tanker rates remained exceptionally soft in August, reflecting the pressure of abundant tonnage on the market. As with July, oversupply was most pronounced in East of Suez markets where it negated high demand. VLCC rates on the benchmark Middle East Gulf – Japan route stayed close to break-even levels. Rates began and ended the month at approximately $9/mt, although some mid-month respite was felt as rates briefly rallied close to $12/mt as charterers fixed date-specific cargoes for delivery by month-end. The Suezmax market fared even worse, with rates falling below break-even levels following low demand for cargoes of Brent-pegged, West African grades which traded at a premium to benchmark US and Asian crudes. Rates on the benchmark West Africa – US Atlantic Coast route plummeted to below $10/mt by early September, their lowest level in a year.





As in July, the clean tanker market performed slightly better, albeit with geographical variations. East of Suez markets fared particularly well with strong demand for vessels to ship products to and from Asian markets helping to keep the market firm. Rates on the benchmark Aframax Middle East Gulf – Japan and Handymax Singapore – Japan routes gained $1/mt over the month to stand at $28/mt and $14/mt, respectively. Atlantic Basin markets fared poorly with scant transatlantic gasoline trade keeping demand low and tonnage high, and even the deployment of extra vessels for floating storage in North West Europe could not lift rates from their malaise. By month-end, the benchmark trades between the UK and US Atlantic Coast and Caribbean and US Atlantic Coast stood $5/mt and $3/mt respectively below a month earlier.



Short-term floating storage of crude fell dramatically by 22.0 mb to stand at 37.0 mb by end-August, despite a widening contango. The Middle East accounted for 69% (15.2 mb) of the crude draw, as Iran managed to offload some of its unsold cargoes. The remainder of the fall was accounted for by the US Gulf (-4.8 mb) and Asia Pacific (-2.1 mb). Crude now accounts for 51% of floating storage, a sharp contrast to end-May when it accounted for 73%. This broadly reflects changing storage economics, which eroded throughout June and July in line with the flattening of the forward price curve. Products storage however, has seen a recent resurgence with clean volumes, notably middle distillates, rising to 35.3 mb (+4.2 mb) by end-August with rises in North West Europe (+4.1 mb) and the Mediterranean (+0.3 mb). Floating storage of crude and products now amount to 72.4 mb, its lowest level since February 2009.

The pressure on dirty freight rates is emphasised by the recent changing dynamics of the storage fleet. EA Gibson shipbrokers report that by end-August the fleet contained its lowest level of VLCCs (18) since December 2008, following a fall of 11 VLCCs on the month. In contrast, six more vessels of Aframax size or smaller were being used for storage compared to a month earlier.

REFINING

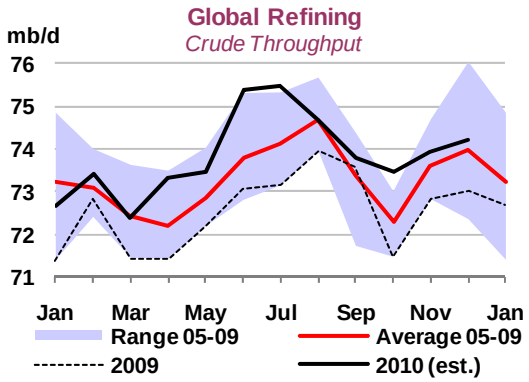
Summary

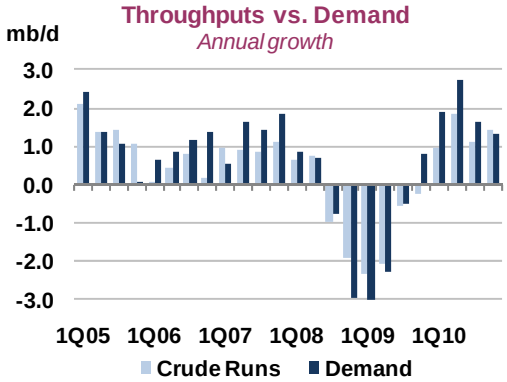
- **Global refinery crude throughputs** for 2Q10 have been revised up by 115 kb/d to average 74.1 mb/d since last month's report, following higher-than-expected runs in the US, Brazil, Thailand and Saudi Arabia for June. Global crude runs are expected to increase by 600 kb/d in 3Q10, due to a seasonal lull in maintenance in Europe and the Pacific and higher runs in the FSU, the Middle East and Latin America. Annual growth remains dominated by China (+550 kb/d) and the US (+300 kb/d), partially offset by continued outages in Latin America (-340 kb/d).

- **4Q10 global refinery crude runs** are expected to fall back from the high levels seen in 2Q10/3Q10, in line with an expected slowdown in oil product demand growth in the second half of this year, to average 73.9 mb/d. This is 780 kb/d lower than 3Q10 runs, but still an impressive 1.4 mb/d above a year earlier. All regions are expected to record year-on-year growth, bar Latin America, where continued outages restrict runs.

- **OECD crude runs** averaged 37.5 mb/d in July, 120 kb/d higher than both June and our previous estimate. Higher-than-expected throughputs in Europe more than offset downwardly revised North American and Pacific runs. Total OECD crude runs have been left unchanged at 37.0 mb/d for 3Q10 but are seen falling to 35.5 mb/d in 4Q10 on increased maintenance and continued sluggish demand in the OECD.

- **June OECD refinery yields** increased for most products bar gasoline. Gasoil/diesel rose 0.56 percentage points (pp), naphtha 0.06 pp, jet fuel 0.04 pp, fuel oil 0.05 pp and other products 0.02 pp while gasoline yields fell 0.36 pp compared to May data. OECD refinery gross output continued its upward trend, increasing over 1 mb/d and narrowing the 5-year average deficit to just shy of 500 kb/d.

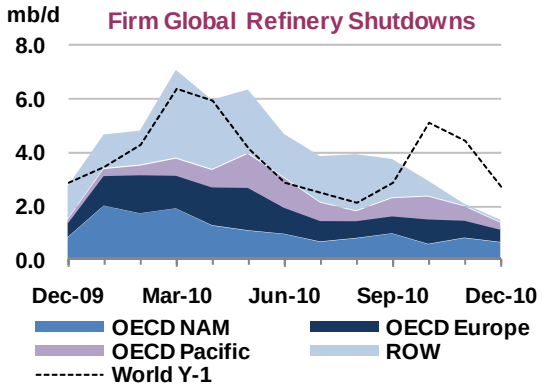


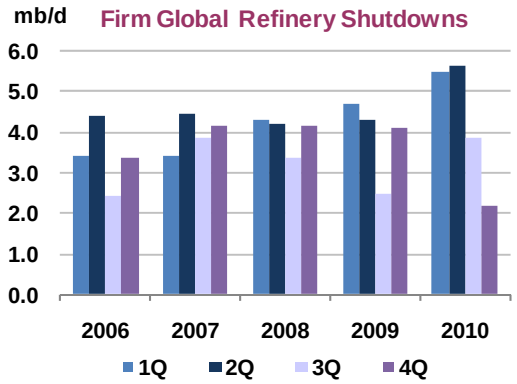


Global Refinery Throughput

2Q10 global refinery crude throughputs have been revised up by 115 kb/d from last month's report, to average 74.1 mb/d. The bulk of the change came from the OECD, where monthly submitted June data for the US were 230 kb/d higher than the weekly data had indicated, only partly offset by lower Pacific runs. Non-OECD 2Q10 crude runs are globally unchanged since last month's report, although this masks offsetting revisions for individual countries. Higher-than-expected crude runs in Brazil, South Africa, Thailand and Saudi Arabia in June were offset by slightly lower throughputs in April and May for a number of countries. Global annual growth in 2Q10 now stands at 1.84 mb/d, of which 57% is accounted for by China, 41% by North America and 20% by Other Asia. Lower runs in Latin America and to a lesser extent the Middle East and Europe provide a partial offset to this growth.

In 3Q10, global refinery activity is likely to show a continued increase, adding another 600 kb/d to the total, in line with seasonal patterns. Scheduled maintenance normally hits a low point in 3Q before again restraining runs in 4Q. For 2010, refinery shutdowns are estimated to fall from just over 5.6 mb/d in 2Q, to 3.8 mb/d in 3Q10. Although information on scheduled outages for the fourth quarter is still incomplete (as seen in the graph below), we expect actual outages to increase at the tail end of the year in line with historical norms.





As such, 4Q10 global refinery crude runs are seen falling back to 73.9 mb/d, though still maintaining an impressive year-on-year recovery. Runs average 1.4 mb/d above 4Q09's depressed levels, with growth stemming from all regions, bar Latin America, where runs still lag year-ago levels due to outages and shut capacity. An expected slowdown in global demand growth in the second half of the year will likely again put pressure on refiners to show restraint and reduce run rates beyond planned maintenance in order to support refining margins. In this forecast, we continue to exclude a restart of PDVSA's Curaçao refinery until progress is made in resolving the technical problems, which caused the refinery to shut in March 2010. We are also excluding a restart of Valero's Aruba refinery, as the company is only planning to make a decision on whether to resume operations once turnarounds are completed (late-October), depending on the market situation and the state of the refinery. If either of these refineries were to be brought back on line, US Gulf Coast profitability could be further undermined, forcing additional reductions.

Global Refinery Crude Throughput[1]

(million barrels per day)

	May 10	Jun 10	**2Q2010**	Jul 10	Aug 10	Sep 10	**3Q2010**	Oct 10	Nov 10	Dec 10	**4Q2010**
North America	18.1	18.3	18.2	18.4	18.0	17.4	17.9	17.1	17.0	17.0	17.1
Europe	12.0	13.1	12.4	12.8	12.6	12.5	12.6	12.1	12.0	12.0	12.0
Pacific	6.2	5.9	6.2	6.3	6.7	6.3	6.4	6.1	6.4	6.7	6.4
Total OECD	**36.3**	**37.3**	**36.8**	**37.5**	**37.3**	**36.2**	**37.0**	**35.3**	**35.4**	**35.8**	**35.5**
FSU	6.0	6.2	6.2	6.4	6.4	6.2	6.4	6.3	6.5	6.5	6.4
Non-OECD Europe	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.5	8.6	8.5	8.3	8.3	8.5	8.4	8.7	8.8	8.9	8.8
Other Asia	8.8	8.9	8.8	8.9	8.6	8.8	8.8	8.9	8.9	8.9	8.9
Latin America	5.0	5.1	5.0	5.1	5.0	5.2	5.1	5.3	5.3	5.2	5.3
Middle East	5.9	6.0	5.9	6.1	6.0	6.1	6.1	6.0	6.0	6.0	6.0
Africa	2.3	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Non-OECD	**37.1**	**38.1**	**37.3**	**38.0**	**37.4**	**37.6**	**37.7**	**38.2**	**38.5**	**38.5**	**38.4**
Total	**73.5**	**75.4**	**74.1**	**75.5**	**74.7**	**73.8**	**74.7**	**73.5**	**73.9**	**74.2**	**73.9**

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

OECD crude throughputs averaged 37.5 mb/d in July, 120 kb/d above June runs and our previous estimate (and 1.1 mb/d above July 2009). OECD Pacific runs added 350 kb/d from a month earlier, as seasonally rising throughputs in Japan were partly offset by lower runs in South Korea. Pacific maintenance fell sharply, from 1.1 mb/d in June to 0.7 mb/d in July. Offline capacity fell further in August, to a seasonal low point of 0.4 mb/d. Indeed, weekly data for Japan show runs there increasing by another 290 kb/d, to average 3.59 mb/d.

The increased activity in the Pacific was offset by a contraction in European runs from June's more robust levels. European crude throughputs hit an 18-month high in June, supported by improved margins and turnaround completions, but are thought to have fallen back since as profitability deteriorated sharply over July and into early August (before recovering by end-month). French refinery runs bucked the trend and posted a 115 kb/d increase in July, in line with lower maintenance. North American runs were steady in July from a month earlier, but an impressive 755 kb/d above the same month a year ago. Preliminary data for August point to a sharp decline in refinery runs in the US, particularly on the US Gulf Coast in the second half of the month. Although increased maintenance accounted for a share of the decline, deteriorating economics also played its part.

Refinery Crude Throughput and Utilisation in OECD Countries

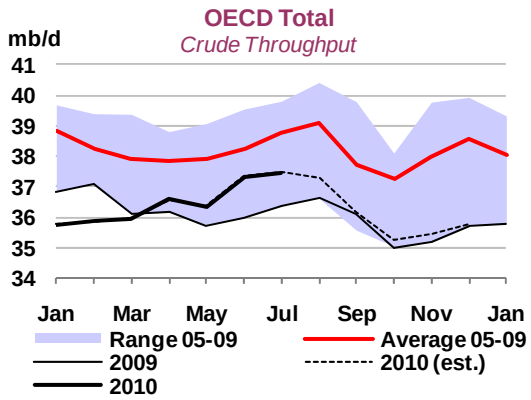
(million barrels per day)

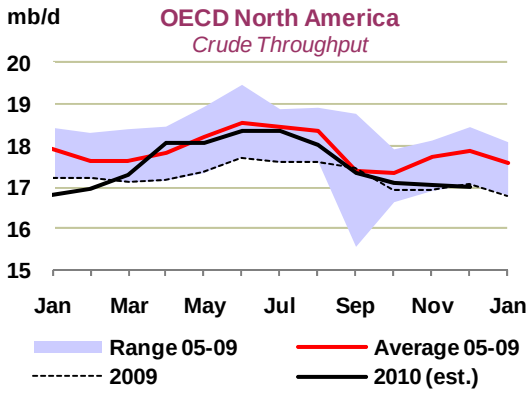
							Change from		Utilisation rate[1]	
	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Jun 10	Jul 09	Jul 10	Jul 09
US[2]	13.97	14.30	15.12	15.22	15.39	15.43	0.04	0.80	87.5%	83.0%
Canada	1.75	1.74	1.69	1.63	1.75	1.71	-0.04	-0.05	87.0%	89.5%
Mexico	1.24	1.25	1.26	1.23	1.20	1.21	0.02	0.00	71.7%	78.5%
OECD North America	**16.96**	**17.29**	**18.07**	**18.08**	**18.33**	**18.35**	**0.02**	**0.76**	**86.2%**	**83.3%**
France	1.30	1.45	1.46	1.35	1.34	1.45	0.11	-0.10	80.0%	79.5%
Germany	1.83	1.76	1.89	1.93	2.02	1.99	-0.03	-0.13	83.4%	88.8%
Italy	1.59	1.65	1.60	1.58	1.81	1.76	-0.06	0.05	77.2%	75.0%
Netherlands	1.08	1.10	1.05	1.03	1.11	1.06	-0.05	0.18	87.8%	73.3%
Spain	0.85	1.02	1.08	0.90	1.20	1.14	-0.06	0.09	81.3%	82.5%
United Kingdom	1.38	1.40	1.38	1.45	1.49	1.47	-0.02	-0.03	81.2%	79.4%
Other OECD Europe	3.92	3.90	3.49	3.80	4.10	3.96	-0.14	0.14	81.1%	80.0%
OECD Europe	**11.96**	**12.27**	**11.95**	**12.03**	**13.08**	**12.84**	**-0.25**	**0.19**	**81.3%**	**80.1%**
Japan	3.79	3.57	3.50	3.22	2.83	3.31	0.48	0.14	71.8%	67.3%
South Korea	2.40	2.21	2.31	2.29	2.41	2.27	-0.13	0.02	83.2%	82.5%
Other OECD Pacific	0.74	0.60	0.75	0.73	0.69	0.69	0.00	0.00	82.4%	85.4%
OECD Pacific	**6.93**	**6.38**	**6.56**	**6.24**	**5.92**	**6.27**	**0.35**	**0.16**	**76.7%**	**74.1%**
OECD Total	**35.85**	**35.95**	**36.58**	**36.35**	**37.34**	**37.46**	**0.12**	**1.11**	**82.8%**	**80.5%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

In all, 3Q10 OECD runs are unchanged from last month's report, at 37.0 mb/d, as upwardly revised European estimates are offset by lower throughputs in the Pacific and North America. Annual growth, although lower than 2Q10's 800 kb/d increase, remains robust at 615 kb/d as all regions rose. With OECD demand growth fading further in the second half of this year, lower refinery runs are expected in 4Q10. Refiners will have to show restraint to keep a prop under margins and we currently see runs averaging 35.5 mb/d. Although sharply lower than 3Q estimates, total runs nonetheless retain annual growth of about 200 kb/d versus very weak 2009 levels.

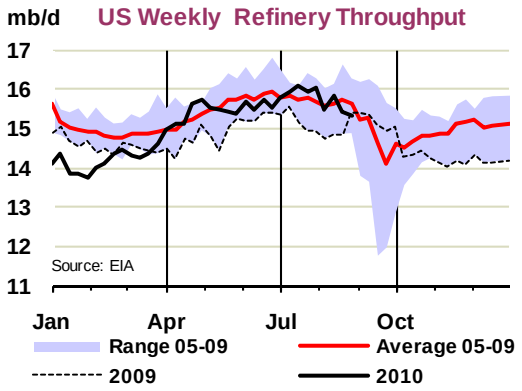


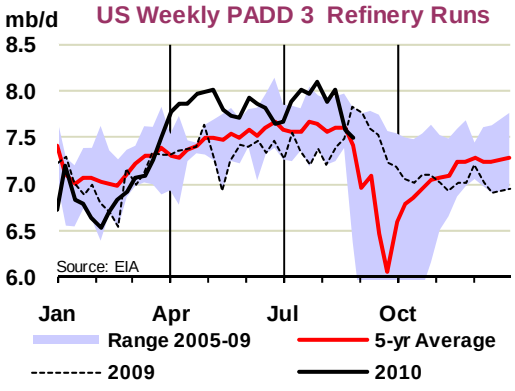


North American crude throughputs averaged 18.4 mb/d in July, unchanged from June and 90 kb/d lower than our previous forecast. Both US and Canadian runs came in below weekly data indications, offset in part by slightly higher Mexican throughputs. 3Q10 crude throughputs are now estimated at 17.9 mb/d, 65 kb/d lower than in last month's report. Runs are expected to drop further in 4Q10, to 17.1 mb/d as demand slumps with the end of the driving season and due to record high product stocks. We expect refiners to cut runs to prevent a collapse in margins.

The fatal explosion of a gasoil hydrotreater at Mexico's 275 kb/d Cadereyta refinery on 7 September, could support US runs, or help reduce high US product stocks, if damage is extensive and forces sustained run cuts. Mexico's refining capacity lags domestic oil product demand, forcing the country to import around 40% of its gasoline needs. Mexico imported 432 kb/d of oil products from the US in June (of which 57 kb/d was ultra low sulphur diesel and 56 kb/d low sulphur diesel) making it the top importer of US refined products.

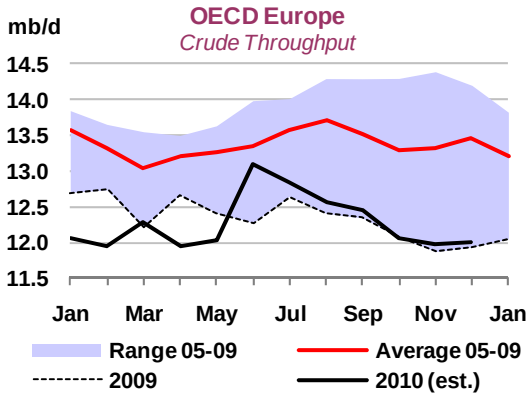
US refinery runs in August were 220 kb/d lower than our previous estimate, averaging 15.0 mb/d. The monthly drop of 455 kb/d is in part due to higher shutdowns (+160 kb/d) but also lower margins and voluntary run cuts. Regionally, refinery runs fell most on the Gulf Coast, and these were 280 kb/d lower, though West Coast runs also fell by 100 kb/d. Refinery margins on the Gulf Coast fell sharply in August, with cracking margins firmly in the red, before recovering by end-month. PADD 2 runs were unchanged from July, despite the shutdown of Enbridge's 6B line, as refiners instead took advantage to draw down record high PADD2 crude stocks. By 27 August, regional crude inventories had fallen by almost 4 mb from the high of 97.7 mb reached four weeks earlier.

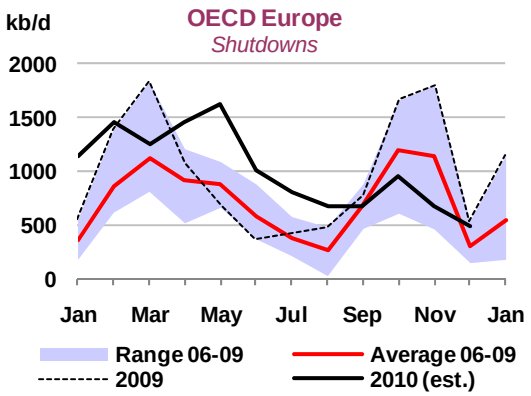




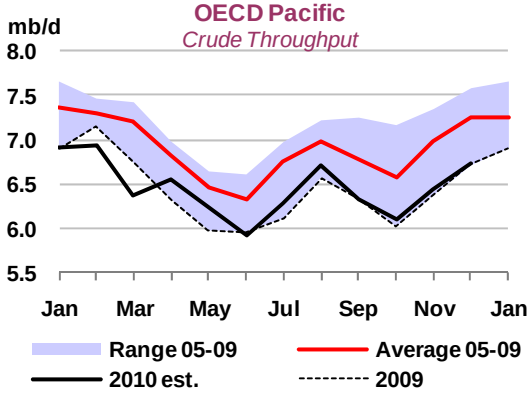
European crude runs averaged 12.8 mb/d in July, 340 kb/d higher than our previous estimate and down 250 kb/d from June's high. Runs fell in most countries, on the back of falling margins, partially offset by higher French throughput levels. Refinery runs in France rose by 115 kb/d from a month earlier as maintenance at Petroplus' 85 kb/d Reichstett refinery was completed. The strike forcing Total's refineries to run at reduced rates in early September, is not expected to severely curtail throughputs.

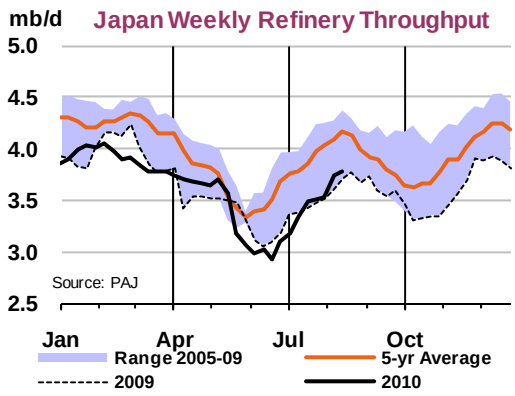
After hitting a low point of -$1.09/bbl in early August, NWE Brent cracking margins rebounded sharply throughout the month to average $2.23/bbl in the week ending 3 September. Mediterranean margins were more stable in August, with Urals slightly higher and Es Sider slightly lower on average. Saras, who operates the highly complex 300 kb/d Sardinia refinery, announced it would make economic run cuts in 3Q10 due to poor margins.





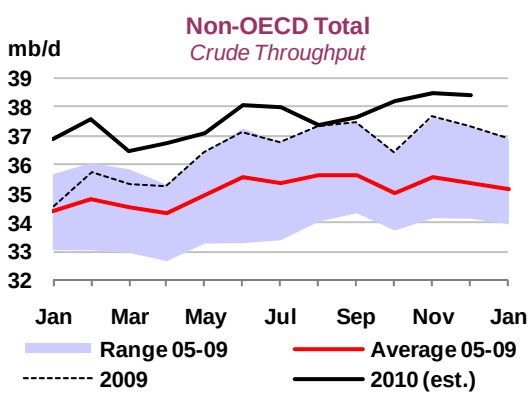
OECD Pacific crude runs for July have been revised lower by 135 kb/d due to lower South Korean throughputs to average 6.3 mb/d. Runs likely rose sharply in August, as regional maintenance hit its seasonal low and on the back of improved cracking margins. Scheduled outages appear to have fallen from 680 kb/d in July to 370 kb/d in August (and 1.1 mb/d in June). According to trade sources, S-Oil raised run rates at its 580 kb/d Onsan refinery to almost 100% utilisation in August from 91-92% in July. GS Caltex, Hyundai Oilbank and SK Energy also reported increased utilisation rates from the July dip on improved economics. Japanese runs in August were slightly higher than expected, however, rising by another 290 kb/d, to average 3.59 mb/d. 3Q10 Pacific crude runs are now seen at 6.4 mb/d and are expected to remain at these levels in 4Q10.

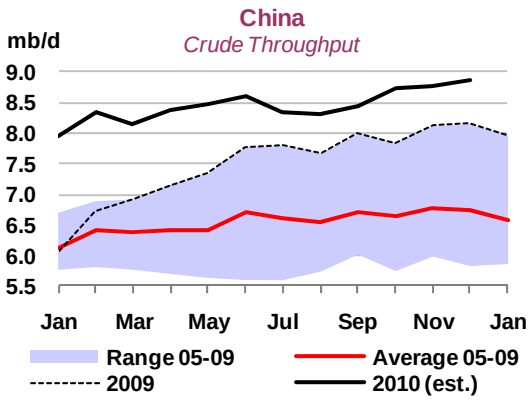




Non-OECD Refinery Throughput

Non-OECD crude runs for 2Q10 have been left unchanged since last month's report, at 37.3 mb/d. Higher June readings for Other Asia, Latin America and Africa are offset by slightly lower-than-expected throughputs for a number of countries in April and May. For July, higher-than-expected runs in Brazil, Singapore and Thailand more than offset lower Chinese readings, leaving 3Q10 average runs also mostly unchanged at 37.7 mb/d. Non-OECD runs are expected to continue to increase, by 700 kb/d in 4Q10, to average 38.4 mb/d (+1.2 mb/d y-o-y). Annual growth is dominated by China (61% of total non-OECD growth), as new refinery capacity is expected to be brought online. An earlier peak in scheduled maintenance in Russia, in September rather than October this year, results in strong year-on-year increases in FSU throughputs. Lastly, Other Asia, led by India, continues to see growth in 4Q10, with the commissioning of some new capacity.

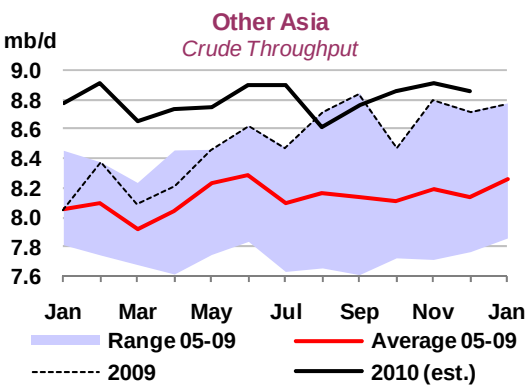


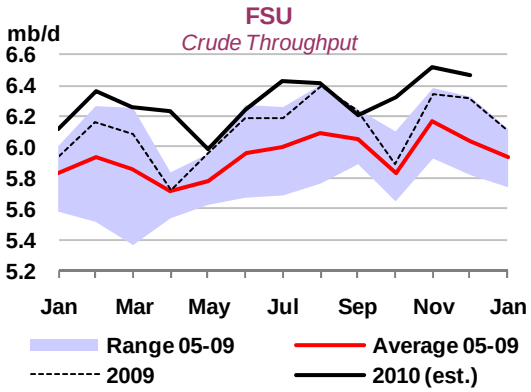


According to official data from the National Bureau of Statistics (NBS), **Chinese** refinery runs averaged 8.3 mb/d in July, 7% above year ago but 0.2% lower than June. The annual increase of 'only' 540 kb/d is the lowest since April 2009. China's crude oil imports also fell for the first time in 16 months in July, from a record high of 5.4 mb/d in June to 4.5 mb/d. Industry surveys suggest runs at the country's largest refiners will remain close to July levels in August. PetroChina's 200 kb/d Qinzhou refinery reportedly started operations in August and is expected to process 150 kb/d of crude in September. The refinery is reportedly also building crude inventories for its start-up. In 4Q10, Huaxing Petrochemical, an independent refiner in Shandong province, plans to start up a newly built 120 kb/d CDU. In all, 4Q10 Chinese crude runs are expected to average 8.8 mb/d, 420 kb/d higher than 3Q10 and 750 kb/d higher than 4Q09.

In Other Asia, **Indian** crude runs trended sideways in July, in line with expectations. Although runs were 13.7% higher than a year earlier, this is largely due to a low baseline. Reliance shut half its 660 kb/d Jamnagar 1 refinery for maintenance in July 2009, resulting in an inflated 2010 annual growth rate. The Mumbai port closure, following from a collision of two tankers on 7 August, did not impact refinery activity in the region on a sustained basis. According to local refineries, crude inventories were sufficient to prevent crude supply shortages and reduced runs.

In **Taiwan,** Formosa's Mailao refinery, which was shut after a fire on 25 July, is still running at reduced rates. One of the three 180 kb/d crude distillation units (CDU) was damaged in the fire and is not expected to restart until late this month at the earliest. The refinery's other two CDUs will be run at 50% for up to two weeks in September as the company is reconfiguring operations. **Pakistan's** Parco refinery (100 kb/d), which has been shut since 7 August due to flooding, is expected to resume operations in mid-September. The refinery itself was reportedly not impaired in the floods, but was shut due to damage to nearby oil depots and road infrastructure.

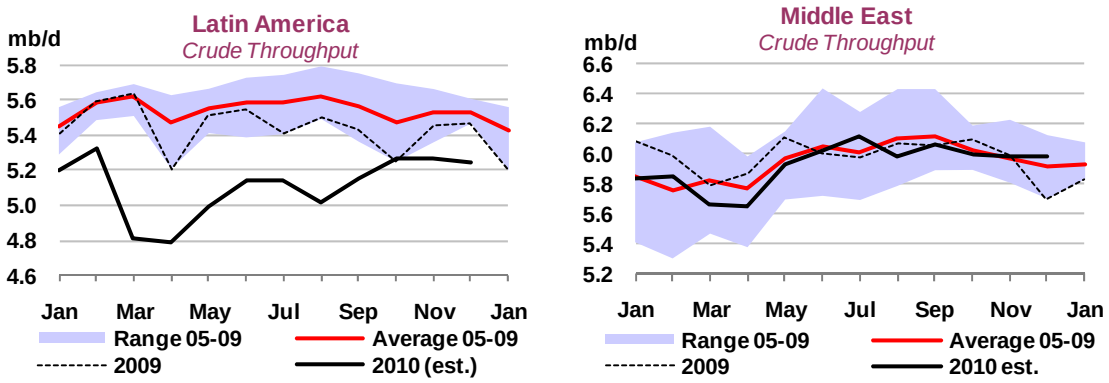




Russian throughputs averaged 5.1 mb/d in July, in line with our forecast, but 130 kb/d higher than a month earlier as several refineries, including the 240 kb/d Moscow refinery, returned from maintenance. Runs likely fell in August and will again in September as maintenance activity picks up. Traditionally the height of autumn maintenance in Russia occurs in October, but this year's schedule seems to have been shifted earlier to peak in September. The extensive wildfires that raged across the country in July and August are not thought to have had a significant impact on refinery runs, although some small refineries reportedly shut operations as part of wider security measures. According to government officials, authorities transported the oil away from the areas at risk to prevent explosions.

In Latin America, **Brazilian** crude runs for June and July were stronger than expected, at 1.87 mb/d and 1.85 mb/d respectively. Maintenance scheduled for Petrobras' 170 kb/d RBOC refinery was delayed from June to September, and it seems that maintenance at company's 195 kb/d REPAR refinery (complete shutdown) only started in August instead of July as previously assumed.

Valero has delayed the (potential) restart of its **Aruba** refinery as current maintenance is now only expected to be completed by mid to late-October, as opposed to an earlier assumption of early September. The company cites difficulties in getting contractors to complete certain projects as the cause of the delay. According to a Valero spokesman, the company will evaluate market conditions and the state of the refinery once the turnarounds are complete before deciding on what units to restart and when. Due to the uncertainty, we exclude the Aruba refinery from our throughput levels until a company decision has been made. We equally continue to exclude operations at PDVSA's Curaçao refinery in the **Netherlands Antilles** despite reports that some small units restarted at the end of August. The main catalytic cracker has not yet been restarted, and can only be restarted once a boiler being repaired at the nearby utility plant resumes operation. Power supply problems and the boiler outage forced the refinery to halt operations in March of this year. In **Trinidad**, floods forced Petrotrin to close its 175 kb/d Pointe-à-Pierre refinery for about 3 weeks in August.

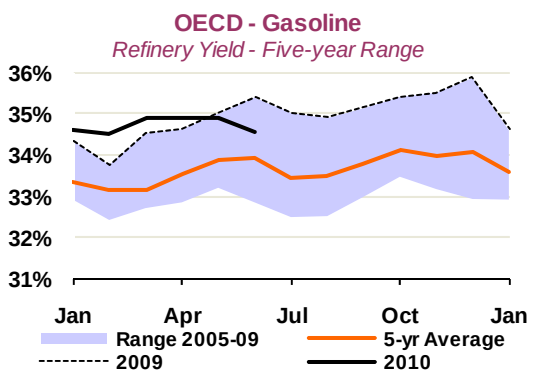


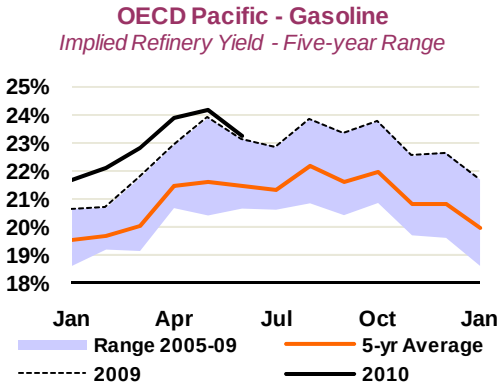
Middle Eastern crude runs averaged 6.0 mb/d in June, 100 kb/d higher than in May on the back of higher Saudi and Kuwaiti throughputs following maintenance completion. In the UAE, ADNOC is expected to shut two gasoline units at its 415 kb/d Ruwais refinery for maintenance in October. As a result, the company has issued a tender to import 150 kt of gasoline (or about 50 kb/d for delivery between 14 October through mid-November), according to trade sources. Saudi Arabia is also reportedly seeking to buy gasoline from September through the end of the year as well as diesel to fuel power plants in August and September.

OECD Refinery Yields

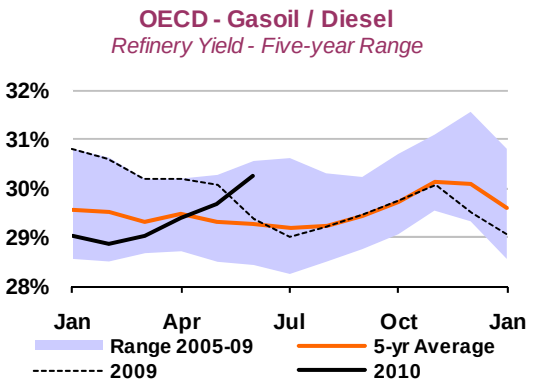
June OECD refinery yields increased for most products; gasoil/diesel rose 0.56 percentage points (pp), naphtha 0.06 pp, jet fuel 0.04 pp, fuel oil 0.05 pp and other products 0.02 pp. However, the gasoline yield fell 0.36 pp compared to May data. OECD refinery gross output continued its upward trend, increasing by over 1 mb/d in June, to stand just 500 kb/d below the 5-year average.

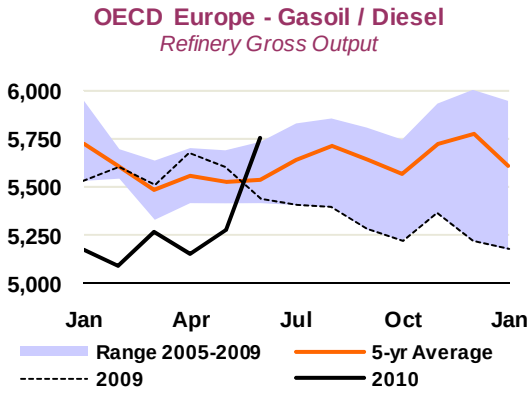
OECD gasoline yields dipped by 0.8 pp from 2009 levels in June, but remain in the upper half of the range for the last five years. The dip in yields was particularly large in the Pacific region, where they fell almost 1pp compared to last month and now stand at the same level as last year. North American gasoline yields fell a further 0.12 pp in June, and in Europe yields remained low, now 0.77 pp below the 5-year average. The fall in gasoline yields reflects high stock levels and depressed gasoline demand.



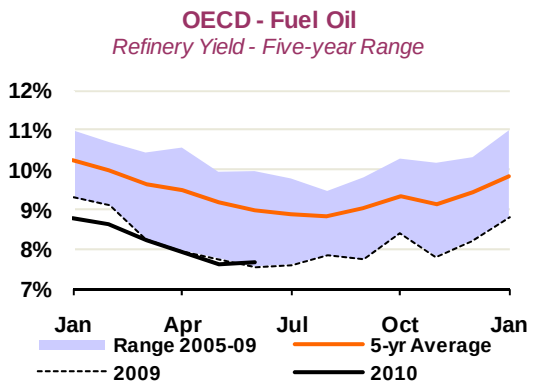


Gasoil/diesel yields continued to increase in June to a level 1 pp above the 5-year average. European and Pacific yields increased 0.73 pp and 1.02 pp respectively, while they remained above seasonal norms but unchanged versus May in North America. The OECD refinery gross output of gasoil/diesel made a jump upwards in June as well, increasing by 630 kb/d compared to last month. Europe accounted for 470 kb/d of the increase as refineries returned from maintenance and strong gasoil cracks also potentially contributed.





OECD fuel oil yields remained low in June albeit increasing 0.05 pp versus May. The yields decreased further in both Europe and North America, but for the Pacific region yields increased 1.15 pp compared to May to a level in line with last year as bunker demand increased in June with the recovery in shipping.



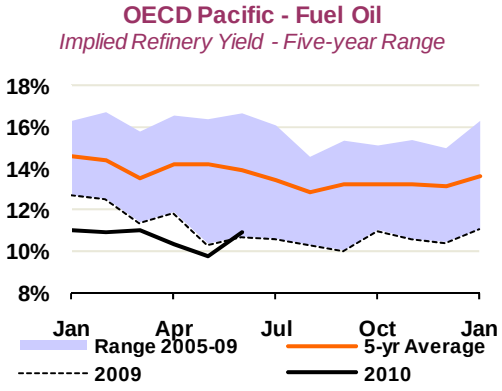


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	23.7	23.7	23.7	23.7	23.6	23.7	23.6	23.6
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.5	14.4	14.3	14.1	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.2	7.8	7.6	8.1	7.2	7.1	7.7	7.5
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	45.4	45.9	45.6	45.9	44.8	45.2	45.6	45.4
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.1	9.1	9.1	9.4	9.7	9.5	9.5	9.5
Other Asia	9.5	9.6	9.9	10.0	9.8	10.1	9.9	10.1	10.3	10.0	10.3	10.2	10.5	10.6	10.3	10.7	10.5
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.0	6.2	6.3	6.3	6.2	6.2	6.5	6.5	6.5	6.4
Middle East	6.5	6.8	6.6	7.1	7.6	6.9	7.1	7.0	7.4	7.8	7.2	7.3	7.3	7.7	8.1	7.5	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.3	3.2	3.3	3.4	3.3	3.4	3.4
Total Non-OECD	37.2	38.4	37.8	39.4	40.1	39.8	39.3	40.1	41.4	41.4	41.1	41.0	41.7	42.8	42.9	42.7	42.5
Total Demand[1]	86.5	86.0	84.2	83.9	85.1	85.7	84.7	86.1	86.6	86.8	87.0	86.6	87.6	87.6	88.0	88.3	87.9
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.1	13.6	13.6	13.8	13.8	13.6	13.5	13.6	13.6
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	4.1	4.3	4.3	4.3	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.9	18.4	18.6	18.7	18.7	18.2	18.1	18.4	18.4
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.9	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.0	4.0	4.0	4.0
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.5	28.7	29.0	29.2	29.4	29.0	29.6	29.8	29.9	30.2	29.9	30.4	30.3	30.3	30.5	30.4
Processing Gains[3]	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[4]	1.1	1.4	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.8	1.8	1.8	2.0	2.0	2.0	2.0	2.0
Total Non-OPEC[2]	50.9	50.9	51.5	51.4	51.7	52.3	51.7	52.7	52.6	52.2	52.8	52.6	53.3	52.8	52.6	53.1	52.9
Non-OPEC: Historical Composition[2]	50.4	49.9	51.5	51.4	51.7	52.3	51.7	52.7	52.6	52.2	52.8	52.6	53.3	52.8	52.6	53.1	52.9
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0								
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.7	5.0	5.0	5.2	5.4	5.2	5.7	5.8	5.8	5.9	5.8
Total OPEC[2]	34.6	35.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0								
OPEC: Historical Composition[2]	35.1	36.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0								
Total Supply[6]	85.5	86.5	84.7	84.4	85.2	86.0	85.1	86.7	86.6								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.1	1.0								
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0								
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9								
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.4								
Miscellaneous to balance[7]	-0.8	0.2	-0.9	0.0	-0.2	1.1	0.0	0.7	-1.3								
Total Stock Ch. & Misc	-1.0	0.6	0.5	0.5	0.1	0.3	0.3	0.6	0.0								
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.3	30.7	28.1	28.0	28.7	28.6	28.4	28.4	29.0	29.3	28.8	28.9	28.6	29.1	29.6	29.3	29.2
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.7	28.4	29.1	27.6	29.3	28.9	28.7	28.6	29.1	29.6	29.4	29.2

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

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

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1	-	0.1	0.1	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Total Demand	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-0.1	-	-
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Non-OPEC: historical composition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Total OPEC	-	-	-	-	-	-	-	-	-0.1								
OPEC: historical composition	-	-	-	-	-	-	-	-	-0.1								
Total Supply	-	-	-	-	-	-	-	-	-								
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-0.1	0.1								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-0.1	0.1								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-	-	-	-	-	-	-0.3								
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.1								
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.1	0.1	-	-	-
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	0.1	-0.1	0.1	0.2	0.1	-	0.1	-0.1	-	-

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.59	23.76	23.66	23.66	23.67	23.66	23.60	23.67	23.58	23.63
Europe	15.36	14.89	14.27	14.46	14.35	14.49	14.17	14.14	14.51	14.40	14.31	14.14	14.00	14.43	14.33	14.23
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.31	7.20	7.80	7.62	8.09	7.20	7.07	7.72	7.52
Total OECD	47.58	46.43	44.48	44.99	45.90	45.45	45.94	45.21	45.37	45.86	45.60	45.89	44.81	45.16	45.64	45.38
Asia	17.38	17.38	18.51	18.48	18.85	18.31	19.08	19.67	19.10	19.45	19.32	19.82	20.29	19.80	20.20	20.03
Middle East	6.83	6.60	7.11	7.57	6.94	7.06	6.97	7.37	7.81	7.18	7.33	7.27	7.74	8.15	7.52	7.67
Latin America	6.00	5.79	5.98	6.08	6.12	5.99	6.01	6.24	6.33	6.33	6.23	6.22	6.45	6.53	6.54	6.44
FSU	4.23	3.98	3.87	4.11	4.03	4.00	4.18	4.13	4.24	4.19	4.18	4.30	4.21	4.35	4.30	4.29
Africa	3.19	3.25	3.23	3.17	3.13	3.20	3.18	3.29	3.18	3.26	3.23	3.35	3.39	3.30	3.37	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.71	0.74	0.73	0.72	0.73	0.73	0.75	0.74	0.73	0.74
Total Non-OECD	38.39	37.75	39.44	40.15	39.79	39.29	40.13	41.43	41.38	41.14	41.03	41.69	42.83	42.88	42.66	42.52
World	85.97	84.18	83.92	85.13	85.69	84.74	86.08	86.64	86.75	87.00	86.62	87.59	87.64	88.04	88.30	87.89
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	18.96	18.93	18.98	18.95	18.97	18.95	18.83	18.93
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	8.84	8.75	8.76	8.76	8.56	8.75	8.68	8.69
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.37	9.08	9.12	9.13	9.37	9.73	9.46	9.51	9.52
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.03	4.02	4.40	4.31	4.66	3.90	3.90	4.31	4.19
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.15	3.39	3.34	3.52	3.51	3.25	3.51	3.45
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.04	2.97	2.97	3.02	2.99	3.12	3.05	3.04
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.69	2.74	2.80	2.71	2.70	2.80	2.84	2.91	2.81
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	2.98	2.48	2.64	2.48	2.91	3.12	2.62	2.79
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.20	2.22	2.28	2.25	2.24	2.22	2.16	2.27	2.24	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.06	2.25	2.20	2.31	2.18	2.03	2.25	2.19
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.13	2.17	2.15	2.17	2.19	2.15	2.20	2.18
Iran	1.77	1.68	1.64	1.63	1.66	1.65	1.64	1.63	1.67	1.68	1.66	1.74	1.70	1.73	1.73	1.72
Total	60.65	59.32	58.89	59.81	60.52	59.64	61.01	61.20	60.95	61.21	61.09	61.92	61.61	61.57	61.84	61.73
% of World	70.6%	70.5%	70.2%	70.3%	70.6%	70.4%	70.9%	70.6%	70.3%	70.3%	70.5%	70.7%	70.3%	69.9%	70.0%	70.2%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.7	3.6	1.7	0.4	1.6	0.3	-0.7	0.0	-0.3	-0.2
Europe	-0.6	-3.0	-5.7	-7.1	-6.7	-5.6	-4.8	-0.9	0.3	0.3	-1.3	-0.2	-1.0	-0.6	-0.5	-0.6
Pacific	-4.0	-8.6	-7.2	-3.5	0.5	-4.8	0.9	0.5	-0.7	-2.3	-0.4	-1.2	-1.4	-1.7	-1.0	-1.3
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.6	0.9	-0.1	0.3	-0.1	-0.9	-0.5	-0.5	-0.5
Asia	1.9	-1.8	4.1	6.9	12.4	5.3	9.7	6.3	3.3	3.2	5.5	3.9	3.1	3.7	3.8	3.6
Middle East	5.4	1.8	3.4	4.0	4.1	3.4	5.5	3.6	3.2	3.5	3.9	4.4	5.1	4.3	4.7	4.6
Latin America	5.6	-0.2	-1.3	-0.8	2.0	-0.1	3.9	4.5	4.0	3.4	3.9	3.4	3.4	3.3	3.3	3.3
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.0	6.7	3.1	4.0	4.7	2.9	2.0	2.6	2.6	2.5
Africa	3.9	1.6	1.0	0.9	-3.0	0.1	-2.1	1.8	0.3	4.3	1.0	5.1	3.1	3.8	3.3	3.8
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-4.8	-2.2	-0.1	0.9	-1.6	2.3	1.5	1.4	1.6	1.7
Total Non-OECD	3.3	-1.1	1.6	3.0	5.8	2.3	6.3	5.0	3.1	3.4	4.4	3.9	3.4	3.6	3.7	3.6
World	-0.6	-3.4	-2.6	-0.6	0.9	-1.4	2.2	3.2	1.9	1.5	2.2	1.8	1.1	1.5	1.5	1.5
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.16	0.82	0.39	0.10	0.37	0.07	-0.16	0.00	-0.08	-0.04
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.87	-0.72	-0.13	0.05	0.05	-0.18	-0.03	-0.13	-0.09	-0.07	-0.08
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	-0.05	-0.19	-0.03	-0.10	-0.10	-0.12	-0.08	-0.10
Total OECD	-1.77	-2.56	-2.91	-1.68	-1.37	-2.13	-0.49	0.73	0.38	-0.03	0.15	-0.05	-0.40	-0.21	-0.23	-0.22
Asia	0.32	-0.33	0.73	1.19	2.08	0.92	1.69	1.17	0.62	0.60	1.01	0.75	0.61	0.71	0.75	0.70
Middle East	0.35	0.12	0.24	0.29	0.27	0.23	0.37	0.26	0.24	0.24	0.28	0.31	0.37	0.33	0.34	0.34
Latin America	0.32	-0.01	-0.08	-0.05	0.12	0.00	0.23	0.27	0.24	0.21	0.24	0.21	0.21	0.21	0.21	0.21
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.20	0.26	0.13	0.16	0.19	0.12	0.08	0.11	0.11	0.10
Africa	0.12	0.05	0.03	0.03	-0.10	0.00	-0.07	0.06	0.01	0.14	0.03	0.16	0.10	0.12	0.11	0.12
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.04	-0.02	0.00	0.01	-0.01	0.02	0.01	0.01	0.01	0.01
Total Non-OECD	1.22	-0.41	0.63	1.18	2.17	0.90	2.38	1.99	1.24	1.35	1.74	1.56	1.39	1.49	1.52	1.49
World	-0.55	-2.98	-2.28	-0.50	0.80	-1.23	1.89	2.72	1.62	1.32	1.89	1.51	1.00	1.29	1.30	1.27
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.07	-0.05	0.03	0.02	0.00	0.08	-0.05	0.04	0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.00	0.01	-0.01	0.00	0.03	0.01	0.01
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.12	0.00	0.04	0.00	0.03	0.08	0.00	0.03
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.11	0.10	0.03	0.07	-0.01	0.11	0.06	0.04	0.05
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.06	0.00	-0.02	0.00	-0.01	-0.13	-0.03	-0.04
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.05	0.00	0.00	-0.01	0.00	-0.05	0.00	0.00	-0.01
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.02	0.01	-0.01	0.00	0.00	-0.02	0.01	0.00	0.00
FSU	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.01	0.00	0.01
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.01	0.00	0.03	0.00	0.00	0.01
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-OECD	0.00	0.01	0.01	0.01	0.01	0.01	0.01	-0.02	-0.06	0.00	-0.02	-0.01	-0.03	-0.12	-0.02	-0.05
World	0.00	0.01	0.01	0.01	0.01	0.01	0.03	0.09	0.04	0.03	0.05	-0.02	0.08	-0.06	0.02	0.00
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.01	0.02	0.01	0.00	0.01	0.03	0.08	0.04	0.02	0.04	-0.05	-0.02	-0.10	-0.01	-0.05

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	Apr 10	May 10	Jun 10 [2]	Latest month vs. May 10	Latest month vs. Jun 09
North America											
LPG&Ethane	2.70	2.79	2.61	3.17	3.18	2.52	2.51	2.50	2.56	0.06	0.09
Naphtha	0.36	0.33	0.33	0.32	0.40	0.42	0.43	0.39	0.42	0.03	0.06
Motor Gasoline	10.54	10.56	10.75	10.52	10.23	10.82	10.74	10.83	10.88	0.05	0.10
Jet/Kerosene	1.77	1.62	1.67	1.57	1.62	1.66	1.60	1.63	1.75	0.12	0.10
Gasoil/Diesel Oil	5.00	4.61	4.42	4.72	4.80	4.72	4.70	4.68	4.78	0.10	0.31
Residual Fuel Oil	1.07	0.93	0.84	0.93	0.99	0.97	0.96	0.98	0.96	-0.01	0.02
Other Products	2.73	2.46	2.67	2.31	2.36	2.66	2.67	2.61	2.71	0.10	0.06
Total	24.18	23.30	23.28	23.55	23.59	23.76	23.61	23.62	24.06	0.44	0.75
Europe											
LPG&Ethane	1.02	0.92	0.88	0.89	0.98	0.94	1.02	0.92	0.89	-0.03	-0.07
Naphtha	1.16	1.11	1.09	1.15	1.27	1.15	1.14	1.14	1.17	0.02	0.17
Motor Gasoline	2.36	2.29	2.39	2.20	2.06	2.27	2.29	2.22	2.31	0.09	-0.13
Jet/Kerosene	1.32	1.27	1.35	1.24	1.20	1.24	1.12	1.27	1.31	0.04	0.01
Gasoil/Diesel Oil	6.27	6.02	5.78	6.09	6.12	5.88	5.90	5.70	6.03	0.33	0.17
Residual Fuel Oil	1.66	1.43	1.37	1.40	1.33	1.21	1.25	1.15	1.23	0.08	-0.14
Other Products	1.57	1.45	1.60	1.38	1.21	1.45	1.38	1.36	1.61	0.25	-0.03
Total	15.36	14.49	14.46	14.35	14.17	14.14	14.11	13.77	14.54	0.77	-0.01
Pacific											
LPG&Ethane	0.88	0.86	0.84	0.87	0.90	0.83	0.85	0.85	0.79	-0.06	-0.06
Naphtha	1.60	1.63	1.62	1.71	1.76	1.60	1.62	1.56	1.62	0.06	0.06
Motor Gasoline	1.53	1.55	1.60	1.57	1.51	1.53	1.56	1.51	1.51	0.00	-0.01
Jet/Kerosene	0.89	0.85	0.60	0.99	1.15	0.71	0.88	0.63	0.64	0.01	0.02
Gasoil/Diesel Oil	1.69	1.60	1.49	1.68	1.65	1.55	1.64	1.46	1.56	0.10	-0.04
Residual Fuel Oil	0.91	0.75	0.65	0.72	0.77	0.67	0.70	0.67	0.66	-0.01	-0.07
Other Products	0.54	0.42	0.44	0.45	0.45	0.41	0.39	0.41	0.42	0.00	0.05
Total	8.04	7.66	7.25	7.99	8.19	7.31	7.65	7.09	7.20	0.11	-0.04
OECD											
LPG&Ethane	4.60	4.57	4.33	4.93	5.05	4.30	4.38	4.27	4.24	-0.03	-0.03
Naphtha	3.12	3.06	3.04	3.18	3.43	3.16	3.19	3.10	3.21	0.11	0.29
Motor Gasoline	14.43	14.40	14.74	14.30	13.80	14.62	14.59	14.56	14.70	0.14	-0.04
Jet/Kerosene	3.98	3.73	3.62	3.80	3.98	3.61	3.61	3.53	3.70	0.17	0.14
Gasoil/Diesel Oil	12.95	12.23	11.69	12.50	12.57	12.15	12.24	11.84	12.37	0.53	0.44
Residual Fuel Oil	3.64	3.12	2.86	3.04	3.09	2.85	2.92	2.79	2.85	0.05	-0.19
Other Products	4.85	4.33	4.70	4.14	4.02	4.52	4.44	4.39	4.74	0.35	0.08
Total	47.58	45.45	44.99	45.90	45.94	45.21	45.36	44.48	45.81	1.32	0.69

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	Apr 10	May 10	Jun 10 [2]	Latest month vs. May 10	Latest month vs. Jun 09
United States[3]											
LPG	1.95	2.05	1.90	2.41	2.39	1.80	1.78	1.80	1.83	0.03	0.09
Naphtha	0.25	0.25	0.26	0.25	0.27	0.28	0.30	0.27	0.29	0.02	0.02
Motor Gasoline	8.99	9.00	9.16	8.94	8.68	9.22	9.14	9.23	9.30	0.07	0.12
Jet/Kerosene	1.55	1.41	1.46	1.39	1.42	1.46	1.41	1.44	1.53	0.09	0.09
Gasoil	3.95	3.63	3.46	3.70	3.79	3.70	3.71	3.64	3.76	0.12	0.25
Residual Fuel Oil	0.62	0.51	0.38	0.51	0.58	0.53	0.58	0.51	0.52	0.01	-0.05
Other Products	2.19	1.92	2.12	1.73	1.80	2.10	2.10	2.03	2.16	0.13	0.02
Total	19.50	18.77	18.72	18.93	18.93	19.10	19.00	18.92	19.38	0.46	0.55
Japan											
LPG	0.53	0.49	0.47	0.51	0.53	0.46	0.48	0.47	0.44	-0.04	-0.02
Naphtha	0.75	0.73	0.75	0.80	0.84	0.71	0.74	0.70	0.69	-0.01	0.00
Motor Gasoline	0.98	0.99	1.03	1.00	0.96	0.97	1.00	0.94	0.96	0.02	-0.02
Jet/Kerosene	0.59	0.55	0.34	0.64	0.81	0.43	0.58	0.35	0.36	0.01	0.01
Diesel	0.48	0.40	0.39	0.43	0.38	0.35	0.38	0.31	0.36	0.05	-0.03
Other Gasoil	0.44	0.44	0.38	0.46	0.53	0.42	0.47	0.38	0.42	0.04	-0.01
Residual Fuel Oil	0.54	0.40	0.37	0.38	0.39	0.36	0.36	0.36	0.36	-0.01	-0.07
Other Products	0.49	0.37	0.39	0.38	0.34	0.31	0.31	0.31	0.33	0.02	0.00
Total	4.79	4.37	4.11	4.60	4.79	4.03	4.32	3.84	3.92	0.08	-0.15
Germany											
LPG	0.09	0.09	0.09	0.09	0.10	0.10	0.11	0.09	0.10	0.01	0.00
Naphtha	0.38	0.37	0.38	0.38	0.43	0.37	0.35	0.36	0.41	0.04	0.05
Motor Gasoline	0.48	0.47	0.49	0.47	0.42	0.48	0.48	0.48	0.48	-0.01	-0.03
Jet/Kerosene	0.19	0.19	0.20	0.19	0.17	0.19	0.15	0.20	0.21	0.01	0.02
Diesel	0.65	0.64	0.69	0.66	0.60	0.68	0.69	0.66	0.70	0.05	0.05
Other Gasoil	0.48	0.41	0.29	0.36	0.46	0.33	0.26	0.35	0.37	0.02	0.09
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.14	0.13	0.13	0.13	0.13	0.01	-0.01
Other Products	0.14	0.11	0.13	0.11	0.05	0.11	0.11	0.09	0.12	0.03	-0.01
Total	2.57	2.44	2.41	2.39	2.38	2.39	2.28	2.36	2.52	0.16	0.16
Italy											
LPG	0.10	0.10	0.08	0.12	0.14	0.10	0.10	0.09	0.10	0.01	0.03
Naphtha	0.10	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.12	0.01	0.02
Motor Gasoline	0.26	0.25	0.26	0.24	0.22	0.24	0.24	0.23	0.25	0.02	-0.02
Jet/Kerosene	0.09	0.09	0.11	0.09	0.09	0.11	0.09	0.11	0.11	0.00	0.02
Diesel	0.51	0.49	0.50	0.50	0.47	0.50	0.51	0.49	0.52	0.03	0.00
Other Gasoil	0.13	0.13	0.11	0.16	0.13	0.10	0.11	0.10	0.10	0.01	0.00
Residual Fuel Oil	0.25	0.21	0.21	0.19	0.15	0.14	0.15	0.12	0.15	0.03	-0.06
Other Products	0.19	0.16	0.19	0.14	0.13	0.16	0.16	0.15	0.18	0.03	0.02
Total	1.63	1.53	1.55	1.54	1.45	1.47	1.48	1.41	1.54	0.13	0.01
France											
LPG	0.13	0.09	0.06	0.09	0.14	0.09	0.10	0.08	0.09	0.01	0.03
Naphtha	0.17	0.14	0.15	0.14	0.15	0.15	0.16	0.15	0.14	-0.02	0.00
Motor Gasoline	0.21	0.20	0.21	0.19	0.17	0.20	0.20	0.19	0.20	0.02	-0.01
Jet/Kerosene	0.16	0.15	0.16	0.14	0.14	0.15	0.13	0.16	0.16	0.00	0.01
Diesel	0.66	0.66	0.68	0.68	0.64	0.69	0.71	0.65	0.72	0.07	0.02
Other Gasoil	0.33	0.31	0.24	0.33	0.35	0.21	0.25	0.19	0.20	0.00	-0.04
Residual Fuel Oil	0.10	0.10	0.09	0.10	0.11	0.09	0.09	0.08	0.09	0.01	0.01
Other Products	0.19	0.18	0.18	0.15	0.16	0.19	0.18	0.18	0.22	0.04	-0.01
Total	1.95	1.83	1.77	1.82	1.85	1.77	1.83	1.68	1.82	0.14	0.00
United Kingdom											
LPG	0.17	0.16	0.14	0.14	0.13	0.15	0.17	0.15	0.14	-0.02	-0.05
Naphtha	0.02	0.02	0.02	0.03	0.03	0.02	0.03	0.03	0.01	-0.02	-0.01
Motor Gasoline	0.39	0.37	0.37	0.35	0.35	0.36	0.36	0.35	0.35	0.00	-0.02
Jet/Kerosene	0.34	0.34	0.34	0.34	0.35	0.30	0.29	0.31	0.31	-0.01	-0.01
Diesel	0.44	0.45	0.45	0.44	0.47	0.46	0.44	0.46	0.48	0.01	0.02
Other Gasoil	0.14	0.10	0.11	0.09	0.11	0.10	0.11	0.09	0.11	0.02	0.00
Residual Fuel Oil	0.09	0.07	0.07	0.07	0.06	0.06	0.08	0.05	0.04	-0.01	-0.04
Other Products	0.15	0.16	0.16	0.15	0.14	0.16	0.16	0.16	0.17	0.01	0.01
Total	1.73	1.67	1.66	1.61	1.65	1.62	1.64	1.61	1.59	-0.02	-0.10
Canada											
LPG	0.34	0.34	0.33	0.34	0.35	0.34	0.34	0.32	0.35	0.02	-0.01
Naphtha	0.08	0.05	0.05	0.05	0.08	0.08	0.09	0.07	0.09	0.02	0.03
Motor Gasoline	0.72	0.73	0.76	0.72	0.71	0.75	0.78	0.75	0.72	-0.04	-0.03
Jet/Kerosene	0.12	0.12	0.12	0.10	0.11	0.11	0.11	0.10	0.13	0.03	0.00
Diesel	0.23	0.23	0.23	0.23	0.23	0.22	0.21	0.22	0.23	0.01	-0.01
Other Gasoil	0.33	0.28	0.26	0.31	0.32	0.31	0.31	0.34	0.29	-0.05	0.06
Residual Fuel Oil	0.11	0.09	0.09	0.09	0.11	0.11	0.11	0.12	0.11	-0.01	0.03
Other Products	0.32	0.30	0.32	0.32	0.30	0.29	0.30	0.30	0.28	-0.02	-0.02
Total	2.24	2.15	2.16	2.17	2.20	2.22	2.25	2.22	2.19	-0.03	0.05

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	1Q10	2Q10	3Q10	4Q10	1Q11	Jun 10	Jul 10	Aug 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.95	7.96				7.98	8.01	8.01
Iran	3.74			3.71	3.75				3.75	3.68	3.70
Iraq	2.43			2.39	2.35				2.35	2.38	2.32
UAE	2.27			2.28	2.30				2.29	2.36	2.32
Kuwait	2.01			2.03	2.03				2.04	2.03	2.03
Neutral Zone	0.54			0.51	0.54				0.54	0.54	0.54
Qatar	0.80			0.80	0.79				0.78	0.80	0.79
Angola	1.77			1.92	1.81				1.78	1.74	1.79
Nigeria	1.82			2.00	1.96				1.98	2.16	2.14
Libya	1.55			1.53	1.56				1.58	1.56	1.56
Algeria	1.25			1.25	1.24				1.25	1.26	1.26
Ecuador	0.47			0.47	0.46				0.45	0.46	0.46
Venezuela	2.15			2.23	2.24				2.23	2.23	2.23
Total Crude Oil[6]	28.71			29.06	28.99				29.00	29.21	29.15
Total NGLs[1,6]	4.65	5.15	5.79	5.00	5.02	5.23	5.36	5.70	5.02	5.23	5.23
Total OPEC[6]	33.36			34.06	34.01				34.02	34.45	34.38
OPEC: Historical Composition[6]	33.36			34.06	34.01				34.02	34.45	34.38
NON-OPEC[2]											
OECD											
North America	13.62	13.78	13.63	13.93	14.06	13.58	13.58	13.80	14.03	13.91	13.83
United States[5]	7.44	7.55	7.53	7.67	7.75	7.50	7.30	7.59	7.72	7.77	7.79
Mexico	2.97	2.94	2.78	2.99	2.96	2.92	2.90	2.85	2.93	2.95	2.95
Canada	3.22	3.29	3.32	3.27	3.35	3.16	3.38	3.36	3.39	3.20	3.09
Europe	4.52	4.28	4.05	4.52	4.18	4.11	4.31	4.27	3.76	4.19	4.04
UK	1.47	1.42	1.32	1.52	1.40	1.35	1.42	1.41	1.21	1.39	1.27
Norway	2.39	2.22	2.12	2.35	2.14	2.11	2.26	2.22	1.92	2.17	2.13
Others	0.67	0.64	0.61	0.65	0.63	0.64	0.63	0.63	0.63	0.63	0.64
Pacific	0.65	0.65	0.68	0.63	0.62	0.67	0.68	0.67	0.63	0.67	0.67
Australia	0.55	0.55	0.59	0.53	0.52	0.57	0.59	0.58	0.53	0.57	0.58
Others	0.10	0.10	0.09	0.10	0.10	0.10	0.10	0.09	0.10	0.10	0.10
Total OECD	18.80	18.71	18.36	19.08	18.86	18.36	18.57	18.74	18.42	18.77	18.54
NON-OECD											
Former USSR	13.28	13.62	13.79	13.48	13.54	13.61	13.85	13.84	13.59	13.65	13.61
Russia	10.21	10.45	10.51	10.40	10.43	10.44	10.54	10.52	10.46	10.46	10.36
Others	3.07	3.17	3.28	3.09	3.11	3.17	3.31	3.33	3.13	3.19	3.25
Asia	7.46	7.70	7.66	7.67	7.72	7.70	7.71	7.73	7.81	7.66	7.71
China	3.87	4.08	4.04	4.04	4.10	4.09	4.08	4.08	4.17	4.04	4.12
Malaysia	0.74	0.71	0.67	0.74	0.72	0.67	0.70	0.69	0.70	0.68	0.63
India	0.80	0.85	0.88	0.83	0.84	0.88	0.87	0.87	0.85	0.88	0.88
Indonesia	0.98	0.99	0.96	0.99	1.00	0.98	0.99	0.98	0.99	0.98	0.99
Others	1.07	1.07	1.11	1.07	1.07	1.08	1.08	1.11	1.09	1.08	1.09
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	3.88	4.11	4.43	4.02	4.09	4.12	4.22	4.32	4.08	4.10	4.12
Brazil[5]	2.03	2.16	2.39	2.09	2.15	2.16	2.24	2.31	2.13	2.16	2.15
Argentina	0.72	0.71	0.69	0.71	0.71	0.71	0.71	0.70	0.71	0.70	0.71
Colombia	0.67	0.79	0.91	0.76	0.78	0.80	0.83	0.86	0.79	0.79	0.80
Others	0.45	0.45	0.44	0.46	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Middle East[3]	1.68	1.70	1.72	1.70	1.69	1.71	1.71	1.74	1.68	1.71	1.71
Oman	0.81	0.87	0.93	0.86	0.86	0.88	0.89	0.92	0.84	0.88	0.88
Syria	0.38	0.37	0.35	0.37	0.37	0.37	0.36	0.36	0.37	0.37	0.37
Yemen	0.29	0.28	0.27	0.28	0.28	0.28	0.27	0.27	0.28	0.28	0.28
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Africa	2.61	2.58	2.62	2.61	2.58	2.58	2.57	2.59	2.59	2.58	2.58
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.62	1.60	1.64	1.62	1.60	1.59	1.58	1.61	1.60	1.59	1.59
Total Non-OECD	29.04	29.86	30.36	29.62	29.76	29.86	30.20	30.36	29.88	29.84	29.87
Processing Gains[4]	2.29	2.20	2.23	2.20	2.20	2.20	2.20	2.23	2.20	2.20	2.20
Global Biofuels[5]	1.57	1.81	1.99	1.76	1.82	1.81	1.83	1.96	1.83	1.81	1.81
TOTAL NON-OPEC[6]	51.69	52.58	52.94	52.66	52.64	52.23	52.80	53.29	52.33	52.62	52.43
Non-OPEC: Historical Composition[6]	51.69	52.58	52.94	52.66	52.64	52.23	52.80	53.29	52.33	52.62	52.43
TOTAL SUPPLY	85.06			86.72	86.65				86.35	87.07	86.81

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Mar2010	Apr2010	May2010	Jun2010	Jul2010*	Jul2007	Jul2008	Jul2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	502.9	504.7	500.5	511.4	509.3	469.8	435.3	491.4	-0.19	-0.09	0.36	0.09
Motor Gasoline	258.7	252.8	247.3	245.2	249.1	233.2	234.5	241.2	-0.01	0.11	0.06	-0.15
Middle Distillate	216.6	216.7	222.3	231.0	242.4	203.7	201.9	243.6	0.14	-0.12	-0.26	0.16
Residual Fuel Oil	48.6	51.8	53.5	50.8	48.5	48.9	43.6	42.6	-0.01	0.01	0.05	0.02
Total Products[3]	673.4	683.5	697.8	712.2	738.7	675.4	660.0	737.9	0.17	-0.54	-0.25	0.43
Total[4]	1317.8	1338.4	1353.4	1378.4	1401.2	1300.3	1252.0	1393.4	0.02	-0.88	0.10	0.67
Europe												
Crude	330.6	356.2	358.6	342.0	340.4	338.7	344.4	338.9	-0.14	0.03	-0.02	0.13
Motor Gasoline	102.9	95.4	94.3	95.1	92.6	97.2	99.6	91.5	0.03	0.05	0.02	-0.09
Middle Distillate	282.2	279.2	286.3	286.3	286.2	251.9	260.9	288.6	0.09	-0.03	-0.05	0.05
Residual Fuel Oil	73.7	75.3	74.3	77.0	75.8	70.6	80.8	66.6	-0.05	0.03	0.02	0.04
Total Products[3]	568.0	562.7	568.8	569.1	565.1	524.4	553.3	553.8	0.13	0.04	-0.06	0.01
Total[4]	972.8	991.6	999.8	982.6	976.8	937.1	973.6	963.6	-0.01	0.04	0.00	0.11
Pacific												
Crude	164.9	175.8	166.5	166.3	169.4	178.9	170.3	170.5	-0.05	-0.06	0.05	0.02
Motor Gasoline	25.1	26.8	27.4	26.2	23.4	22.6	22.9	23.8	-0.01	-0.02	0.02	0.01
Middle Distillate	57.9	54.7	60.1	57.9	58.8	75.2	66.0	67.4	0.11	-0.11	-0.05	0.00
Residual Fuel Oil	20.3	20.5	21.2	20.9	19.9	24.4	22.1	19.3	0.03	-0.03	0.02	0.01
Total Products[3]	158.0	156.0	166.6	168.2	167.0	192.1	178.7	170.3	0.22	-0.26	-0.03	0.11
Total[4]	386.0	397.3	403.8	405.3	407.2	443.7	423.7	406.9	0.20	-0.39	0.03	0.21
Total OECD												
Crude	998.3	1036.7	1025.6	1019.7	1019.1	987.4	949.9	1000.8	-0.38	-0.12	0.39	0.23
Motor Gasoline	386.7	375.0	369.0	366.4	365.1	353.0	357.0	356.5	0.01	0.14	0.11	-0.22
Middle Distillate	556.7	550.5	568.6	575.2	587.4	530.9	528.8	599.5	0.34	-0.26	-0.36	0.20
Residual Fuel Oil	142.6	147.6	149.1	148.7	144.2	143.9	146.5	128.5	-0.04	0.00	0.09	0.07
Total Products[3]	1399.4	1402.2	1433.2	1449.5	1470.8	1391.8	1392.0	1462.0	0.52	-0.76	-0.34	0.55
Total[4]	2676.6	2727.3	2757.0	2766.2	2785.2	2681.1	2649.3	2763.9	0.21	-1.24	0.13	0.98

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Mar2010	Apr2010	May2010	Jun2010	Jul2010*	Jul2007	Jul2008	Jul2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.6	690.3	707.2	724.1	0.01	0.02	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	187.8	184.4	185.2	185.4	185.4	177.0	180.0	185.6	0.00	-0.02	0.04	-0.03
Products	240.3	237.7	237.1	237.2	237.2	245.2	231.7	239.5	0.03	-0.01	-0.01	-0.03
Pacific												
Crude	388.8	390.0	390.2	390.9	390.9	385.0	384.2	388.5	-0.01	0.01	0.00	0.02
Products	20.0	20.0	20.0	20.0	20.0	16.8	18.9	19.2	0.00	0.01	0.00	0.00
Total OECD												
Crude	1303.2	1301.0	1302.0	1302.9	1302.9	1252.2	1271.5	1298.1	0.00	0.00	0.04	0.00
Products	262.3	259.7	259.1	259.2	259.2	264.0	252.5	260.7	0.03	0.00	-0.01	-0.03
Total[4]	1566.7	1562.1	1562.5	1563.5	1563.5	1517.2	1525.0	1560.6	0.03	0.00	0.03	-0.04

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2009		End September 2009		End December 2009		End March 2010		End June 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.9	92	194.5	90	192.6	87	191.4	86	189.8	-
Mexico	48.1	23	50.4	23	44.7	21	51.5	24	54.4	-
United States[4]	1846.4	99	1850.3	98	1778.4	95	1781.4	94	1840.7	-
Total[4]	2114.6	91	2117.3	90	2037.7	87	2046.4	86	2106.9	89
Pacific										
Australia	40.5	43	44.9	46	40.3	43	41.5	43	42.8	-
Japan	611.2	149	607.3	132	588.8	123	581.5	144	597.1	-
Korea	149.1	73	167.0	74	155.0	67	163.6	75	167.3	-
New Zealand	8.5	55	7.5	48	8.1	51	8.3	57	8.9	-
Total	809.3	112	826.8	103	792.2	97	794.9	109	816.1	113
Europe[5]										
Austria	19.8	72	20.8	78	21.2	81	22.8	82	23.2	-
Belgium	33.6	56	34.2	52	34.4	53	35.3	69	37.8	-
Czech Republic	22.0	99	21.8	104	21.5	124	21.7	106	20.4	-
Denmark	26.4	161	25.0	153	25.5	154	27.2	171	28.1	-
Finland	26.6	131	29.3	143	33.1	151	32.5	171	28.5	-
France	172.9	98	174.0	96	174.9	94	171.8	97	170.1	-
Germany	280.2	116	276.7	116	284.1	120	287.7	120	281.0	-
Greece	35.9	95	35.5	90	35.1	85	35.6	104	33.9	-
Hungary	15.1	94	14.4	89	14.3	115	16.8	115	17.0	-
Ireland	11.7	76	12.4	71	11.4	66	12.7	74	12.9	-
Italy	129.1	83	129.0	84	125.6	87	129.2	88	132.5	-
Luxembourg	0.8	16	0.8	15	0.8	14	0.8	13	0.7	-
Netherlands	138.4	137	138.1	137	135.7	135	131.0	123	138.7	-
Norway	23.6	114	24.7	128	21.9	112	21.1	93	22.1	-
Poland	63.1	109	64.8	116	64.0	126	63.3	117	64.6	-
Portugal	24.8	92	24.5	92	26.2	99	23.4	85	24.9	-
Slovak Republic	8.4	99	8.3	103	8.3	109	9.5	122	9.3	-
Spain	135.6	93	135.0	94	132.6	91	132.0	93	134.1	-
Sweden	39.5	117	38.5	117	39.5	110	39.3	109	35.4	-
Switzerland	38.0	153	38.2	137	37.0	155	37.8	158	38.1	-
Turkey	58.8	93	57.8	111	57.6	119	58.1	96	58.4	-
United Kingdom	91.7	55	94.2	59	94.4	57	92.4	57	95.2	-
Total	1396.1	97	1398.3	98	1399.0	99	1402.0	99	1406.6	97
Total OECD	4319.9	96	4342.4	95	4228.8	92	4243.3	94	4329.7	95
DAYS OF IEA Net Imports[6]	-	133	-	133	-	144	-	145	-	147

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End June 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
2Q2007	4168	1506	2661	85	31	54
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4223	1527	2697	91	33	58
1Q2009	4298	1547	2751	97	35	62
2Q2009	4320	1561	2759	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4229	1564	2665	92	34	58
1Q2010	4243	1567	2677	94	35	59
2Q2010	4330	1563	2766	95	34	61

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 2Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Apr 10	May 10	Jun 10	Year Earlier Jun 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.44	0.54	0.71	0.69	0.84	0.59	0.64	0.45	0.20
Europe	0.70	0.70	0.59	0.57	0.61	0.55	0.64	0.71	0.58	0.63	0.54	0.09
Pacific	1.19	1.22	1.28	1.23	1.32	1.25	1.17	1.31	1.12	1.08	1.18	-0.09
Saudi Medium												
North America	0.56	0.64	0.40	0.41	0.34	0.38	0.36	0.37	0.35	0.36	0.48	-0.12
Europe	0.05	0.05	0.02	0.01	0.02	-	0.00	0.00	-	-	0.02	-
Pacific	0.34	0.39	0.34	0.35	0.33	0.33	0.37	0.36	0.34	0.40	0.35	0.05
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.01	0.01	0.00	0.00	0.00	-	-	0.04	-
Pacific	0.20	0.24	0.15	0.12	0.12	0.23	0.19	0.21	0.16	0.19	0.16	0.04
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.45	0.40	0.42	0.43	0.34	0.40	0.54	0.34	0.20
Europe	0.30	0.21	0.12	0.19	0.06	0.06	0.09	0.04	0.07	0.15	0.16	0.00
Pacific	0.17	0.15	0.24	0.24	0.27	0.35	0.19	0.20	0.19	0.17	0.22	-0.05
Iraqi Kirkuk												
North America	-	0.08	0.06	0.11	0.04	0.01	0.03	0.03	0.07	-	0.03	-
Europe	0.11	0.23	0.31	0.34	0.29	0.33	0.27	0.28	0.24	0.29	0.34	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.13	0.16	0.20	0.24	0.28	0.18	0.27	0.19	0.08
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.07	0.07	0.07	0.06	0.02	0.04
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.48	0.37	0.35	0.47	0.38	0.41	0.63	0.44	0.18
Pacific	0.64	0.61	0.57	0.57	0.56	0.61	0.44	0.43	0.44	0.45	0.50	-0.05
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.33	0.09	0.11	0.21	-	0.35	0.27	0.68	-0.40
Europe	0.08	0.06	0.07	0.04	0.02	0.01	0.02	0.01	0.03	0.01	0.10	-0.09
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.87	0.75	0.89	0.83	0.86	0.89	0.73	0.70	0.03
Europe	0.07	0.07	0.07	0.06	0.08	0.07	0.06	0.07	0.08	0.04	0.05	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.87	0.82	0.82	0.96	0.98	1.03	0.87	0.91	-0.04
Europe	0.14	0.14	0.10	0.09	0.12	0.12	0.11	0.11	0.12	0.11	0.12	-0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.01	0.00	0.03	0.02	0.01	0.05	0.01	-	-
Europe	0.02	0.01	0.01	0.02	-	-	0.02	0.03	0.02	0.01	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.17	0.06	0.08	0.13	0.14	0.11	0.15	0.21	-0.07
Europe	1.86	1.81	1.72	1.76	1.80	1.76	1.86	1.99	1.77	1.83	1.65	0.17
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.63	0.67	0.55	0.64	0.60	0.60	0.74	0.58	0.16
Europe	0.24	0.29	0.32	0.30	0.34	0.26	0.29	0.34	0.28	0.26	0.36	-0.10
Pacific	0.01	-	0.00	-	0.01	-	-	-	-	-	0.04	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.19	0.21	0.24	0.29	0.33	0.26	0.29	0.36	-0.08
Europe	0.07	0.14	0.13	0.12	0.15	0.07	0.09	0.06	0.10	0.10	0.16	-0.05
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Apr-10	May-10	Jun-10	Year Earlier Jun-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7316	6717	7057	7897	7996	7562	8146	6988	17%
Europe	9691	9776	8910	8850	8676	8565	9208	9230	8570	9846	9393	5%
Pacific	6718	6605	6081	5960	6104	6468	5892	6463	5656	5564	6041	-8%
Total OECD	24622	24427	22318	22126	21498	22089	22997	23689	21788	23555	22895	3%
LPG												
North America	28	31	13	9	5	12	7	8	3	10	0	-
Europe	278	268	249	232	261	286	268	311	264	231	282	-18%
Pacific	557	589	529	566	529	534	600	529	587	684	575	19%
Total OECD	863	887	792	806	795	832	875	847	855	925	858	8%
Naphtha												
North America	40	56	22	18	12	23	28	28	19	36	14	165%
Europe	283	298	312	294	388	444	393	478	325	379	309	23%
Pacific	794	776	841	907	896	953	899	877	940	877	806	9%
Total OECD	1116	1130	1176	1219	1296	1421	1320	1384	1285	1291	1128	14%
Gasoline[3]												
North America	1128	1077	878	843	785	697	834	797	846	858	990	-13%
Europe	179	215	193	231	62	163	196	215	217	156	286	-46%
Pacific	73	90	97	97	98	70	73	81	82	56	70	-20%
Total OECD	1380	1382	1167	1172	946	930	1103	1093	1145	1070	1347	-21%
Jet & Kerosene												
North America	183	64	61	67	55	69	61	56	63	63	41	54%
Europe	373	401	451	439	444	438	356	357	356	355	489	-28%
Pacific	43	34	53	37	48	46	37	49	34	27	42	-36%
Total OECD	599	500	566	542	547	553	453	462	453	445	573	-22%
Gasoil/Diesel												
North America	132	74	56	36	44	114	43	40	30	58	36	63%
Europe	783	871	1033	891	1038	1132	884	967	911	773	865	-11%
Pacific	91	119	88	73	115	88	122	103	132	132	83	58%
Total OECD	1005	1064	1177	999	1197	1333	1049	1110	1074	963	983	-2%
Heavy Fuel Oil												
North America	323	288	270	205	226	277	293	362	316	201	315	-36%
Europe	436	458	534	550	544	564	545	580	512	545	553	-1%
Pacific	95	125	113	103	79	136	118	102	148	102	110	-7%
Total OECD	854	871	918	858	848	978	956	1044	976	848	978	-13%
Other Products												
North America	1050	1078	870	896	756	676	780	824	810	704	871	-19%
Europe	771	734	718	763	696	626	603	531	645	631	726	-13%
Pacific	254	298	323	337	353	329	276	281	221	327	278	18%
Total OECD	2074	2110	1912	1996	1805	1631	1658	1635	1676	1663	1875	-11%
Total Products												
North America	2883	2667	2171	2073	1882	1868	2045	2115	2088	1931	2267	-15%
Europe	3102	3245	3491	3400	3432	3654	3246	3439	3230	3069	3510	-13%
Pacific	1906	2032	2045	2119	2119	2156	2124	2021	2145	2206	1965	12%
Total OECD	7891	7944	7707	7593	7433	7678	7415	7575	7463	7206	7743	-7%
Total Oil												
North America	11097	10713	9497	9390	8600	8924	9942	10110	9650	10076	9729	4%
Europe	12793	13022	12401	12250	12109	12219	12454	12669	11800	12915	12902	0%
Pacific	8623	8637	8126	8079	8223	8624	8016	8485	7802	7769	8007	-3%
Total OECD	32513	32371	30024	29719	28931	29768	30413	31264	29251	30761	30638	0%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (©2010 Platts - a division of McGraw-Hill Inc.).

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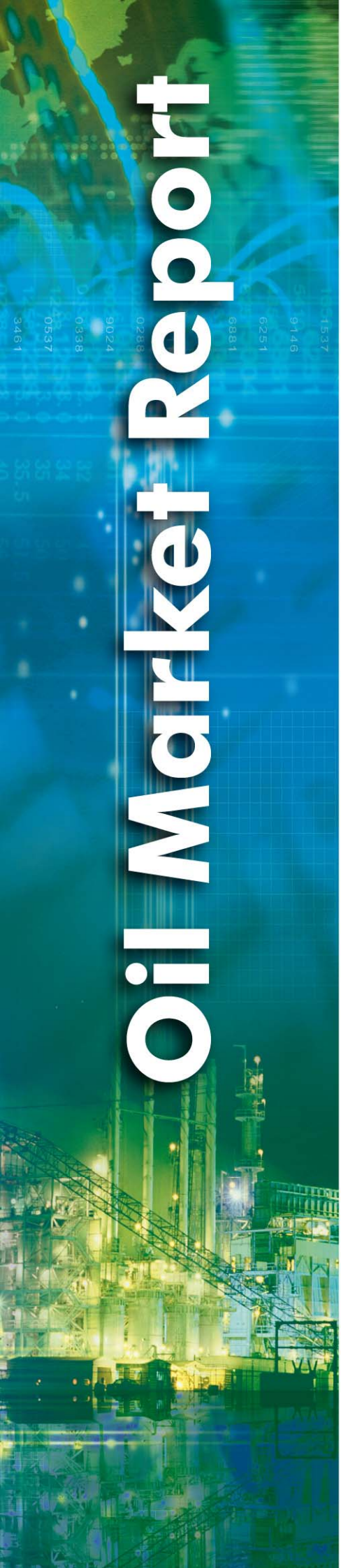

International Energy Agency

13 October 2010

HIGHLIGHTS

- **Benchmark crude futures were range-bound in September but by early October had breached the $80/bbl mark.** Stronger demand, a rebound in financial markets, a weaker dollar and a major strike at French ports converged to propel prices higher. Benchmark Brent was last trading around $83/bbl and WTI at $81.50/bbl.

- **Global oil demand for 2010 and 2011 is revised up by 0.3 mb/d on average to 86.9 mb/d and 88.2 mb/d**, respectively, on new data showing much stronger-than-expected 3Q10 readings, notably in the OECD, and updated GDP and price assumptions. Yearly growth is now +2.1 mb/d in 2010 and +1.2 mb/d in 2011. If GDP growth were a third lower, demand growth would only reach 0.4 mb/d in 2011.

- **Global oil supply fell by 150 kb/d to 86.9 mb/d in September** on lower non-OPEC output, but was up by 1.5 mb/d year-on-year, shared equally between non-OPEC, OPEC crude and NGLs. Estimated 2011 non-OPEC supply is raised by 150 kb/d to 53.1 mb/d on stronger US, Canadian and Chinese output, growing from 52.6 mb/d in 2010.

- **OPEC crude oil supply rose by 40 kb/d, to 29.29 mb/d in September.** The 'call on OPEC crude and stock change' is raised to 29.8 mb/d in 3Q10 and 29.0 mb/d in 4Q10, after a large upward demand revision. The 2011 'call' averages 29.3 mb/d, up by 0.1 mb/d from 2010.

- **August OECD industry stocks rose by 15.8 mb to 2 790 mb**, or 61.1 days, reaching their highest level since August 1998. Preliminary data point to a sharp 31.7 mb draw in September, while oil in floating storage increased slightly.

- **Global refinery crude throughputs are revised up by 0.7 mb/d for 3Q10**, to 75.3 mb/d, or 1.8 mb/d above 3Q09. Stronger runs in North America and Europe, shadowing revisions to oil product demand, as well as record-high runs in Brazil and Russia contributed. 4Q10 runs are to fall seasonally to 73.8 mb/d, in line with the expected slowdown in oil demand growth.

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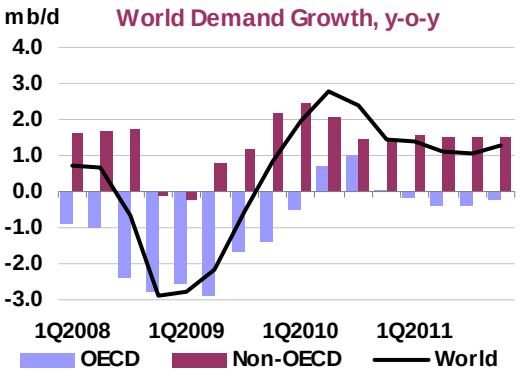
I DON'T WANT TO SPOIL THE PARTY*

Prices in early October broke through the psychological $80/bbl barrier, with many foreseeing more strength to come. Choruses of "$100/bbl-by-next-year" are being heard once more. Our own view, however, is that markets could remain comfortably supplied until well into 2011. That said, the potential for *Quantitative Easing II* in the US, and signs that China will engineer a soft landing for the economy have encouraged a belief in resilient demand growth. 2Q10 and 3Q10 OECD demand showed significant yearly growth for the first time since 2005. And although the US Gulf emerged unscathed from this season's hurricanes, supply concerns – Macondo-related deepwater drilling restrictions and unrest in Nigeria among them - abound, highlighting the difficulty in rapidly expanding supply to the market. Were sustained 2.0 mb/d-plus annual demand growth to become a new reality, global supply would struggle to keep up, tightening OPEC spare capacity and drawing inventory. This could combine with renewed economic/financial exuberance and a weaker dollar to drive oil and commodities sharply higher. Such a scenario is possible, but does not look to us the most likely short-term outcome.



This month's report incorporates the latest IMF *World Economic Outlook* assumptions for 2010/2011. Globally these raise 2010 GDP growth to an impressive 4.7%, while curbing 2011 growth to a still-robust 4.2%. Our own oil demand estimates for 3Q10 are raised by a weighty 0.8 mb/d, with revisions concentrated in the OECD. Amid apparently resurgent OECD demand, global growth has averaged nearly 2.5 mb/d so far in 2010. But the devil, as always, is in the detail. OECD growth in 2Q10 and 3Q10 was relative to recessionary lows in the same quarters of 2009. Economic rebound always tends to encourage temporarily resurgent demand. However, OECD consumption remains well below early-2008 levels. Moreover, 3Q10 strength contained quirks which suggest it may not persist: exceptional weather in OECD Asia boosted oil-fired power generation; European heating oil re-stocking is unlikely to carry through coming quarters; apparent 3Q10 North American strength is based on revision-prone preliminary data. So 3Q10 look like an imperfect guide for future OECD demand, hence our tempering of upside revisions for 4Q10 and 2011.

Seasonal considerations aside, there are also plenty of cautionary signs on the economic side. The IMF's own GDP estimates largely curbed expectations for the OECD, while raising those for the non-OECD. And consensus surveys among private forecasters for 2011 economic growth suggest numbers closer to 3% than 4%. When we replicate a similar low GDP sensitivity in our model, we come up with 2011 demand nearer 87 mb/d than our base case of near 88 mb/d. OPEC spare capacity, comfortable for 2011 in our base case, looks all the more so under the lower demand variant.

Structurally too, there is a recognition that demand growth needs to be moderated amid the 'new reality' of $70-$80/bbl oil. The US has announced plans to move vehicle fuel economy targets through 50 mpg and beyond by 2025. Electric vehicles are proving a hit at the Paris motor show. And while steps towards domestic price deregulation may falter, the fact that subsidy reform is being implemented or at least discussed, for markets such as India, Iran and Saudi Arabia could eventually dampen robust non-OECD demand growth in future. At the risk of appearing a 'party-pooper' for market bulls, our prognoses still suggest to us that benign market fundamentals could persist well into 2011.

**J.Lennon, 1964*

DEMAND

Summary

- **Projected global oil demand for both 2010 and 2011 is revised up by 0.3 mb/d on average.** The changes largely result from new data for July (final) and August (preliminary) showing much stronger-than-expected 3Q10 readings (up by 0.9 mb/d versus our previous report), most notably in the OECD. New GDP prognoses by the IMF, together with an updated oil price assumption based on the futures curve at the time of writing, have also been incorporated. Global oil demand is now expected to average 86.9 mb/d in 2010 (+2.5% or +2.1 mb/d year-on-year) and 88.2 mb/d in 2011 (+1.4% or +1.2 mb/d). However, a sensitivity analysis suggests that, if global GDP growth were instead to hover around +3% in 2011 (a third less than our base case), global oil demand would be over two-thirds lower, reaching only 87.1 mb/d next year as emerging countries would bear the brunt of weaker economic activity in terms of much lower oil use.

- **OECD oil demand for 2010 and 2011 is adjusted up by 170 kb/d and 100 kb/d, respectively**, despite slightly lower GDP assumptions. Extremely warm weather conditions in the Pacific, sustained heating oil stock builds in Europe ahead of winter and much stronger distillate and 'other products' demand in North America may imply that the underlying OECD demand trend is actually more resilient than previously thought, but there are reasons to be cautious. The much higher 3Q10 readings are largely based on the Pacific's exceptional, weather-related surge in burning fuels use and on preliminary US weekly data at odds with persistently weak economic indicators. OECD demand is now forecast at 45.8 mb/d in 2010 (+0.7% or +320 kb/d year-on-year) and is expected to resume its gentle structural decline in 2011 (-0.6% or -290 kb/d versus the previous year).

Global Oil Demand (2009-2011)

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.4	30.1	30.0	29.8	30.2	30.6	30.3	30.2
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.6	27.4	27.1	28.0	27.6	27.1	28.0	27.7
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.3	15.1	15.0	14.9	14.7	15.1	15.1	14.9
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.3	4.2	4.2	4.3	4.2	4.5	4.3	4.3
Middle East	6.6	7.1	7.6	6.9	7.0	7.0	7.4	7.8	7.2	7.3	7.3	7.7	8.1	7.5	7.7
World	**84.2**	**84.0**	**85.2**	**85.7**	**84.8**	**86.2**	**86.8**	**87.6**	**87.2**	**86.9**	**87.6**	**87.9**	**88.7**	**88.5**	**88.2**
Annual Chg (%)	-3.2	-2.5	-0.6	1.0	-1.3	2.3	3.3	2.8	1.7	2.5	1.6	1.3	1.2	1.5	1.4
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	2.0	2.8	2.4	1.4	2.1	1.4	1.1	1.1	1.3	1.2
Changes from last OMR (mb/d)	0.06	0.06	0.06	0.05	0.06	0.13	0.12	0.85	0.18	0.32	0.01	0.22	0.64	0.19	0.27

- **Forecast non-OECD oil demand for both 2010 and 2011 is nudged up by 160 kb/d on average**, on stronger-than-anticipated preliminary readings in Asia, the FSU and Latin America, as well as slightly higher GDP assumptions. With total oil demand now expected to average 41.2 mb/d in 2010, non-OECD year-on-year growth, at +1.8 mb/d or +4.7%, is fast approaching the historical record, reached in 2004 (+2.2 mb/d or +6.9%). In 2011, though, the pace of growth should moderate to +1.5 mb/d or +3.7%, with total demand reaching 42.7 mb/d.

Global Overview

This report incorporates the latest set of IMF GDP prognoses, which were released on 6 October. Overall, the Fund's new forecasts are marginally revised, both versus its April *World Economic Outlook* and its July *Update*. On the one hand, 2010 global economic growth is now seen at +4.7% year-on-year, up by 0.1 percentage points versus the Fund's July interim evaluation and by roughly 0.6 percentage points versus its April assessment, given stronger-than-expected activity in the first semester. On the other hand, 2011 growth is now projected at +4.2%, down by 0.1 percentage points versus the previous forecasts.

More interestingly, the *upward* revisions are mostly concentrated in non-OECD countries, while the *downward* adjustments pertain largely to the OECD. Emerging economies have clearly become key players: collectively, their GDP is seen rising by +6.9% on average over 2010 and 2011, with Asia in particular featuring strong growth, largely driven by China. Meanwhile, mature economies are struggling; as much as the recovery in the OECD is expected to be tangible (+2.4% on average over both years), it is unclear whether it will be sustainable, notably in the United States, as it has been largely driven by government spending, restocking and, to a lesser extent, net exports. The outlook thus faces great uncertainties. As the Fund acknowledges, "the global recovery remains fragile, because strong policies to foster internal rebalancing of demand from public to private sources and external rebalancing from deficit to surplus economies are not yet in place."

Real GDP Growth

OMR dated 13 October 2010

% change	2010	2011
WORLD	**4.7**	**4.2**
OECD	**2.7**	**2.2**
OECD, North America	2.9	2.5
OECD, Europe	2.1	1.8
OECD, Pacific	3.5	2.4
Non-OECD	**7.2**	**6.5**
Africa	4.8	5.2
Latin America	5.8	4.0
China (excl. Hong Kong)	10.5	9.6
Other Asia	8.2	6.4
Non-OECD Europe	(0.2)	2.1
FSU	4.2	4.5
Middle East	3.5	5.5

Current vs. Previous

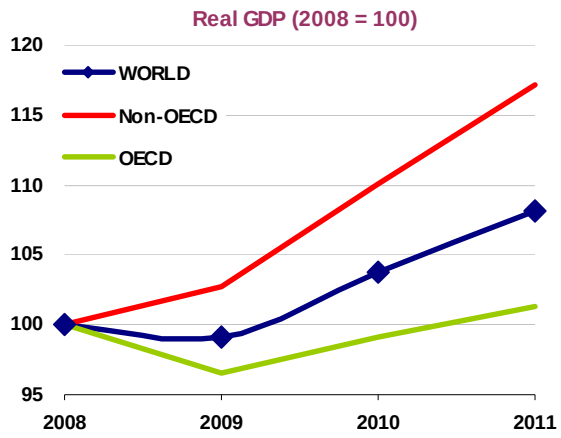
OMR dated 11 August 2010

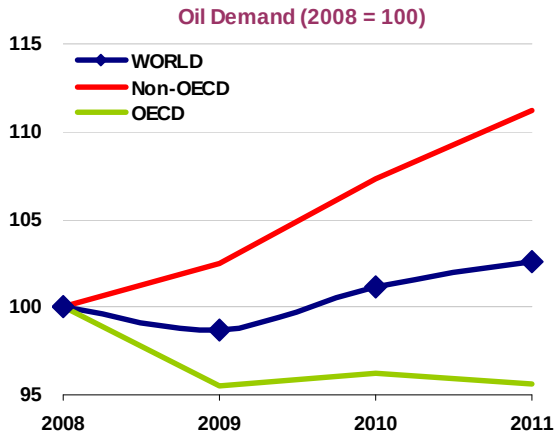
WORLD	**0.1**	**(0.1)**
OECD	**0.1**	**(0.3)**
OECD, North America	(0.5)	(0.5)
OECD, Europe	0.6	(0.1)
OECD, Pacific	0.3	(0.3)
Non-OECD	**0.2**	**0.1**
Africa	0.1	0.1
Latin America	0.9	0.2
China (excl. Hong Kong)	(0.0)	(0.0)
Other Asia	0.7	(0.1)
Non-OECD Europe	(3.4)	(1.3)
FSU	0.2	0.4
Middle East	(1.0)	0.7

Sources: IMF, IEA

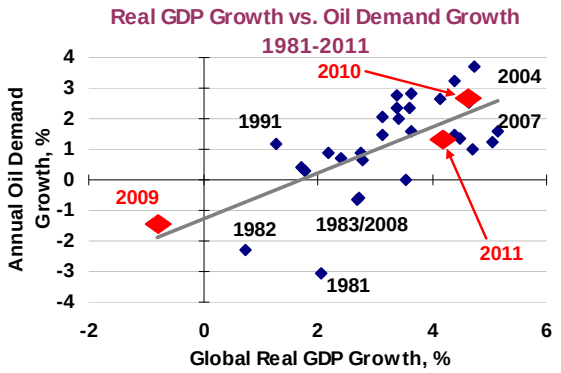
Indeed, there seems to be little international consensus on whether or not to engage in rapid fiscal consolidation amid skyrocketing public debt. The Fund itself argues that simultaneous fiscal retrenchment in all OECD countries would be ruinous for both economic growth and the already high unemployment rate. Yet the alternatives are not obvious, as was shown by the financial turmoil that engulfed Europe a few months ago. Meanwhile, the vexing issue of currency manipulation is becoming increasingly pressing, with China in particular resisting calls to let the yuan rise freely on the grounds of preserving domestic social stability – raising the spectre of a round of competitive devaluations and unwelcome global protectionism.

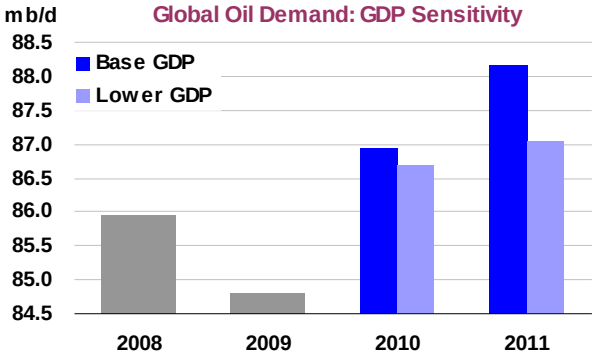
Leaving aside these risks, these economic prognoses show how much the world has changed in the past few years. Indeed, while GDP in the OECD will barely surpass its 2008 aggregate levels by 2011, non-OECD income will be almost 20% greater – with emerging countries as a group having altogether escaped the Great Recession of 2009. Similarly, whereas OECD oil demand is poised to stagnate almost 5% below 2008 levels both this year and next – highlighting the region's economic woes and the extent of ongoing, structurally driven demand destruction – non-OECD demand will have increased by over 10% by 2011, commensurate with the economic strength of key emerging countries.



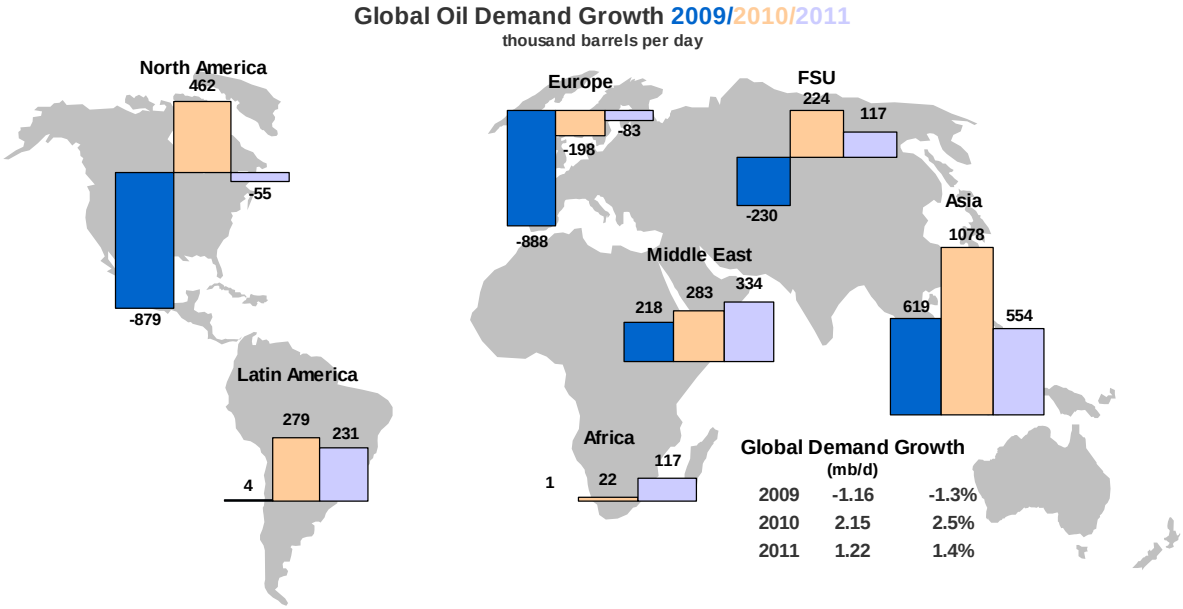


As a result of these new GDP prognoses, together with a nominal oil price assumption of roughly $75.60/bbl in 2010 and $79.70/bbl in 2011 based on the futures curve at the time of writing, and new data for July (final) and August (preliminary) showing much stronger-than-expected 3Q10 readings, global oil demand is now seen averaging 86.9 mb/d in 2010, 320 kb/d higher when compared with our last report. This implies growth of +2.5% or +2.1 mb/d year-on-year, 260 kb/d higher than previously assessed. In 2011, demand is expected to rise to 88.2 mb/d (+1.4% or +1.2 mb/d versus 2010 and 270 kb/d higher than previously expected), broadly in line with historical trends relative to GDP growth, interfuel substitution and oil intensity.





Given the persistent – and considerable – uncertainty regarding the world's short-term economic outlook, this report presents, as previously, a sensitivity analysis based on different paces of economic growth. Our 'base' GDP profile mirrors the current IMF assessment, while the 'lower' one is constructed by shaving a third of global growth for the reminder of 2010 and in 2011, in order to pin down the potential range within which global oil demand may evolve. Thus, GDP growth under the lower case would be around 3% in 2011, broadly in line with the latest *Consensus Forecasts* (September 2010). The usual disclaimer applies: this analysis is merely illustrative, does not imply a probability of occurrence and ignores the iterations between economic activity and the oil price, which is held constant.



On this basis, 2010 global oil demand would range from 86.7 mb/d under the lower GDP case to 86.9 mb/d under the base case (a 0.2 mb/d divergence), while 2011 demand would range between 87.1 mb/d and 88.2 mb/d, respectively (a 1.1 mb/d difference). Thus, under the lower GDP case, oil

demand growth, at +360 kb/d, would be over two-thirds lower than under the base case. The reason for this sharp fall relates to emerging countries, which bear the brunt of weaker economic activity in terms of much lower oil use. Indeed, under the low case, the pace of year-on-year decline in the OECD increases slightly (from -0.6% to -1.0%), but growth almost halves in the non-OECD (from +1.5 mb/d to +0.8 mb/d), highlighting its much higher income elasticity.

OECD

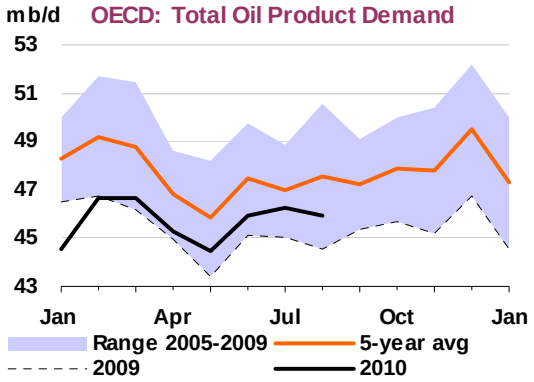
According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) jumped by 3.0% year-on-year in August. Exceptionally warm weather conditions in **OECD Pacific** boosted residual fuel oil use and direct crude burning. Meanwhile, in **OECD Europe**, the continued refill of household stocks supported sustained heating oil deliveries ahead of the winter. Finally, in **OECD North America** (which includes US Territories), demand readings for distillate and 'other products' were much stronger than previously anticipated.

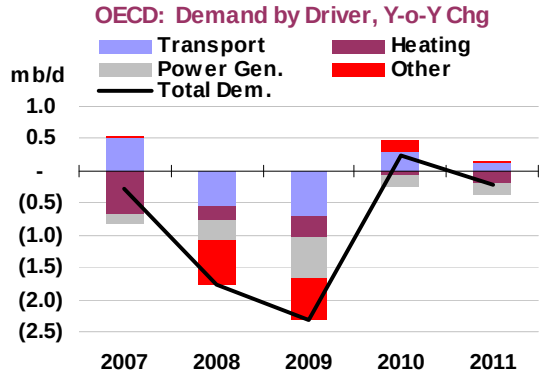
OECD Demand based on Adjusted Preliminary Submissions - August 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.93**	**0.5**	**1.72**	**2.4**	**3.85**	**7.4**	**0.81**	**3.1**	**0.86**	**-10.9**	**5.95**	**5.87**	**24.12**	**2.6**
US50	9.33	0.3	1.50	3.1	3.30	6.5	0.32	-2.3	0.44	-7.1	4.52	5.1	19.40	2.4
Canada	0.77	1.4	0.12	-8.7	0.22	0.7	0.33	27.9	0.10	13.8	0.74	6.3	2.29	6.0
Mexico	0.77	1.4	0.06	10.7	0.29	5.3	0.12	5.3	0.23	-26.8	0.64	12.0	2.11	1.0
OECD Europe	**2.30**	**-1.3**	**1.41**	**2.7**	**4.26**	**3.8**	**1.48**	**24.3**	**1.28**	**-2.7**	**3.39**	**-1.3**	**14.12**	**2.7**
Germany	0.48	-0.8	0.19	-0.5	0.69	5.5	0.42	114.9	0.15	8.4	0.59	-0.6	2.53	11.6
United Kingdom	0.36	-4.3	0.35	-0.2	0.44	-4.1	0.12	8.0	0.07	2.2	0.29	-4.0	1.62	-2.2
France	0.20	-2.6	0.16	-0.5	0.65	7.3	0.25	23.9	0.11	32.6	0.31	-3.6	1.68	6.4
Italy	0.23	-4.6	0.12	10.7	0.44	3.3	0.11	6.5	0.11	-41.2	0.38	13.3	1.39	-0.9
Spain	0.14	-4.9	0.14	7.8	0.48	2.8	0.13	1.0	0.18	-8.5	0.31	-2.2	1.38	-0.5
OECD Pacific	**1.73**	**3.3**	**0.61**	**-3.6**	**1.05**	**1.5**	**0.47**	**-4.3**	**0.78**	**21.0**	**3.04**	**6.8**	**7.68**	**4.9**
Japan	1.13	1.7	0.33	-6.9	0.40	-0.2	0.36	-7.4	0.47	32.0	1.68	7.4	4.37	4.7
Korea	0.21	8.7	0.15	-2.5	0.28	4.8	0.10	7.9	0.28	9.8	1.17	7.1	2.20	6.6
Australia	0.33	3.8	0.11	4.7	0.32	2.0	0.00	0.0	0.03	-18.6	0.16	1.0	0.96	2.0
OECD Total	**14.97**	**0.5**	**3.74**	**1.5**	**9.16**	**5.0**	**2.75**	**11.8**	**2.91**	**-0.1**	**12.39**	**4.0**	**45.92**	**3.0**

* Including US territories

Revisions to July data were hefty (+470 kb/d) and largely concentrated in North America (+320 kb/d), with US readings exceeding preliminary weekly estimates for all product categories bar residual fuel oil. In Europe (+90 kb/d), German heating oil stocking surprised on the upside, while Japanese distillate and residual fuel oil consumption turned out to be higher than expected in the Pacific (+60 kb/d). Total OECD demand thus surged by +2.7% year-on-year in July, almost twice as much as previously estimated.



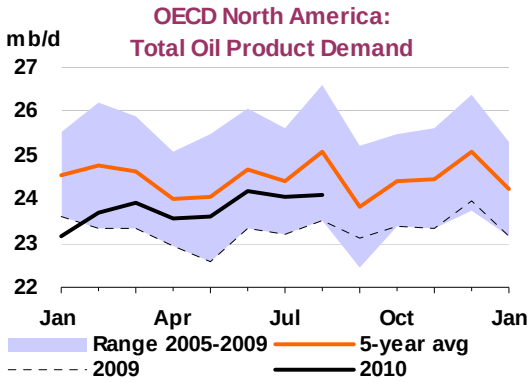


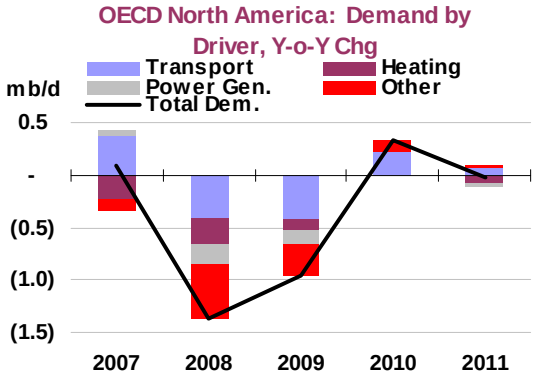
Looking ahead, the July adjustments and the unusually strong August figures have resulted in an overall +600 kb/d revision for 3Q10. This change, though, is only partly carried through to 4Q10 and 2011. As

much as current data may well imply that the underlying demand trend in the OECD is more resilient than previously thought, there are reasons to be cautious, even if the global economic recovery avoids a relapse. First, the Pacific's weather-related surge in burning fuels use was arguably exceptional; second, North American readings are based on the notoriously fickle weekly US data, which seem at odds with stubbornly weak economic indicators, and may thus well be significantly revised in the months ahead; finally, European heating oil deliveries may moderate if German inventories stabilise at around the five-year average. As such, OECD demand is now expected to average 45.8 mb/d in 2010 (+0.7% or +320 kb/d year-on-year and 170 kb/d higher than previously anticipated). However, as much as demand appears to have 'overshot' in 2010, we still believe that it will resume its gentle, structural decline in 2011 (-0.6% or -290 kb/d versus the previous year and 100 kb/d higher when compared with our last report).

North America

Preliminary data show oil product demand in North America (including US territories) rising by 2.6% year-on-year in August, following a 3.7% increase in July. August witnessed growth in all categories bar residual fuel oil. Despite a downgrade of regional economic growth prospects (real GDP growth was revised down by 0.6 pp on average for both 2010 and 2011) and economic indicators pointing towards continued weakness, the prognosis for oil demand in 2H10 has improved. Stronger-than-anticipated July submissions and upbeat August/September preliminary data have boosted our estimate for 3Q10 by +300 kb/d, though demand remains well below pre-recession levels (-1.6 mb/d versus 3Q07). Still, given short-term economic uncertainty, demand in 4Q10 is only 60 kb/d higher than in our previous report.



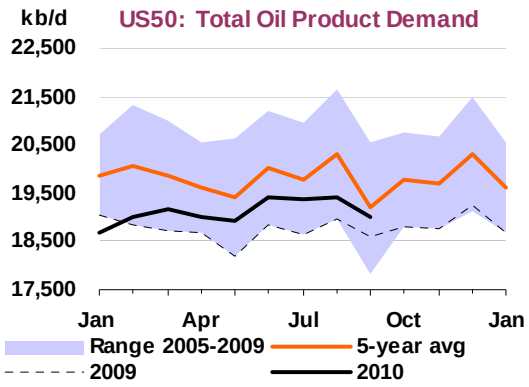


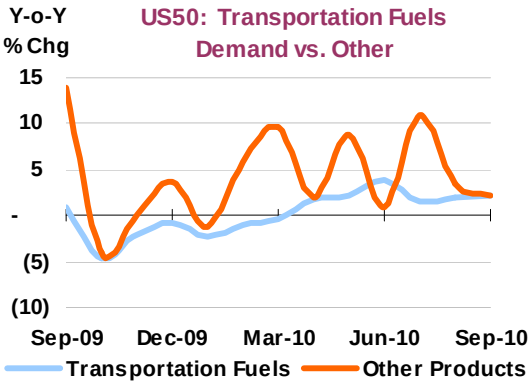
The 3Q10 change is anchored by a +320 kb/d revision to July preliminary data, mostly due to higher-than-expected demand readings for petrochemical feedstock, heating oil, residual fuel oil and 'other products'. Stronger-than expected US preliminary data in August (+160k b/d) and September (+420 kb/d) is more difficult to assess in terms of viability, as discussed below. With the incorporation of baseline data plus the latest IMF GDP prognoses, North American demand is now estimated at 23.8 mb/d in 2010 (+2.1% or +480 kb/d versus 2009 and 110 kb/d higher than our last report). Demand in 2011 is seen falling slightly to 23.7 mb/d (-0.2% or -60 kb/d year-on-year and 80 kb/d higher than our last report).

Adjusted preliminary weekly data for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 2.2% in September, following a 2.4% year-on-year rise in August. September data featured broad-based year-on-year gains (middle distillates, jet/kerosene and residual fuel oil all posted healthy growth), seemingly belying indicators pointing to slower economic growth. Still, our outlook remains cautious given uncertainty over recent US demand readings.

Firstly, weekly-to-monthly revisions have remained mixed in terms of direction and magnitude, confounding efforts to pre-empt such changes. The past twelve months have witnessed seven positive adjustments to total product demand versus five negative adjustments, including a large 720 kb/d

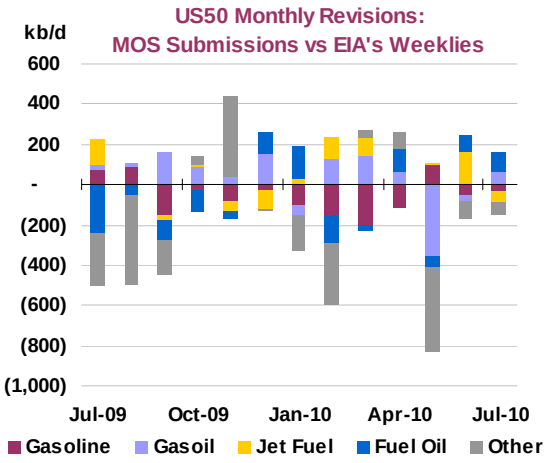
downward revision to May data. Distillates are particularly problematic; after a May downward revision of 360 kb/d, adjustments for June and July were small (+20 kb/d on average) despite the presumption of high exports amplifying demand readings. Jet fuel/kerosene and residual fuel oil revisions have also been volatile of late. Our methodology currently incorporates a twelve-month average of previous revisions; however, a three-month average is used for middle distillates given strong apparent gasoil growth rates in August and September.





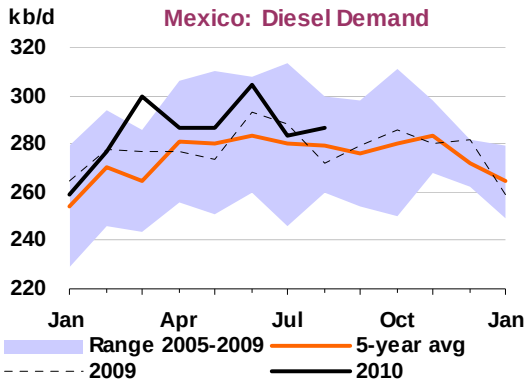
Moreover, September can be a volatile shoulder period for preliminary data, with a seasonal demand fall-off normally occurring throughout the month. This year, weekly readings varied by 1.3 mb/d from peak to trough, possibly due to refiners accelerating deliveries of summer-grade products in order to make room for storing winter-grade fuels. With gasoline and diesel stocks both trending at five-year highs during the summer, it is possible that deliveries from inventories may have been stronger than usual, boosting September demand.

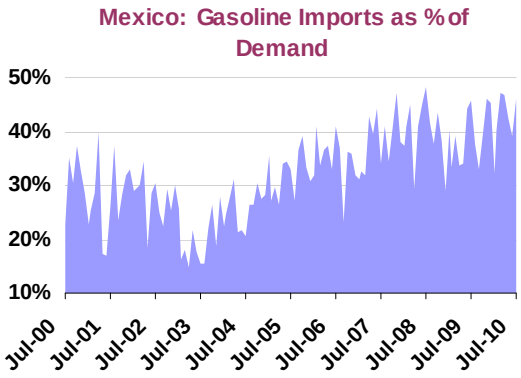
In the longer run, the prospects for US gasoline demand have weakened. The US Environmental Protection Agency and the Department of Transportation announced that they are developing auto fuel economy standards for model years 2017-2025. Current rules foresee fuel economy for new passenger cars and light trucks averaging 35.5 mpg by 2016; the new standards could raise new auto fuel economy to between 47 mpg and 62 mpg by 2025. Rule proposals are scheduled for September 2011, with a final rule in July 2012. Canada has indicated it will work in parallel to tighten fuel economy standards for beyond 2016. In early October, it announced final regulations for auto greenhouse gas emission standards from 2012-2016, which effectively mirror those of the US.



Mexican oil demand growth has slowed recently, with August levels up only by 1.0% year-on-year, after declining 0.6% in July. In 1H10, Mexican oil demand grew by 5.8% on average. Part of the slowdown stems from the strength of 2H09 demand, which increased considerably versus 1H09 as the recovery took hold. It also reflects the lack this year of a residual fuel oil spike, which rose in August/September 2009 on drought-induced power generation problems. Diesel and jet fuel/kerosene also posted strong growth in August (+5.3% and +10.7%, respectively). Nevertheless, given the economy's ties to the US and slowing momentum in the manufacturing sector, the outlook for diesel is more moderate through the end of 2011.

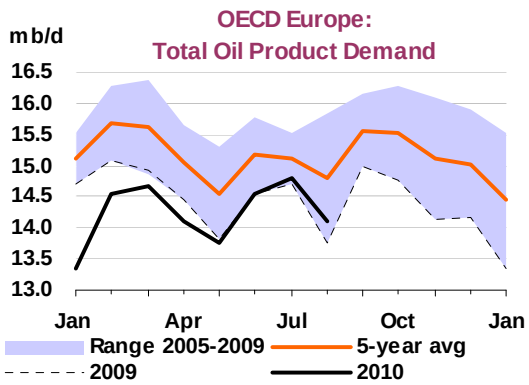
Oil demand could face a further check if Mexico's proposed 2011 budget entails a reduction of fuel subsidies. Maintaining gasoline and diesel prices below international market values will cost the government an estimated 64 billion pesos (~$5 billion) in 2010, twice as much as originally budgeted. Moreover, the Finance Ministry acknowledges that subsidies are highly regressive, with the richest segment (10% of the population) capturing one-third of the benefit and the poorest (30% of the population) only getting 4%. The new budget seeks to maintain monthly price rises at the pump, which began in December 2009 as part of an effort to slowly halve petrol subsidies. The action is critical from a fiscal standpoint, given recent oil price rises and Mexico's increasing reliance on gasoline imports, which account for about 40% of demand. Subsidies for LPG are also due to be phased out, though over a longer period, while sizeable support remains in place for electricity consumers.

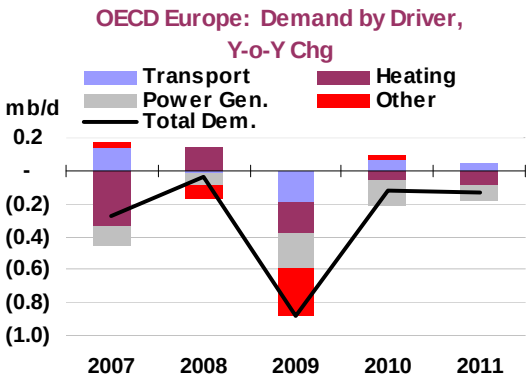




Europe

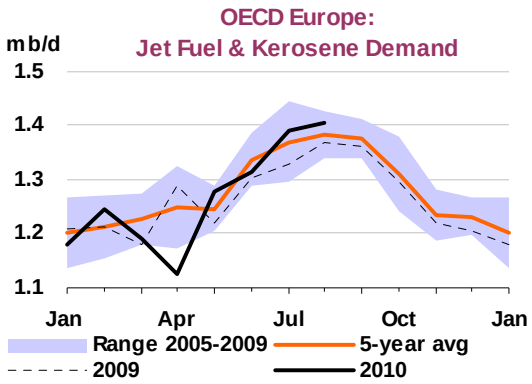
August preliminary inland data suggest that oil product demand in Europe surged by +2.7% year-on-year, largely on the back of strong deliveries of heating oil (+24.3%), diesel (+3.8%) and jet fuel/kerosene (+2.7%). The strength of heating oil demand stems from the sustained refilling of German and French household tanks ahead of next winter. **German** deliveries, in particular, skyrocketed by 114.9%, raising consumer stocks to 60% of capacity, above both July (+56%) and the five-year average (but still below the 66% recorded in August 2009). Meanwhile, jet fuel/kerosene demand proved to be highly resilient over the summer, indicating stronger holiday-related air travel. Finally, the vigour of diesel demand may signal somewhat improving economic conditions, notably in Germany and France, even though current economic indicators remain inconclusive.

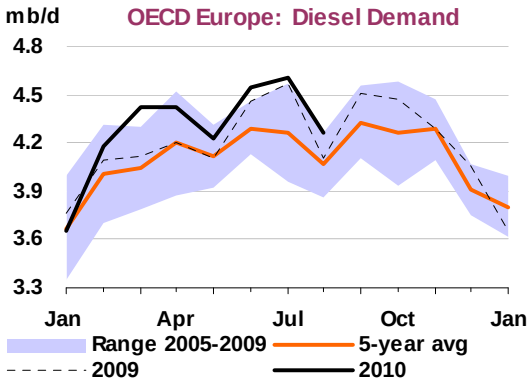




Revisions to July preliminary demand data were sizable (+90 kb/d), also due to stronger-than-expected deliveries of distillates and naphtha that offset weaker-than-expected readings in other product categories. Looking ahead, assuming that German heating oil deliveries revert to their five-year average, total OECD Europe demand should average 14.3 mb/d in 2010 (-1.1% or -160 kb/d compared with the

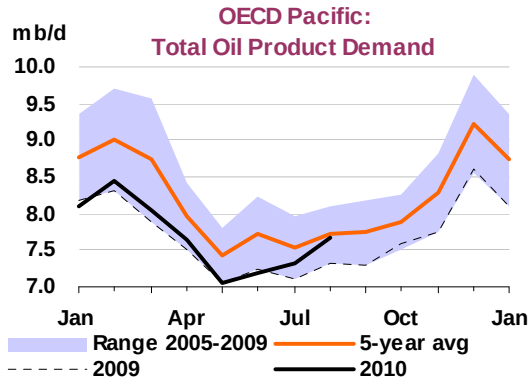
previous year, revised 20 kb/d higher). The decline is expected to continue in 2011, with demand reaching 14.2 mb/d (-0.7% or -100 kb/d versus 2010, largely unchanged versus last month's report).

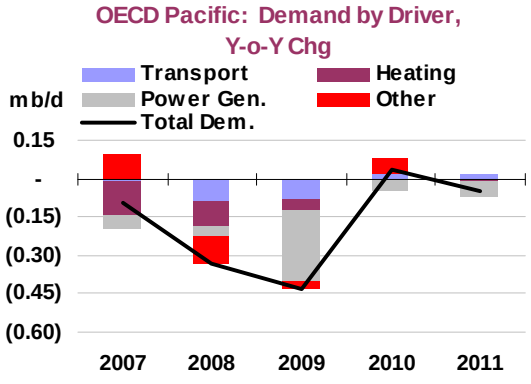




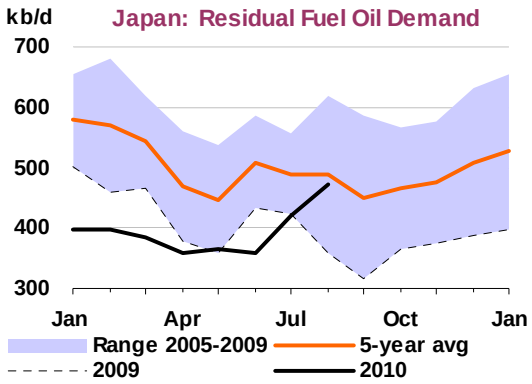
Pacific

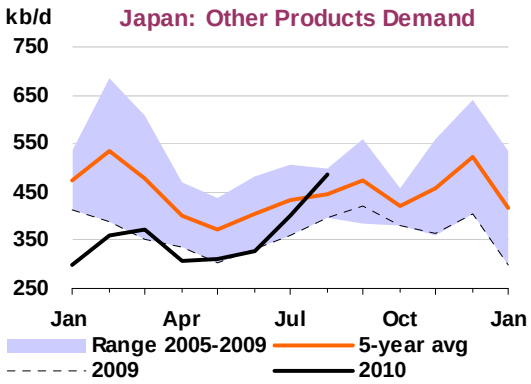
Preliminary data indicate that oil product demand in the Pacific jumped by 4.9% year-on-year in August, as unusually warm weather conditions and the ensuing surge in power demand for air conditioning boosted residual fuel oil use and direct crude burning (included in 'other products'), most notably in **Japan**, where overall demand surged by 4.7%. **Korea** also registered strong demand readings (+6.6%), given the continued resilience of its petrochemical industry (naphtha, which accounts for roughly 40% of total demand, rose by +5.6%). However, if the weather effect were excluded, OECD Pacific demand would probably have stagnated or even declined. Aside from the burning fuels surge in, virtually all other product categories in Japan – which altogether represents almost 60% of regional oil demand – posted losses, notably distillates. This highlights the challenges facing Japan's economy: externally, it is battling the yen's appreciation, which poses a risk to exports, the country's main growth engine; internally, it faces falling domestic demand and deflation.





July data revisions, at +60 kb/d, were relatively minor, and were mostly concentrated in distillates, thus pointing to +3.0% year-on-year growth during that month, slightly higher than suggested by preliminary figures (+2.2%). However, August's weather-related surge in burning fuels resulted in a +0.2 mb/d revision in 3Q10 – only partly carried through to 4Q10 and 2011. Indeed, the heat wave was arguably exceptional (Japan had the hottest summer since weather records started in 1898, according to the country's Meteorological Agency) and as such should be treated as an outlier. Overall, OECD Pacific demand is revised by +50 kb/d and +20 kb/d in 2010 and 2011, respectively. At 7.7 mb/d this year, this implies growth of +0.2% or +20 kb/d versus 2009. Next year, though, demand should resume its structural decline and average 7.5 mb/d (-1.7% or -130 kb/d).

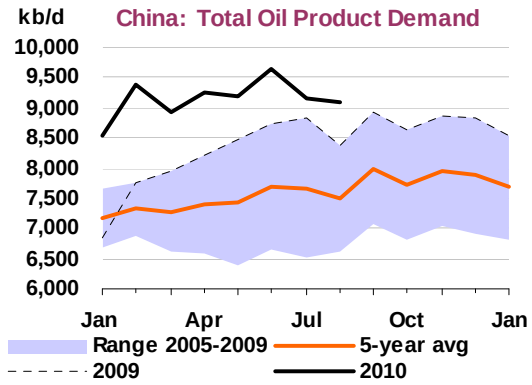


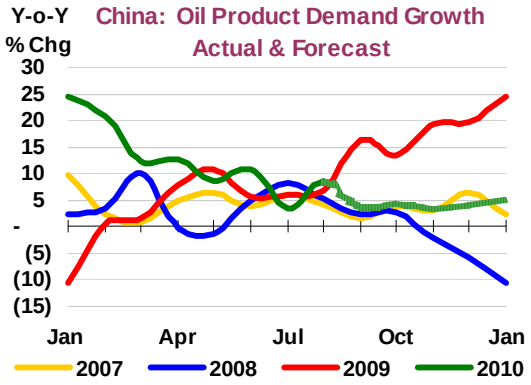


Non-OECD

China

China's preliminary data indicate that apparent oil demand surged by 8.5% year-on-year in August, over twice as fast as in July (+3.5%), with all product categories showing buoyant growth. July's sharp drop in both industrial activity and oil demand growth had led some observers to conclude that the widely expected 2H10 Chinese economic slowdown was already in motion. However, even though total oil demand fell by almost 1% month-on-month, the strength of August's numbers – particularly against a resurgent 2H09 baseline – suggests that the Chinese government is intent on engineering a soft, rather than a hard, landing.





As such, the country's oil demand could well continue to surprise on the upside, even though our outlook assumes that monthly year-on-year oil demand growth will be much more subdued for the reminder of this year (at around +4%) when compared with the previous eight months (almost +13%), as the government gradually winds down stimulus measures. Overall, Chinese oil demand is expected to average 9.1 mb/d in 2010 (+9.3% year-on-year) and 9.5 mb/d in 2011 (+4.2%), virtually unchanged from last month's report.

China's National Development and Reform Commission (NDRC) is reportedly on the verge of adjusting the cycle of the country's oil product price mechanism. The system, introduced in early 2009 with the goal of aligning domestic and international prices, has tended to encourage hoarding as the market can easily gauge the range and direction of forthcoming price moves. Indeed, under the current policy, the NDRC considers adjusting domestic benchmarks if the price of a basket of international crudes fluctuates by more than 4% over 22 consecutive working days. Under the new proposals, which have been under discussion over the past six months, this period would allegedly be halved to only ten days, in order to both reduce the lag between international and domestic prices and curb speculative stockpiling. It is

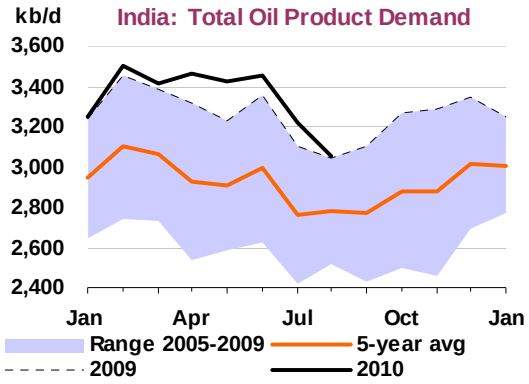
unclear, however, when the shorter cycle will be implemented and whether other changes, notably narrowing the 4% fluctuation range, reforming subsidies for farming and public transportation or changing the composition of the reference crude basket, will also be carried out.

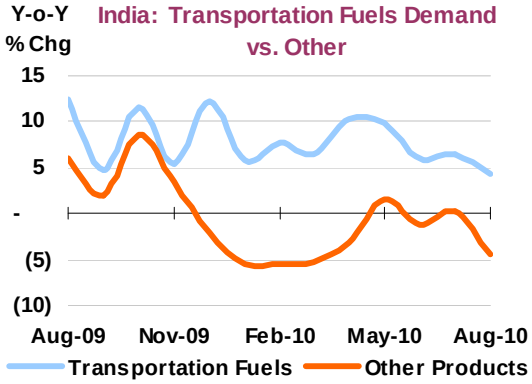
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	739	728	714	-12	-14	-1.6	-1.9
Naphtha	952	1,209	1,281	257	72	27.1	6.0
Motor Gasoline	1,507	1,546	1,623	40	77	2.6	5.0
Jet Fuel & Kerosene	335	372	402	37	30	11.1	8.2
Gas/Diesel Oil	2,697	2,958	3,104	261	146	9.7	4.9
Residual Fuel Oil	580	499	442	-80	-57	-13.9	-11.4
Other Products	1,560	1,833	1,964	273	131	17.5	7.1
Total Products	**8,369**	**9,145**	**9,531**	**776**	**385**	**9.3**	**4.2**

Other Non-OECD

Preliminary data show that **India's** oil product sales – a proxy of demand – barely rose in August (+0.2% year-on-year), as the sustained strength of LPG, gasoline and middle distillates was almost offset by weak naphtha, residual fuel oil and 'other products' readings. As monthly car sales have risen by almost a third on a yearly basis for most of the year (+33% in August), gasoline demand growth remains quite strong (+11.4%). Gasoil growth, at 'only' +2.9%, is not only related to more abundant monsoon rains (and hence less irrigation needs) and fewer power outages, but also to a relatively high baseline – in the summer of 2009, major farming states were hit by the worst drought in almost four decades.



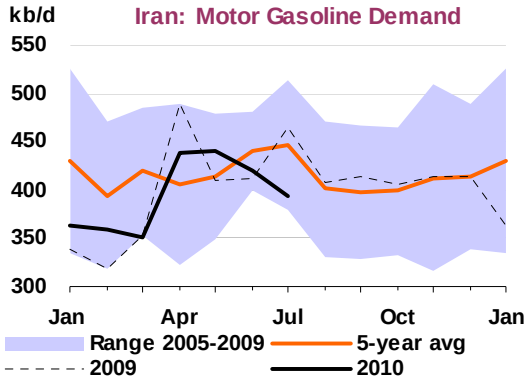


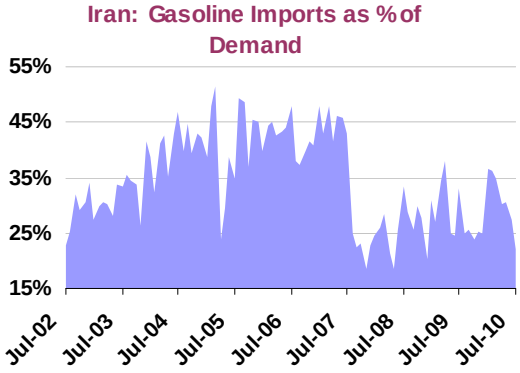
India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	441	470	34	29	8.3	6.6
Naphtha	319	288	253	-31	-34	-9.8	-12.0
Motor Gasoline	305	339	372	33	34	10.9	10.0
Jet Fuel & Kerosene	294	297	299	3	2	1.1	0.8
Gas/Diesel Oil	1,167	1,257	1,345	90	88	7.7	7.0
Residual Fuel Oil	407	387	374	-20	-13	-4.8	-3.5
Other Products	361	342	350	-20	8	-5.5	2.5
Total Products	**3,261**	**3,351**	**3,464**	**90**	**113**	**2.8**	**3.4**

According to JODI data, **Iran's** gasoline demand fell counter seasonally in July (-15.1% year-on-year). This dip appears to be related to toughened international sanctions prompted by the country's nuclear programme. Indeed, gasoline imports allegedly plummeted by a third from June to July, to 85 kb/d, and according to various sources, fell further in August and September – perhaps to as low as 25 kb/d. In

addition, Teheran has reportedly been forced to pay a hefty premium over spot prices. Over the last decade, Iran has heavily depended upon gasoline imports, as the combination of buoyant demographic and economic factors with extremely low end-user prices fostered runaway demand growth amid constrained refining capacity. Imports thus rose from some 20% of gasoline demand in the early 2000s to as much as 40% of demand over 2004-2007. The rationing scheme put in place in mid-2007, weakening economic conditions and social and political turmoil have since helped curb imports somewhat, but they still remained relatively high, at roughly 30% of demand during the first seven months of 2010.





Who Needs Gasoline Imports, Anyway?

Officially, Iran has successfully phased out gasoline imports by boosting production at petrochemical plants – so much so, according to several government officials, that the country will not only cease importing gasoline altogether until early next year but will also export a few cargoes for the first time ever. It is indeed technically possible to increase gasoline production, for example by cracking ethylene to produce pyrolysis gasoline with high aromatics content (reportedly the solution of choice at the Bandar Imam, Buali Sina, and Borzuyeh petrochemical plants), or by diverting naphtha entirely from petrochemical uses and into a gasoline reformer. Nevertheless, some observers suspect that the government is merely posturing, as gasoline import requirements are simply too large relative to capacity at petrochemical units. Most likely, the shortfall has also partly been met by drawing down gasoline stocks, which are reportedly dwindling fast.

Even assuming that self-sufficiency has been fully achieved, increasing gasoline output at the expense of other petrochemicals is arguably unsustainable. Financially, Iran is losing out twice, first by producing less valuable gasoline and then by selling it domestically at a huge loss given existing price caps. Meanwhile, a shortage of several key petrochemical products has emerged, thus merely shifting around – rather than solving – the problem of insufficient oil product supplies. More ominously, Iran is unlikely to be able to carry out the necessary refining investments that would address this issue in the medium-term, given the constraints imposed by international sanctions. Finally, there are concerns regarding the product's octane number, which could be as low as 75 RON in some cases, compared with much higher international standards (93-97 RON). If so, the damage to vehicle engines using such low-quality gasoline is likely to be consequential.

In the meantime, the Iranian government remains reluctant to liberalise the gasoline market. It has postponed the broad implementation of subsidy-removal legislation, voted in January and due to begin in late September. The law would remove subsidies to energy (liquid fuels, natural gas and electricity) and other goods and services (water and food) over the next five years, with subsidies replaced by targeted cash handouts for the neediest Iranians. However, only electricity prices have so far been raised (by as much as ten-fold for some households). Aside from serious institutional challenges – such as accurately identifying the recipients of the cash handouts – there is reportedly strong disagreement within the political elite on whether to move forward, what to do with the potential savings and how to deal with unintended consequences, such as a probable surge in inflation and the ensuing social protests. Still, the official line is that the removal of oil product subsidies has merely been delayed by one month.

SUPPLY

Summary

- **Global oil supply declined by 150 kb/d to 86.9 mb/d in September** on lower non-OPEC output. Year-on-year, global oil production was 1.5 mb/d higher, shared equally between non-OPEC, OPEC crude and NGLs.

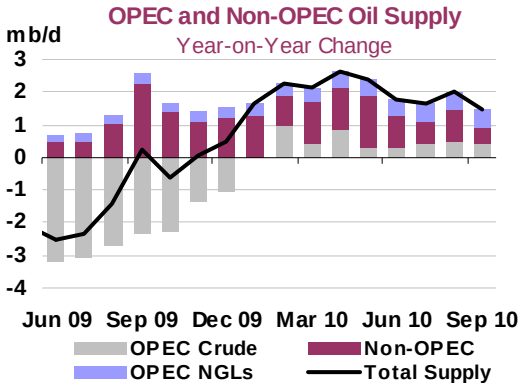
- **Non-OPEC oil supply fell by 0.2 mb/d to 52.4 mb/d in September** on seasonal maintenance plans in Azerbaijan and a dip in Brazilian fuel ethanol production. Production was higher than expected in the US, due to the absence of storm-related shut-ins.

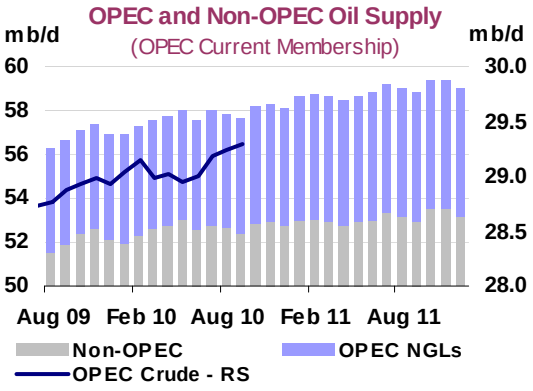
- **Estimated non-OPEC supply in 2010 is left unchanged at 52.6 mb/d, while the 2011 forecast is raised by 150 kb/d** to 53.1 mb/d on stronger US, Canadian and Chinese output. Annual growth is raised to 0.5 mb/d in 2011, following 0.9 mb/d in 2010. A reappraisal of Brazilian fuel ethanol production data changes historical seasonality, but leaves absolute annual output levels unchanged.

- **OPEC crude oil supply in September rose by a marginal 40 kb/d, to 29.29 mb/d**, with higher output from Iraq offsetting lower Angola production as well as smaller declines by some other members. Excluding Iraq, OPEC-11 collectively saw production fall by 150 kb/d, to 26.77 mb/d. OPEC NGL production estimates were left unchanged, at 5.2 mb/d in 2010 and 5.8 mb/d in 2011.

- **OPEC officials have indicated that their 14 October meeting in Vienna will be a low-key affair,** most likely given rangebound prices. Current prices for benchmark crudes are over $80/bbl and well above the comfort zone for most members.

- **The 'call on OPEC crude and stock change' is adjusted upwards**, most markedly reaching 29.8 mb/d in 3Q10, after a large upward demand revision. The 'call' for 4Q10 recedes to 29.0 mb/d, and then averages 29.3 mb/d in 2011.



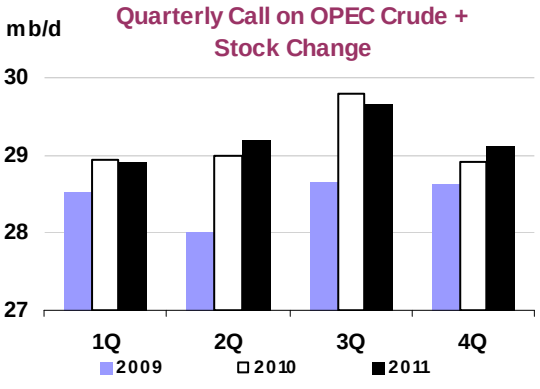


All world oil supply data for September discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Peru and Russia are supported by preliminary September supply data.

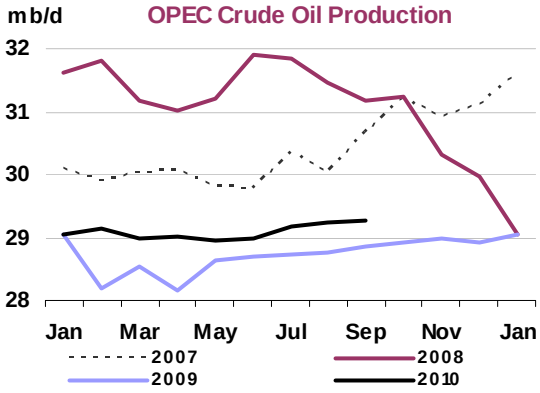
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

OPEC crude oil supply in September rose by a marginal 40 kb/d, to 29.29 mb/d, with higher output from Iraq offsetting lower supplies from Angola and some other members. Excluding Iraq, OPEC-11 collectively saw production fall by 150 kb/d, to 26.77 mb/d. As a result, compliance rates relative to targeted production cuts improved to 54% last month compared with 50% in August. The group is now pumping 1.93 mb/d above the implied 24.845 mb/d target level.

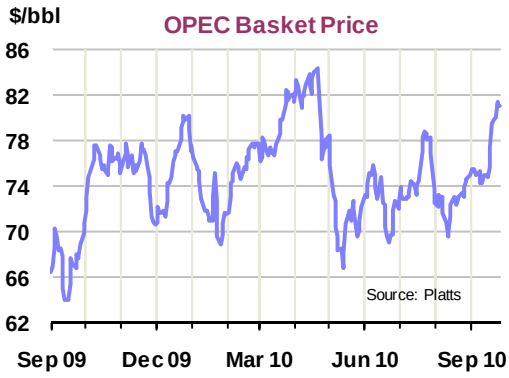


Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

Heading into OPEC's 14 October meeting, several ministers said publicly that compliance with existing targets will feature on the group's agenda when they gather in Vienna. However, in recent days other OPEC officials have indicated that the meeting will be a low-key affair with little debate over compliance issues given relatively high prices and the upcoming seasonally-stronger winter demand period. Since OPEC last met on 17 March, benchmark crude prices have remained range bound. OPEC's price basket averaged around $75.20/bbl in 2Q10 and 3Q10, little changed from the $75.40/bbl posted in 1Q10. Current prices for benchmark WTI and Brent crudes of over $80/bbl are well above the comfort zone for most members, including Saudi Arabia, which has said it favours prices around $75/bbl.



Compliance with OPEC's implicit targets, which have been in place since January 2009 after the group agreed to curb supply by 4.2 mb/d in light of sharply lower oil demand and prices, has eased significantly this year. Collectively, compliance with targets has hovered around 50-55% in recent months. However, on an individual basis target compliance varies widely. Currently, Nigeria is at the bottom of the range with zero compliance while the UAE posts the highest level at 90%.

Indeed, Nigeria, Angola and Iran have posted the poorest compliance rates since the new targets were adopted. Angola and Nigeria have forcefully argued that their individual allocations rest on an artificially low baseline when production was at exceptionally low levels, due to operational problems in the former and militant activity in the latter. Iran, for its part, has largely ignored its assigned target for almost two years, with compliance ranging around 20% in 2010. In September, Iran produced 344 kb/d above its implied target of 3.34 mb/d. While the latest round of international sanctions has clouded the country's production outlook, existing capacity is still some 620 kb/d above the country's 3.34 mb/d target.

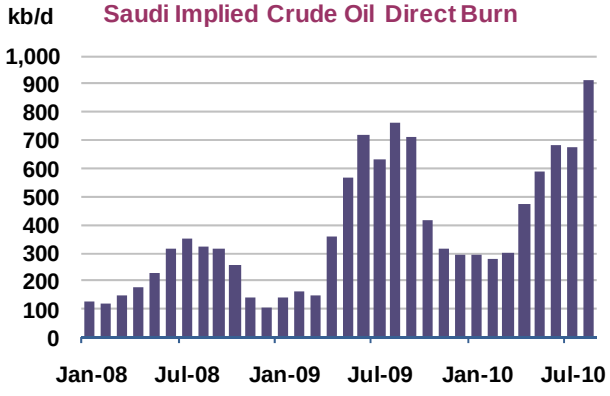
Iraq's production in September rebounded from August, up by 190 kb/d to 2.52 mb/d. Indeed, last month's supply is at the highest level since before the coalition's invasion in March 2003. However, without official data, implied Iraqi supply is estimated by calculating exports, which include sales from

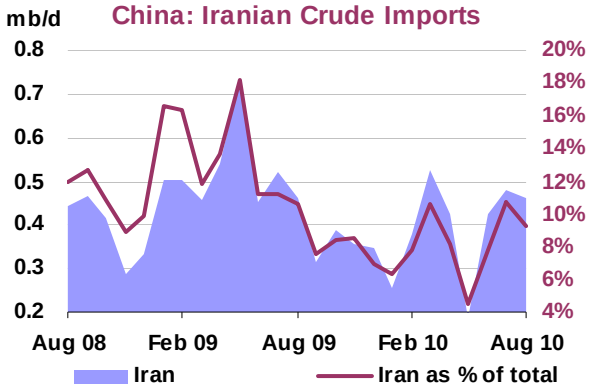
storage, plus domestic use at refineries and power plants, less fuel spiked into crude. September's output appears to be inflated by delayed shipments from the previous month as a result of sabotage to export infrastructure in the northern region of the country in August. Iraqi state marketer SOMO has said that it will also trim export levels to some Asian customers in October.

Iraqi crude exports in September are estimated at 2.02 mb/d compared with 1.77 mb/d in August—the highest level since February. Exports of Kirkuk crude in the north rebounded to just over 500 kb/d in September after hitting a 2010 low of 320 kb/d in August. Planned exports for August were delayed until September, which largely explains the exceptionally high supply estimate for the month. Exports of Basrah crude from the southern ports were up by 60 kb/d, to 1.51 mb/d in September.

Meanwhile, Iraq's announcement in early October of a 25% upward revision in its proven reserves, to 143 bn bbls, sparked speculation that the country was seeking a proportionately much higher production allocation for the future. Iraq has not officially had an output target for two decades following its 1990 invasion of Kuwait and most observers believe it is years away from being brought back into the quota fold. There is no doubt about Iraq's potential to significantly increase its reserve base, not least because its production potential has been hampered by decades of war and sanctions. However, some reports suggest the latest reserves assessment falls short of standard industry practices and that more work is needed to produce meaningful data. Indeed, the latest announcement may also be linked with efforts by the country's leadership to show tangible progress in developing this key sector, especially since politicians are still struggling to form a new government seven months after the March elections.

Saudi Arabia's production is assessed at 8.38 mb/d for September, unchanged from August levels, which were revised up by 100 kb/d. The higher production is largely attributed to increased domestic use of crude oil for direct burn to meet stronger power demand during the peak summer months. Indeed, the implied crude burn rate in August reached a record 915 kb/d, compared with just under 680 kb/d on average in July and June, according to JODI data. The higher crude burn in August is partly due to the Ramadan holiday occurring earlier than usual this year, which led to increased domestic demand for electricity and cooling.





Iranian crude oil output in September fell by 20 kb/d to 3.68 mb/d. Iranian crude in floating storage is estimated at approximately 33 mb at end-September, though off the 2010 peak of around 50 mb in June, volumes are still substantial. Although not subject to the latest round of sanctions, a number of refiners and traders have been forced to cut purchases of Iranian crude due to stiffer banking and insurance regulations. However, several European companies, unhindered by such constraints, reportedly stepped up purchases of Iranian crude in recent months, albeit buying the cargoes at steep discounts to official prices. From Jan-June 2010, OECD imports of Iranian crude amounted to 1.19 mb/d, or 60% of total Iranian crude exports, with four countries – Japan, South Korea, Italy and Spain – accounting for over 70% of the OECD total. There are some reports that China has increased purchases of Iranian crude in recent months but volumes are down from year-ago levels, most likely due to state NIOC's uncompetitive pricing formulas. China's imports of Iranian crude in the first 8 months of 2010 averaged

390 kb/d, 130 kb/d below 2009 levels of 520 kb/d for the same period. Indeed, Iran's problems selling its crude and its high volumes held in floating storage stem in large part to its over-the-market pricing for poorer quality grades, with new sanctions having had a smaller impact.

Nigerian production was up slightly, by 10 kb/d to 2.15 mb/d. Higher production levels in recent months reflect continued progress in repairing long-damaged infrastructure. A steady recovery in Bonny Light production is partly behind continued gains in Nigerian production and volumes are expected to increase further following the completion of a new $1.1 billion pipeline. The 600 kb/d Nembe Creek Trunkline will carry crude from 14 flow stations in the Niger Delta to the Bonny export terminal in Rivers State. Joint venture partner Shell says half the line has been commissioned. The new line will replace an existing pipeline and is part of the company's ongoing asset integrity programme that has replaced more than 1,000 kilometres of major pipelines and flow lines in the last five years. Approximately 320 km of pipeline was replaced last year. Bonny exports in November are expected to top 300 kb/d, up from 130 kb/d earlier this year.

OPEC Crude Production

(million barrels per day)

	Jul 2010 Supply	Aug 2010 Supply	Sep 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Sept 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.26	1.26	1.25	1.38	0.13	0.200	60%
Angola	1.70	1.77	1.68	2.00	0.32	0.244	25%
Ecuador	0.47	0.46	0.45	0.48	0.03	0.067	72%
Iran	3.68	3.70	3.68	3.96	0.28	0.562	23%
Kuwait[2]	2.30	2.31	2.30	2.58	0.28	0.374	83%
Libya	1.56	1.56	1.55	1.70	0.15	0.252	60%
Nigeria[3]	2.16	2.14	2.15	2.25	0.10	0.319	0%
Qatar	0.80	0.79	0.80	1.00	0.20	0.122	49%
Saudi Arabia[2]	8.28	8.38	8.38	12.20	3.82	1.318	81%
UAE	2.36	2.32	2.31	2.72	0.41	0.379	90%
Venezuela[4]	2.23	2.23	2.22	2.45	0.23	0.364	41%
OPEC-11	**26.80**	**26.92**	**26.77**	**32.72**	**5.95**	**4.201**	**54%**
Iraq	2.38	2.33	2.52	2.50	(0.02)		
Total OPEC	**29.18**	**29.24**	**29.29**	**35.22**	**5.93**		
(excluding Iraq, Nigeria, Venezuela					*5.62)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria current capacity estimate excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 460 kb/d in September.

Resurgence in violence in recent weeks has so far not affected oil infrastructure but security issues, the fragile ceasefire accord and political machinations ahead of the January 2011 presidential elections may have a larger impact on oil supplies in coming months. Security in the oil-producing Niger Delta was stepped up in early October after deadly attacks in the capital as celebrations took place to mark 50 years of the country's independence. The Movement for the Emancipation of the Niger Delta (MEND) claimed responsibility for the attacks. Frustrated by the government's slow pace in meeting promises to provide cash payments, education and jobs for putting down their arms as part of the amnesty programme reached a year ago, rebel groups have threatened to rearm and resume attacks on the country's oil infrastructure.

The controversial new energy legislation is also fuelling flames of discontent among the country's oil workers. Nigeria's oil minister once again announced that the Petroleum Industry Bill (PIB) would imminently be passed by Congress. Now, however, oil workers in the two main unions, Pengassan and Nupeng, claim that too many concessions have been made to international oil companies (IOCs) and have threatened industrial action. Despite the union claims, it appears that the government and the IOCs (which account for over 90% of current production) remain wide apart on the issue.

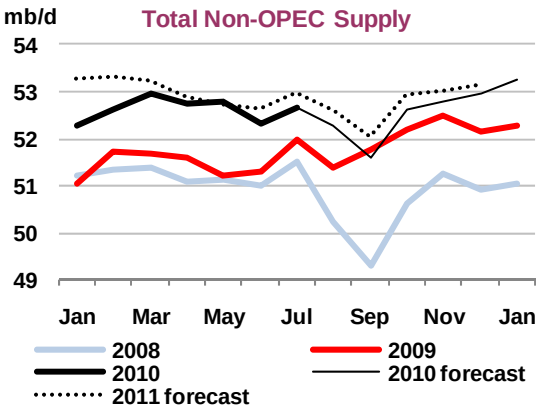
In addition to widespread discontent among former rebels and union oil workers, analysts fear the upcoming presidential elections may foment further political unrest as parties jockey for power. However, the formal announcement by President Goodluck Jonathan that he will run for election in January may help quell unrest in his native Delta region.

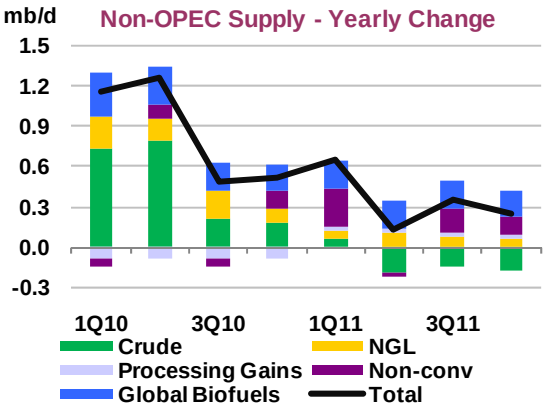
Angolan production drifted lower in September, down by 90 kb/d to 1.68 mb/d. Maintenance work at the Dalia FPSO in mid-September reduced output for the month to an estimated 140 kb/d compared to a more normal 250 kb/d. Lower supplies in September also stemmed from reduced operations at the Greater Plutonio FPSO due to repair work on the water injection system, which commenced on 22 September for three weeks. Scheduled maintenance work on Block 15 also reduced supplies.

Ecuador posted a small output decline of 10 kb/d, to 450 kb/d in September. OPEC's smallest producer was besieged by internal problems last month, which could lead to further declines in supply. Firstly, Petroecuador suspended a staggering 10% of its workforce amid corruption allegations. In addition, OPEC's Secretary General reportedly suggested that the country's plans to suspend development of the Ishpingo-Tambococha-Tiputini (ITT) oil field might undermine its status as a net oil exporter, rendering its membership in OPEC moot. Ecuador rejoined OPEC three years ago after a 13-year hiatus. ITT, which is located at the eastern edge of the Yasuni National Park in the Amazon rain forest, is Ecuador's largest undeveloped oil field, and accounts for 20% of the country's total reserves. Ecuador is trying to negotiate a financial package that would compensate the country for keeping the 1 billion barrel heavy crude field undeveloped in order to preserve the rain forest as well mitigate climate change.

Non-OPEC Overview

Non-OPEC oil supply fell by 0.2 mb/d to 52.4 mb/d in September on seasonal maintenance in Azerbaijan and on a dip in Brazilian fuel ethanol production. Production was higher than expected in the US as, despite a string of storms in the Atlantic, none affected US oil production, nor even entered the Gulf of Mexico. Mexican oil production was however briefly affected by storms, while small volumes of Canadian oil were backed up by the shutdown of a major crude export pipeline into the US. Early October saw unplanned shut-ins in Indonesia and Norway.





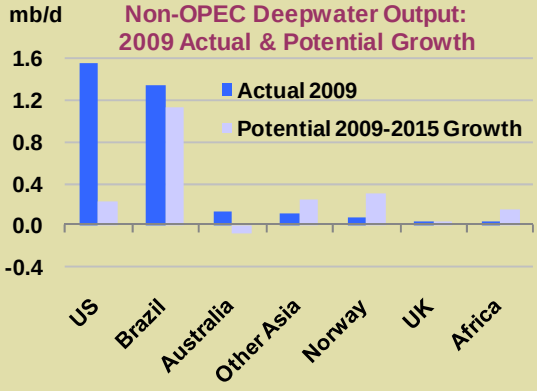
Estimated non-OPEC supply in 2010 was left unchanged at 52.6 mb/d, as stronger US and Canadian production offset lower output in the North Sea and smaller downward adjustments to the FSU and Africa. A reappraisal of Brazilian fuel ethanol production changes historical seasonality, though not absolute annual numbers (see *Recognising the Seasonality of Brazilian Ethanol Production*). Stronger recent production in the US and Canada is carried through the forecast, which, combined with a higher prognosis for Chinese output, boosts our 2011 non-OPEC supply estimate by 150 kb/d to 53.1 mb/d. Annual growth is thus raised to 0.5 mb/d in 2011, following 0.9 mb/d growth in 2010.

International Reactions to the Macondo Oil Spill

After the *Macondo* oil well was sealed for good in September, oil companies keen to return to deepwater drilling in the Gulf of Mexico recently got a flavour of what they may have to comply with in order to do so. On 1 October, US authorities released some new safety regulations for deepwater drilling, including tighter standards on blowout preventers, well design and cementing, as well as requirements that companies have the safety of their operations certified by third-party inspectors. Compliant companies could then in theory recommence deepwater drilling. Meanwhile, the Department of Interior is considering whether to lift the current moratorium on deepwater drilling ahead of its planned expiry at end-November.

While this report maintains an assumption that delays to drilling will curb US output by 60 kb/d in 2010 and by 100 kb/d in 2011, we currently do not foresee any significant impact on production elsewhere. A round-up of national and international responses to the disaster follows:

- In the **UK**, a parliamentary committee will release a report on lessons learned from the *Macondo* incident at the end of October. Regulators consider the UK's safety regulations to be tougher than in the US, after they were significantly tightened following the 1988 *Piper Alpha* disaster. Authorities have already sanctioned new drilling at the deepwater Lagavulin prospect West of Shetland.
- **Norway** significantly tightened safety requirements following the *Alexander L. Kielland* disaster in 1980. Deepwater drilling continues for the moment, though some acreage has been withdrawn from an upcoming auction. Authorities acknowledge that public support for opening up new northern areas to exploitation has likely fallen, notably around the Lofoten islands and in the Barents Sea, where Norway recently resolved a longstanding boundary dispute with Russia.
- **Australia** is investigating its own disastrous blowout, at the Montara oil field in 2009, and will publish a report by the end of this year. It is currently not discussing a drilling ban, but does have plans to set up a national offshore petroleum regulator.
- In **Canada**, the Senate released a report stating that no drilling ban was necessary, as safety regulations are considered adequate.
- **Brazil**, the country with the most potential for growth in deepwater oil production of all non-OPEC countries, is considering new regulations, but continues to allow deepwater drilling. Brazil tightened requirements after an incident with the P-36 rig in 2001. It recently closed the P-33 platform over safety concerns.
- **Mexico** has postponed a plan for an exploratory deepwater well close to its maritime border with the US in the Gulf of Mexico.



- **Russia** is mulling a plan to require companies active offshore to present contingency plans in the case of an accident, and was instrumental in setting up the **Global Marine Environment Protection Initiative** (GMEP) under the auspices of the G-20. This body aims to highlight industrial best practices in offshore resource exploitation, and provide a centralised forum for discussing regulatory developments.
- **European Union** Energy Commissioner Oettinger has repeatedly called for an EU-wide moratorium on offshore drilling, but a recent, non-binding resolution passed by the European Parliament fell short of a ban, though favours tightening regulations (the EU Commission is working on a comprehensive report).
- Many of the countries above (Australia, Brazil, Canada, the Netherlands, New Zealand, Norway, the UK and the US) are grouped in a body called the **International Regulators' Forum**, which met in early September. The group hopes to take the lead on possible reforms of safety regulatory regimes in its member countries. To this end it is meeting again in Vancouver in October.
- ExxonMobil, Chevron, ConocoPhillips and Royal Dutch Shell (recently joined by BP) have formed the **Marine Well Containment Co** (MWCC), an oil spill response group with the stated aim of having the capacity to handle a 100 kb/d spill in 10 000 feet water depth. The group, led by Exxon, is seeking to increase membership further and hopes to have its response capability in place by early 2011.

Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.0	13.7	13.9	14.0	13.7	13.7	13.8	13.8
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.9	4.2	4.2	4.2	4.0	3.9	4.1	4.0
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.5**	**18.6**	**18.7**	**18.8**	**18.3**	**18.2**	**18.5**	**18.5**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**28.9**	**29.2**	**29.4**	**29.0**	**29.6**	**29.8**	**29.8**	**30.1**	**29.8**	**30.4**	**30.3**	**30.3**	**30.5**	**30.4**
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.0	1.9	1.8	1.5	2.1	2.2	2.1	2.0
Total Non-OPEC	**51.1**	**51.4**	**51.8**	**52.3**	**51.7**	**52.3**	**52.7**	**52.6**	**52.8**	**52.6**	**53.0**	**53.0**	**53.0**	**53.4**	**53.1**
Annual Chg (mb/d)	0.2	0.5	1.2	1.3	0.8	1.1	1.3	0.7	0.5	0.9	0.7	0.3	0.4	0.6	0.5
Changes from last OMR (mb/d)	-0.3	0.1	0.1	0.1	0.0	-0.4	0.1	0.3	0.0	0.0	-0.3	0.3	0.4	0.3	0.2

OECD

North America

US – September Alaska actual, others estimated: US oil supply rose by 140 kb/d to 7.9 mb/d in September as Alaskan output picked up again following seasonal maintenance. Our September estimate is also revised up sharply in the absence of any storm-related shut-ins. Despite eight named storms crossing the Atlantic in September, most veered north and avoided the Gulf of Mexico. Our use of a hurricane adjustment on the basis of five-year average shut-in volumes had resulted in a particularly pronounced assumed shortfall of -500 kb/d for September, skewed by outages of -1.1 mb/d due to Hurricanes Katrina/Rita and -1.2 mb/d due to Gustav/Ike in September 2005 and 2008 respectively. A recalculated five-year average including a now shut-in-free September 2010 results in a lower September average for the 2011 forecast.

Actual and forecast US Gulf of Mexico hurricane-related shut-ins

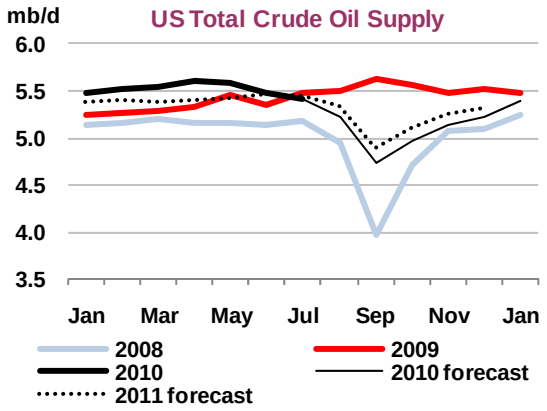
(thousand barrels per day)

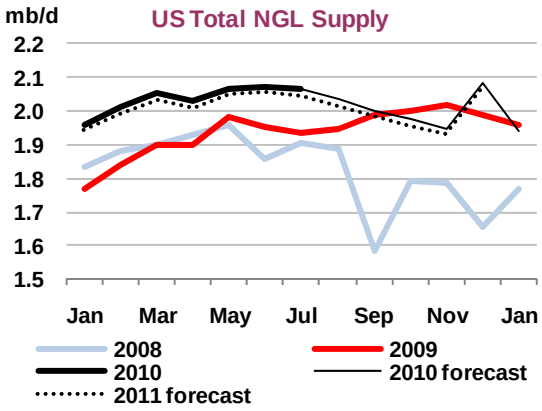
	July	Aug	Sep	Oct	Nov	Dec
2005	-175	-245	-1131	-908	-631	-400
2006	-37	-41	-102	-65	-13	-35
2007	0	-5	-95	0	0	0
2008	-13	-172	-1209	-718	-428	-371
2009	0	0	0	0	-52	0
2010	-105	0	0	***-338e***	***-225e***	***-161e***
2011	***-31e***	***-44e***	***-281e***	***-338e***	***-225e***	***-161e***

Forecast shut-ins based on 5-year rolling average

A reappraisal of US NGL prospects has prompted us to up our 2011 forecast by 30 kb/d to 1.98 mb/d. Higher recent monthly NGL production, and the potential for natural gas production to remain resilient in the face of lower prices combine to prompt this assessment. While drilling continues to rise, low natural gas prices vis-à-vis oil prices are prompting companies to develop liquids-rich formations first.

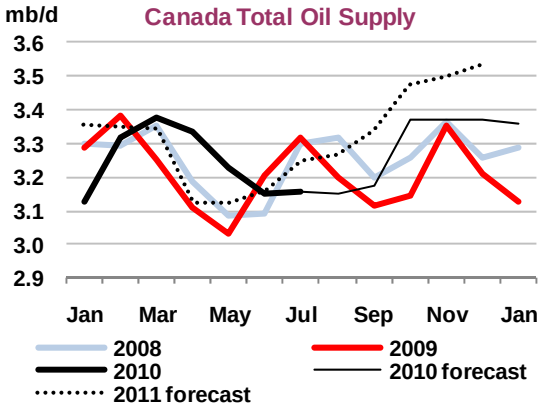
US onshore oil production is also adjusted higher, as again, drilling rig counts continue to rise and monthly production has been coming in higher in areas such as Texas and North Dakota, the latter aided by rising production from the Bakken shale formation. Estimated 'other oxygenates' are also adjusted higher on stronger recent performance. In sum, forecast US oil supply in 2010 is revised up by 95 kb/d to 7.65 mb/d, while output in 2011 is now seen 125 kb/d higher than previously, also at 7.65 mb/d.

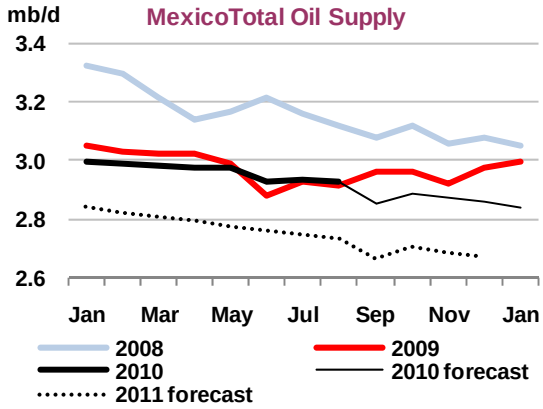




Canada – Newfoundland August actual, others July actual: July oil production in Canada is revised up by 200 kb/d to 3.4 mb/d, half of which stems from higher synthetic crude output. Hurricane Igor, which blew up the East Coast of North America in late September, briefly forced the precautionary evacuation of facilities offshore Newfoundland, but apparently caused no shut-in of oil production. The closure of a section of Enbridge's 6A crude pipeline from northern Wisconsin to Indiana in mid-September reportedly forced the shut-in of small amounts of crude output in Saskatchewan. The debate over TransCanada's proposed Keystone XL pipeline, which would extend existing infrastructure and open up a new route for crude to flow from Cushing, Oklahoma, to the US Gulf Coast, continues. While reserve and operating risks for Canadian oil sands are less than for other frontier forms of production, recent pipeline spills have added to ongoing concerns over CO_2 emissions.

Shell announced the start-up of its 100 kb/d Jackpine Mine oil sands facility in mid-September, which will boost output at its Athabasca complex to around 250 kb/d. However, significant volumes will only become available when the company's related Scotford upgrader completes its own expansion, due in the course of 2011. Total Canadian oil supply is adjusted up by 30 kb/d and 15 kb/d for 2010 and 2011 respectively, with both years steady at 3.3 mb/d.





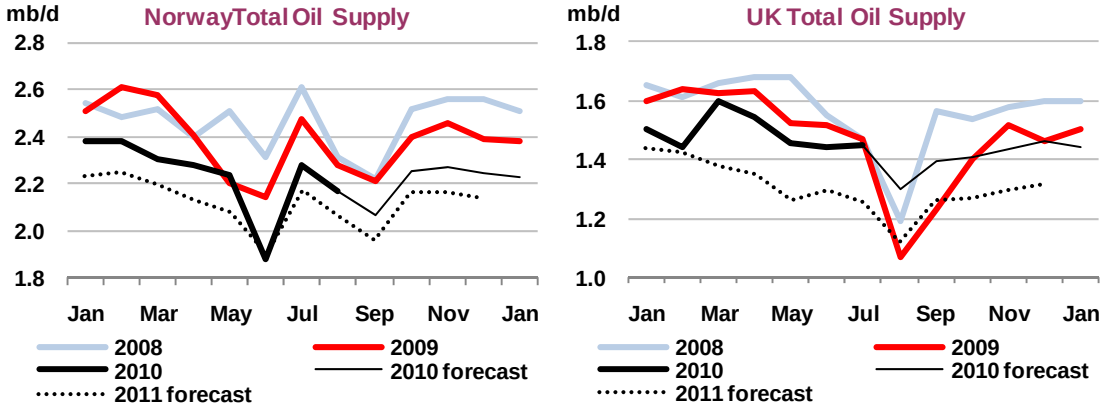
Mexico – August actual: Oil production in Mexico was little-changed in August, at just over 2.9 mb/d, as output at major fields Cantarell and Ku-Maloob-Zaap (KMZ) remained steady. Hurricane Karl ripped through the Campeche Sound in late September, forcing the evacuation of offshore platforms and the shut-in of small production volumes. No damage was reported, and our customary -50 kb/d September storm adjustment is likely to amply cover any impact. Annual forecasts are left unchanged, with oil production estimated to decline from 2.9 mb/d in 2010 to 2.8 mb/d in 2011.

North Sea

Norway – July actual, August provisional: While July production levels were left more or less unchanged at 2.15 mb/d, preliminary August production was reported 100 kb/d lower than expected, at 2.03 mb/d, due to some remaining seasonal maintenance. Field-by-field production levels for July show that the troubled Gullfaks C platform was nearly back to normal, after restarting output mid-month following

problems in mid-May. But output at the related Tordis field, which was also affected by the same incident, was still at zero in July. In early October, problems at the Oseberg South platform were announced, apparently already ongoing since 20 September. Problems with gas re-injection had forced the shut-in of 25 kb/d, assumed to restart in coming days.

The Norwegian Petroleum Directorate (NPD) is putting pressure on oil companies to boost recovery rates, as the government predicted a decline in oil production in 2011 as part of its budget projections. A task force had previously published a report giving 44 recommendations such as cutting operating costs, encouraging new technology and adjustments to the regulatory regime, which could boost recoverable oil from 46% to 60% at key fields, thus yielding some 16 billion barrels of oil and allowing Norway to slow decline. Earlier this year, ConocoPhillips and Statoil had already announced large-scale investment in the ageing Ekofisk, Eldfisk and Troll fields, some of Norway's largest. NPD forecasts indicate a decline from current levels of around 2 mb/d to 1.5 mb/d in 2015, which (excluding NGLs from gas processing) is slightly more optimistic than our recent medium-term forecast, which sees a fall to 1.4 mb/d in 2015. 2010 oil production (including all NGLs) is little revised and forecast to average 2.2 mb/d, declining to 2.1 mb/d in 2011.



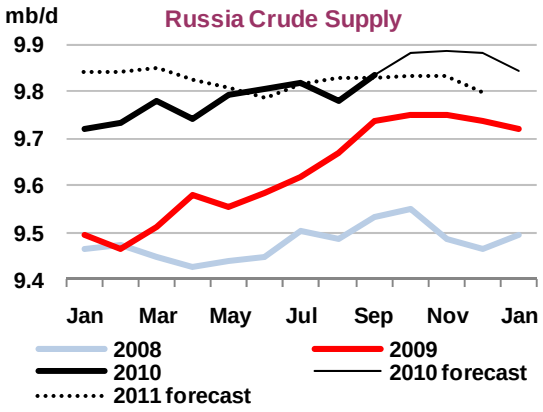
UK – July actual: July oil production in the UK is revised down by a sharp 225 kb/d to 1.16 mb/d, as seasonal maintenance was more protracted than expected. Output is anticipated to stay around the same level in August, before rising again to over 1.3 m b/d in September. Field-by-field data for June indicate a new problem at Schiehallion, which had only just restarted output in February this year, after eight months of downtime. Planned work at the Buzzard field is being brought forward from early 2011 to 4Q10, taking around 60 kb/d offline for an unknown duration. 2010 total oil production is revised down by 55 kb/d to 1.37 mb/d, and this is expected to decline to 1.32 mb/d in 2011, as some new start-ups help to offset steady decline at mature fields.

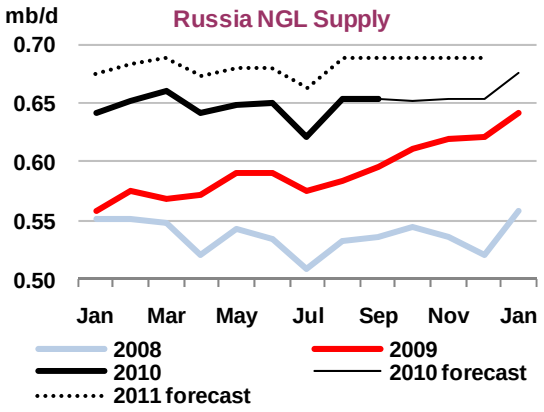
Denmark – August actual: In August, Danish crude oil production fell by a steep 50 kb/d to 190 kb/d on assumed maintenance, since no unplanned outages were reported. Unlike Norway and the UK, Denmark does not typically see a significant reduction in output due to seasonal maintenance. 2010 production is expected to average 245 kb/d, declining to 225 kb/d in 2011.

Former Soviet Union (FSU)

Russia – August actual, September provisional: September oil production in Russia once again hit a record post-Soviet high, at 10.47 mb/d. This represents an increase of around 100 kb/d from August, when seasonal maintenance substantially curbed output at the Sakhalin 1 project, though total Russian output is only marginally higher than in July. September saw the start-up of production from the Odoptu field, adding 35 kb/d of capacity to Sakhalin 1. According to company reports, this should offset decline at the Chaivo field and keep the project's output steady at around 150 kb/d until mid-decade, when the Arkutun-Dagi field will boost volumes. Total Russian oil supply forecasts are left unchanged, with output expected to rise from 10.4 mb/d in 2010 to 10.5 mb/d in 2011.

Russia has hinted that it may consider allowing foreign companies access to its continental shelf's oil and gas resources, although details remain elusive. Currently, oil fields containing over 500 mb and/or offshore areas are considered 'strategic', with access limited to state-owned oil companies. However, this rule was put in place before the financial crisis hit, when Russian companies had more cash to spend on developing challenging upstream projects. The Russian government is keen to start developing offshore areas, especially in the Arctic and Barents Sea, which so far remain largely undeveloped.





FSU net oil exports fell by 250 kb/d to 9.68 mb/d in August from their July record high. However, despite this fall, they remained 230 kb/d above a year ago. The fall was led by Russia where the crude export tax increased by 6% to $264/tonne. Following the duty hike, Transneft volumes fell by 160 kb/d. Flows through the Druzhba pipeline decreased by 110 kb/d to 1.1 mb/d and shipments from the Russian Black Sea port of Novorossiysk dropped by 140 kb/d. With Russian production and refinery throughputs hovering close to record levels, the crude export duty is currently dictating the month-on-month changes in export volumes. Throughout 2010, the Urals-linked crude export duty has remained between $254-$292/tonne. Over this period, a cut in the monthly duty has always coincided with an increase in crude exports. This suggests that on a short-term basis exporters are willing to defer shipments in anticipation of future tariff reductions, while boosting shipments ahead of tariff increases.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	3Q2009	4Q2009	1Q2010	2Q2010	Jun 10	Jul 10	Aug 10	Latest month vs. Jul 10	Latest month vs. Aug 09
Crude											
Black Sea	2.06	2.21	2.14	2.15	1.79	2.00	1.74	2.17	2.19	0.02	0.08
Baltic	1.46	1.62	1.59	1.64	1.60	1.62	1.68	1.59	1.63	0.04	-0.01
Arctic/FarEast	0.29	0.46	0.46	0.48	0.71	0.79	0.88	0.75	0.65	-0.10	0.19
BTC	0.67	0.78	0.83	0.76	0.69	0.81	0.83	0.84	0.77	-0.07	-0.06
Crude Seaborne	**4.48**	**5.07**	**5.02**	**5.04**	**4.78**	**5.22**	**5.13**	**5.35**	**5.24**	**-0.11**	**0.20**
Druzhba Pipeline	1.08	1.12	1.09	1.14	1.13	1.10	1.13	1.20	1.10	-0.11	0.03
Other Routes	0.42	0.37	0.37	0.30	0.44	0.35	0.34	0.30	0.30	0.00	-0.06
Total Crude Exports	**5.98**	**6.56**	**6.48**	**6.48**	**6.36**	**6.67**	**6.60**	**6.86**	**6.64**	**-0.22**	**0.17**
Of Which: Transneft	3.98	4.14	4.06	4.13	3.94	3.90	3.84	4.17	4.01	-0.16	-0.08
Products											
Fuel oil	1.14	1.15	1.21	1.19	1.13	1.29	1.20	1.32	1.36	0.04	0.15
Gasoil	1.03	1.15	1.16	1.12	1.20	1.13	1.12	1.17	1.14	-0.03	0.02
Other Products	0.60	0.69	0.66	0.59	0.73	0.64	0.57	0.64	0.59	-0.05	-0.10
Total Product	**2.77**	**2.99**	**3.04**	**2.90**	**3.06**	**3.06**	**2.89**	**3.13**	**3.09**	**-0.04**	**0.07**
Total Exports	**8.74**	**9.55**	**9.52**	**9.38**	**9.42**	**9.73**	**9.49**	**9.99**	**9.73**	**-0.26**	**0.23**
Imports	0.04	0.04	0.04	0.05	0.05	0.04	0.05	0.06	0.05	-0.02	0.01
Net Exports	**8.70**	**9.51**	**9.48**	**9.33**	**9.37**	**9.69**	**9.44**	**9.93**	**9.68**	**-0.24**	**0.23**

Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

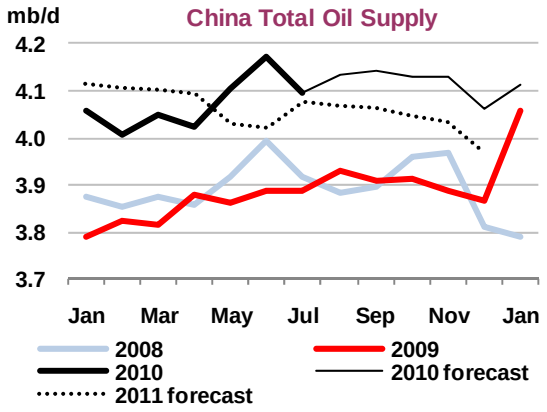
Rising Caspian exports partly offset the fall from Russia, as CPC flows and shipments of Kazakhstani crudes exported through Pivdenne rose. The latter was made possible after the governments of Kazakhstan and Ukraine reached an accord ending their pricing dispute.

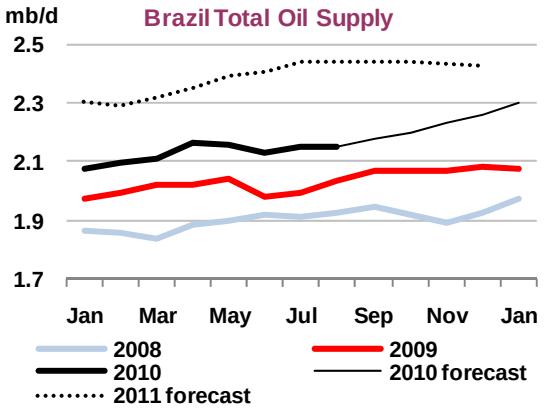
Product exports fell by a marginal 40 kb/d as rising fuel oil (+40 kb/d) offset decreases in gasoil (-30 kb/d) and 'other products' (-50 kb/d). It is suggested that higher export taxes prompted exporters to withhold some shipments in anticipation of lower duties in September. Initial port loading data imply that in September, FSU crude exports are set to fall slightly in line with the rising Russian crude export duty, while rising product duties and increasing refinery maintenance could depress product exports. Looking further ahead, Russia has signalled its intention to use the so called 'northern route' along its Arctic coast as a viable alternative to transporting cargoes to Asia via southern routes, if the summer navigation season lengthens due to reduced ice. A test condensate cargo was shipped by an ice-class Aframax between Murmansk and the Chinese port of Ningbo in mid-August. In taking 22 days, it was considerably shorter than using the alternative route. Although such trades are likely to be heavily weather-constrained, it nevertheless emphasises Russia's intent to further develop Asian markets.

Other Non-OPEC

Indonesia – August actual: Following a gas leak at a pipeline, oil production at the Minas and Duri fields in Indonesia was curtailed by a reported 150 kb/d in late September. As the incident happened at the very end of September, it shaves only an estimated 5 kb/d off monthly output. At the time of writing, production was reportedly returning to normal, but we have estimated that 50 kb/d was lost in October. Total 2010 oil production is forecast to average 985 kb/d, declining marginally to 970 kb/d in 2011.

China – July actual: Based on recent performance, China has recently slowed decline at some of its older fields, including Daqing and Shengli, while output at newer offshore fields is outpacing expectations. This has led us to hike 2011 forecast production by 45 kb/d. Thus production is anticipated to remain steady from 2010, at 4.1 mb/d.





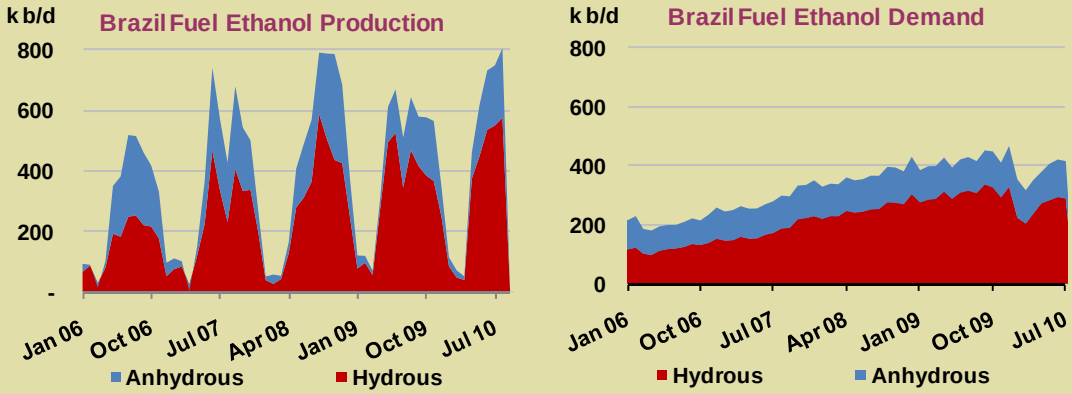
Brazil – August actual: August oil production in Brazil was marginally higher than expected, at 2.17 mb/d, while our current outlook sees total Brazilian oil supply rising from 2.15 mb/d in 2010 to 2.37 mb/d in 2011. In a complicated deal, which included the world's largest-ever share offering, the Brazilian government boosted its stake in Petrobras, by selling it 5 billion barrels of crude in the pre-salt formations in the Santos Basin. The government now hopes to hold the first bidding round for new offshore acreage, including several pre-salt fields, early next year, provided it can complete its planned investment regime for the development of the pre-salt reserves.

The share sale and the creation of a new body to oversee development are two of four planned steps. The two remaining ones would make Petrobras the operator of all pre-salt fields and lead to the creation of a social fund for oil revenues (see *Brazil's Lula Outlines Suggested Pre-Salt Development Plan* in OMR dated 10 September 2009). Rapid growth in pre-salt output is expected to contribute nearly half of Brazil's projected oil production growth to just under 3 mb/d by mid-decade.

Recognising the Seasonality of Brazilian Ethanol Production

The *OMR* has traditionally reported Brazilian fuel ethanol production in annual increments, with levels held flat within the year. While this method has the advantage of simplicity and provides a reasonable mirror of consumption patterns, it ignores the seasonality inherent in distillery output. The IEA has increased its outreach efforts with Brazilian counterparts, including a recent technical meeting held with market analysts at Petrobras in Rio de Janeiro, in an effort to deepen analytical cooperation and data sharing with respect to the Brazilian market in general. As Brazilian ethanol output has increased, recognising production variability becomes more important for oil market balances. As such, we have revised Brazilian ethanol output for the duration of the series and have adjusted our forecast to reflect this pattern.

The updated series incorporates monthly data issued by the *Ministerio da Agricultura, Pecuária e Abastecimento* (MAPA) available through August 2010. These data are adjusted to account for differences with annual production as reported in IEA's *Energy Statistics of Non-OECD Countries*. Where monthly MAPA data are not available, as in early years, annual production is adjusted using average historical seasonality. Intra-year Brazilian ethanol output, composed of anhydrous and hydrous production (anhydrous is pure ethanol and sold blended with gasoline; hydrous contains a small quantity of water and is sold as a stand-alone fuel), thus reflects patterns of the sugar harvest. In the Centre-South, the largest ethanol producing region, sugar and ethanol production tend to be highest during the May–November period. In the North-Northeast, which accounts for less than 10% of total production, output tends to be strongest from September–February. As such, the variability in total Brazilian distillery output can be considerable, with 3Q versus 1Q production differing by around 400-700 kb/d in recent years.



Of course, such an approach carries uncertainties. MAPA data follow the harvest season (April-March) rather than the calendar year and reflect cumulative monthly positions rather than monthly production. While our series tries to adjust for these complexities, it is possible that delayed production reporting and reprocessed volumes may distort the picture in any given month. Moreover, as suggested by the more level pattern of Brazilian ethanol consumption, distillery output can sharply differ from the amount of product supplied to the market. Inventory data, first published by MAPA in 2009, may help reconcile the mismatch over time, but, as yet, remain outside our balances. Finally, monthly data carry increased forecasting risk, particularly with plant capacity data often expressed in annual production potential and given the influence of underlying agricultural conditions and weather.

Nevertheless, such drawbacks point to the need for continued improvements in data collection and market analysis, rather than the maintenance of an over-simplified level intra-year production series. Upgrades within Brazil's own ethanol supply chain, such as industry consolidation and pipeline builds, may help improve the data picture over time. Moreover, Brazilian ethanol output, and biofuels as a whole, continue to constitute strong sources of non-OPEC supply growth that warrant increased analytical scrutiny. For 2010 and 2011, we see annual Brazilian ethanol production growing on average by 50 kb/d, to 475 kb/d and 520 kb/d, respectively.

OECD STOCKS

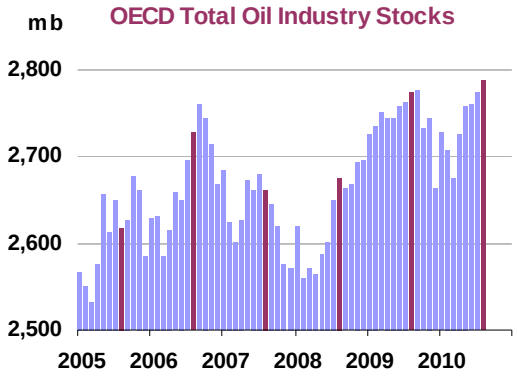
Summary

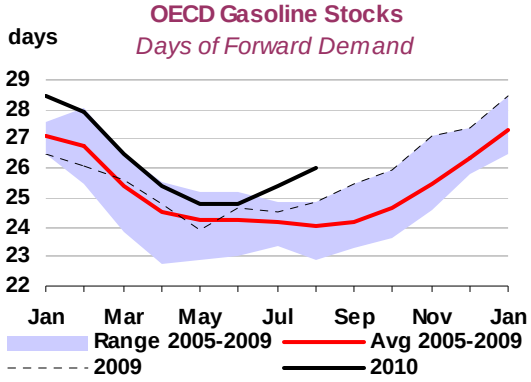
- **OECD industry oil inventories rose by 15.8 mb** to 2 790 mb in August, reaching their second-highest stock level since the start of the official OECD Monthly Oil Statistics reporting in 1984. Products surged by 26.2 mb, while crude oil inventories declined by 10.8 mb.

- **Forward demand cover rose to 61.1 days** in August from a lowered July estimate of 60.5 days. The increase was largely driven by a build in North American 'other product' stocks and falling European gasoline demand projections.

- **Preliminary data indicate OECD industry oil stocks drew sharply by 31.7 mb** in September, led by a combined 17.5 mb decline in crude oil levels in Europe and Pacific. Products decreased by 14.2 mb on middle distillate draws across all regions, but a fall in US gasoline stocks also contributed. By comparison, the five-year average movement is a stock-build of 3.8 mb.

- **Short-term oil floating storage increased to 76 mb** at end-September, from 72 mb in August. Crude floating storage stood at 42 mb on builds in the Middle East Gulf and Asia-Pacific, but was partly offset by a product draw in Northwest Europe bringing overall product floating storage down to 34 mb.





OECD Inventories at End-August and Revisions to Preliminary Data

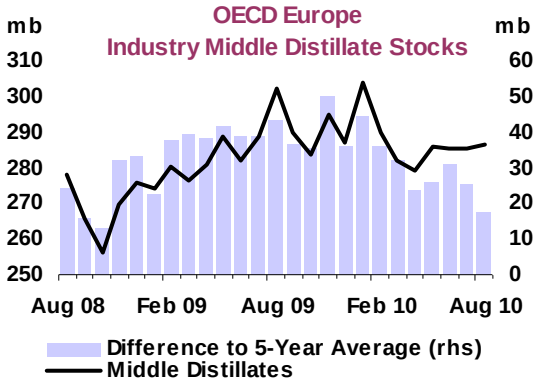
OECD industry oil stocks rose by 15.8 mb to 2 790 mb in August. A surge in North American 'other products' accounted for approximately 75% of the increase, but middle distillate builds in the Pacific and North America also contributed. Overall, products built by 26.2 mb, in line with seasonal trends. Higher refinery throughput in Japan reduced crude oil inventories in the Pacific and thus provided a partial offset. Nonetheless, a total 10.8 mb crude drop came up short of the five-year average draw of 22.2 mb.

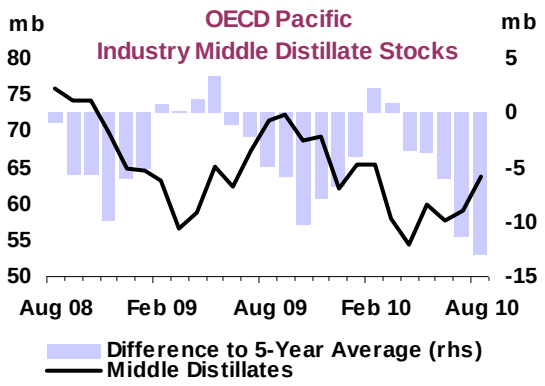
Preliminary Industry Stock Change in August 2010 and Second Quarter 2010

	August (preliminary) *(million barrels)*				August (preliminary) *(million barrels per day)*				Second Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**0.9**	**0.8**	**-12.5**	**-10.8**	**0.03**	**0.03**	**-0.40**	**-0.35**	**0.09**	**0.13**	**0.02**	**0.24**
Gasoline	2.1	-0.1	-0.1	2.0	0.07	0.00	0.00	0.06	-0.15	-0.09	0.01	-0.22
Middle Distillates	3.9	1.0	4.6	9.4	0.12	0.03	0.15	0.30	0.16	0.03	0.00	0.19
Residual Fuel Oil	-0.8	0.3	0.6	0.1	-0.03	0.01	0.02	0.00	0.02	0.04	0.01	0.07
Other Products	11.8	-0.2	3.1	14.7	0.38	-0.01	0.10	0.48	0.38	0.02	0.09	0.49
Total Products	**17.0**	**1.0**	**8.2**	**26.2**	**0.55**	**0.03**	**0.27**	**0.85**	**0.41**	**0.00**	**0.11**	**0.52**
Other Oils[1]	-1.6	1.5	0.5	0.4	-0.05	0.05	0.02	0.01	0.14	-0.05	0.08	0.17
Total Oil	**16.3**	**3.3**	**-3.8**	**15.8**	**0.53**	**0.11**	**-0.12**	**0.51**	**0.65**	**0.08**	**0.21**	**0.94**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Middle distillate inventories rose by 9.4 mb to 598 mb in August. The increase was less than half the five-year average gain at this time of the year and much of the shortfall came from Europe. There, a 1.0 mb distillate stock-build was the smallest August gain over the past five years, well below the historical increase of 8.9 mb on average. However, German consumers refilled their stocks of heating oil to 60% of capacity in August. European distillate stock levels stood 17 mb above their five-year average levels; the forward demand cover was estimated at 37.9 days in August.





OECD inventory levels were revised down by 5.5 mb for June and by 11.5 mb for July. The largest downward adjustments occurred in the 'other products' and crude oil categories, but were partially balanced by a higher assessment of gasoline holdings in North America and Europe. Moreover, German gasoline stock levels were also revised up from a previously reported 5.3 mb to 7.7 mb in July.

Revisions versus 10 September 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Jun 10	Jul 10	Jun 10	Jul 10	Jun 10	Jul 10	Jun 10	Jul 10
Crude Oil	**0.0**	**-1.6**	**0.4**	**-5.3**	**0.0**	**1.1**	**0.5**	**-5.8**
Gasoline	0.0	2.1	0.0	1.7	0.0	1.0	0.0	4.8
Middle Distillates	0.0	1.4	-1.2	-0.9	-0.2	0.3	-1.4	0.7
Residual Fuel Oil	0.0	1.1	0.3	-3.2	0.0	0.2	0.4	-2.0
Other Products	-1.5	-8.4	-0.8	0.2	0.0	0.8	-2.4	-7.4
Total Products	**-1.5**	**-3.8**	**-1.6**	**-2.2**	**-0.2**	**2.1**	**-3.3**	**-3.9**
Other Oils[1]	-0.2	2.4	-2.4	-2.9	0.0	-1.3	-2.6	-1.8
Total Oil	**-1.8**	**-3.0**	**-3.6**	**-10.5**	**-0.2**	**2.0**	**-5.5**	**-11.5**

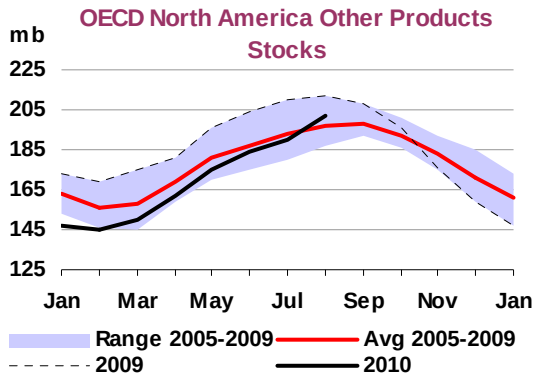
1 Other oils includes NGLs, feedstocks and other hydrocarbons.

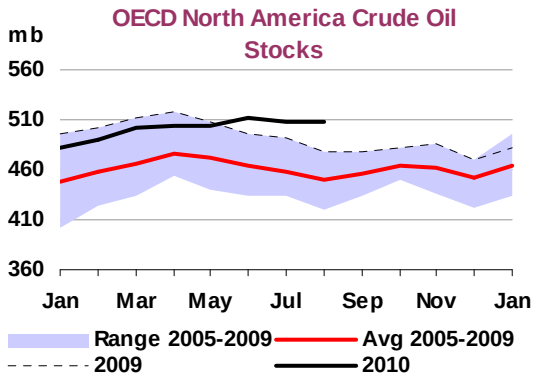
The August stock build, combined with downward revisions to the baseline, brought OECD inventories approximately 7 mb below the all time highs of August 1998. Preliminary September data point to a sharp 31.7 mb draw, suggesting the record level will remain unsurpassed this time. A further drop in crude oil holdings in Japan and in Europe pushed these stocks down by 17.5 mb. Middle distillate draws across all regions, combined with a drop in US motor gasoline stocks, brought overall product levels lower by 14.2 mb.

Analysis of Recent OECD Industry Stock Changes

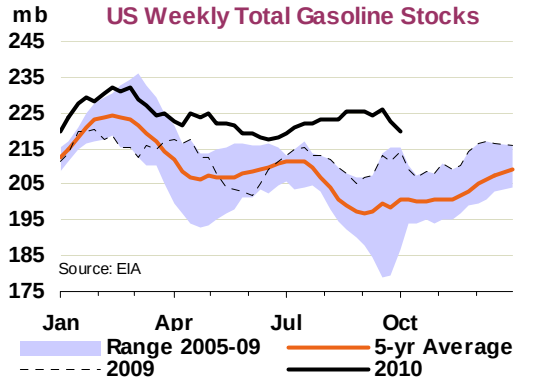
OECD North America

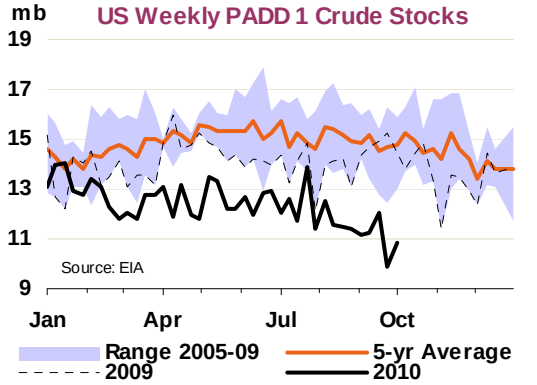
Commercial oil inventories held in North America increased by 16.3 mb to 1 415 mb in August. The build was largely driven by an unusually high 11.8 mb addition to 'other products', but middle distillates and gasoline also provided some support. In the past five years, 'other product' inventories have risen during the seven months from March to September, with the extent of the build peaking in May and declining afterwards. This year's August stock-build therefore appears much stronger than the seasonal norm.





Meanwhile, gasoline stocks grew counter-seasonally, widening the surplus to the five-year average levels from 14.7 mb in July to 25.8 mb in August. Middle distillates increased by 3.9 mb, in line with seasonal trends, and North American distillates stood 30 mb above the five-year average levels. Crude oil inventories rose by 0.9 mb as a build in the US outweighed a draw in Mexico.

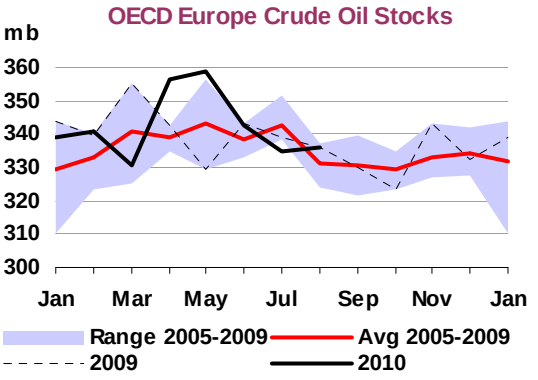


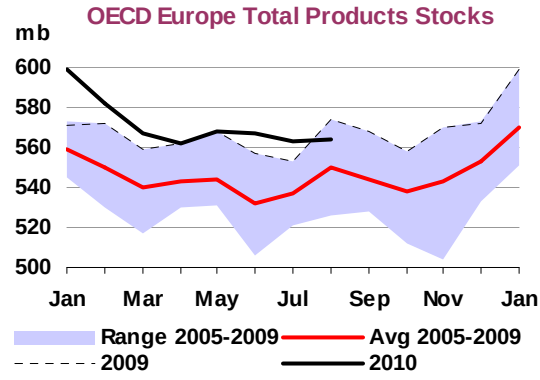


According to weekly data from the Energy Information Administration (EIA), US industry oil stocks fell by 4.6 mb in September, contrasting with the five-year 5.7 mb average build. Crude oil stocks remained almost unchanged from the previous month, as increases elsewhere offset draws on the US East Coast due to lower deliveries on pipeline problems, planned maintenance and weather-related delays. As a result, gasoline inventories on the East Coast also fell sharply. The country's total gasoline stocks declined by 4.9 mb in September, while middle distillates drew by 2.3 mb.

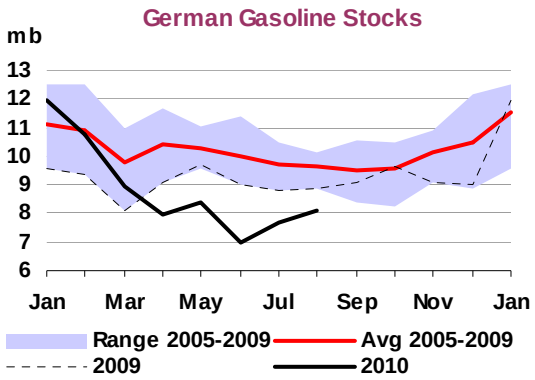
OECD Europe

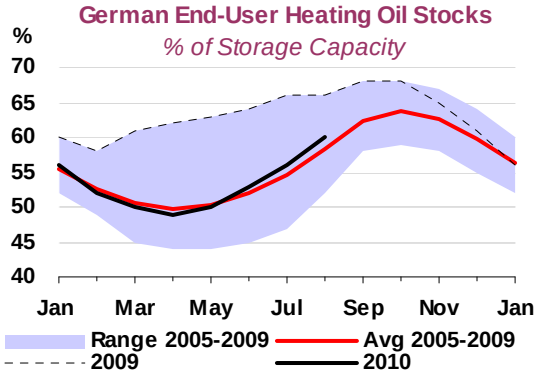
Commercial oil inventories in Europe rose by 3.3 mb to 970 mb in August. Crude inventories increased slightly as builds in France, Italy, Norway and Spain offset draws in the Netherlands and the UK. Meanwhile, product stocks grew by 1.0 mb, almost entirely driven by middle distillates. This contrasted strongly with the five-year average crude draw of 11.5 mb and a product build of 13.6 mb.





Middle distillates rose by 1.0 mb as pre-winter restocking in France, Germany and the UK outweighed a draw in the Netherlands. German consumer heating oil stocks rose to 60% of the capacity in August, from 56% in July. Meanwhile, the puzzlingly low gasoline inventory level for July in Germany, which we highlighted last month, was revised up by 2.4 mb to 7.7 mb, with a further increase to 8.1 mb reported for August, bringing them closer to seasonal norms.

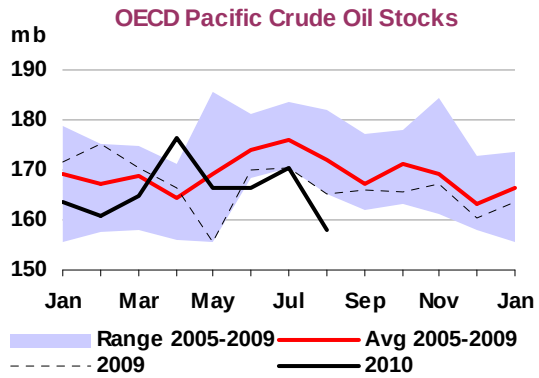


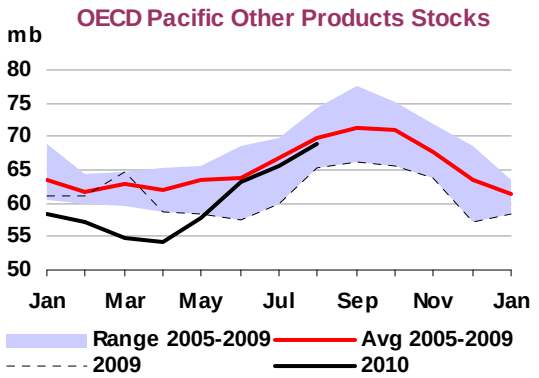


According to Euroilstock, oil inventories in the EU-15 plus Norway fell by a sharp 21.5 mb in September. Crude oil stocks dropped by 12.9 mb and products, led by draws in middle distillates, declined by 8.6 mb. Meanwhile, product inventories held in independent storage in Northwest Europe fell slightly in September. An increase in fuel oil inventories partly offset an outflow of gasoil as the backwardation structure of ICE gasoil futures made storage less profitable. Product floating storage offshore Northwest Europe, estimated to consist mostly of middle distillates, declined by 1.5 mb, while the volume stored on vessels in the Mediterranean remained unchanged from the previous month. However, oil floating storage in the Mediterranean reportedly rose at the beginning of October due to a strike at France's largest oil port Fos-Lavera (see *French Refinery Operations Halted by Strikes* in Refining).

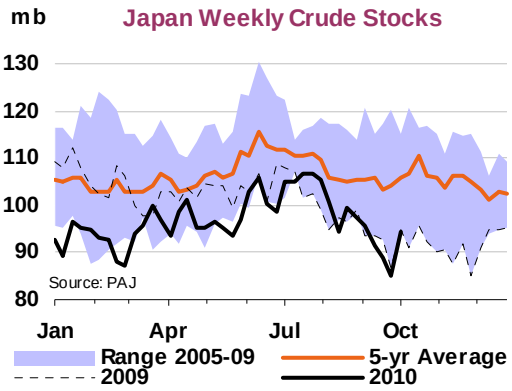
OECD Pacific

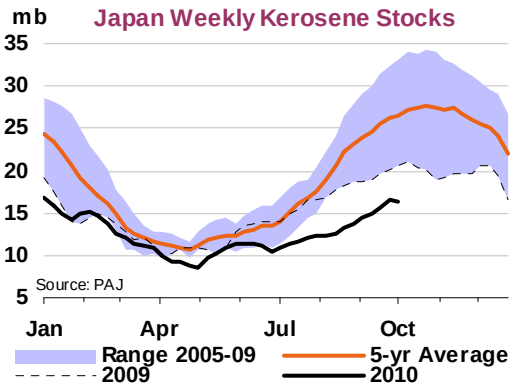
Industry oil inventories in the OECD Pacific fell by 3.8 mb to 405 mb in August, driven by a sharp draw in crude stocks. This contrasted with the five-year average monthly build of 6.4 mb. Crude oil inventories declined by 12.5 mb due to higher refinery throughput in Japan. Middle distillates increased by 4.6 mb, albeit less than the seasonal five-year average build, and thus widened the deficit to 13 mb below five-year average levels. 'Other products' followed the historical trend closely and added a further 3.1 mb in August. Overall, product inventories rose by 8.2 mb.





Preliminary weekly data from Petroleum Association of Japan (PAJ) point to a further 4.8 mb draw in September crude oil inventories. Crude stocks fell sharply throughout the month, but edged up at the end of September, closer to the five-year range. Product inventories fell by 0.9 mb, driven by draws in gasoil, gasoline and jet fuel. Gasoil stocks fell by 1.3 mb, while gasoline declined by 0.8 mb. An offsetting build came from kerosene, which rose by 2.3 mb.



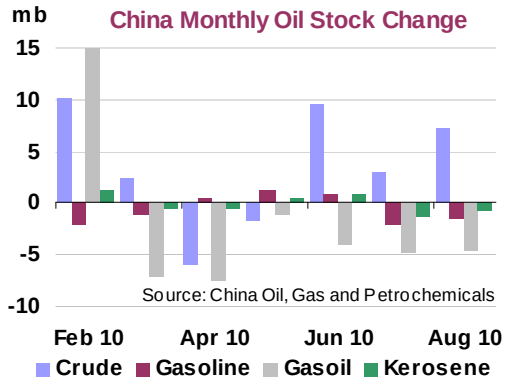


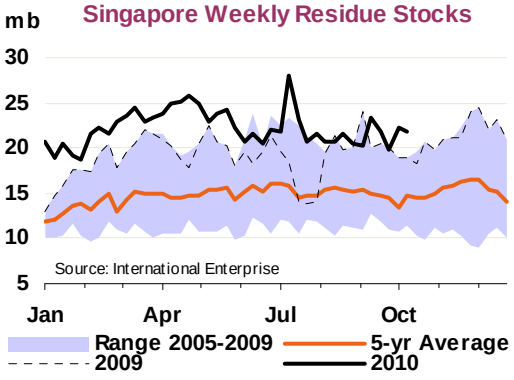
However, kerosene restocking in the past two years might indicate a structural shift in demand. Kerosene is used for heating in Japan, and stocks typically follow a seasonal, weather-related pattern, building from May to October by 17 mb on average, with the largest increases in the summer months. Yet in 2009, the restocking levelled off already in August (with inventories rising by 9 mb over the May-October period). This left stocks at around 20 mb for the rest of the year (approximately 6 mb below the five-year average). The prolonged cold temperatures in the first half of 2010 delayed seasonal refill, but warm weather in the summer months and in September allowed kerosene stocks to build to 16.3 mb, up by 8 mb from end-April. Nonetheless, kerosene inventories still stand around 10 mb below the five-year average level.

Recent Developments in China and Singapore Stocks

According to *China Oil, Gas and Petrochemicals* (OGP), Chinese crude oil inventories rose by 3.4% (around 7.3 mb) in August, on higher imports and lower refinery runs. Crude imports rose again in August, following a July dip related to a port closure. Meanwhile, product inventories declined for the second consecutive month, with a sharp drop in diesel stocks (7.3% or 4.5 mb). Gasoline stocks fell by 2.7% (1.4 mb) and kerosene by 6% (0.8 mb).

Starting in January 2010, *China OGP* began publishing a revised series of absolute stock levels for crude, gasoline, gasoil and kerosene after having discontinued the previous series during 2009. While the discontinuity unfortunately prevents meaningful historical comparisons, the new data initially appeared to be more comprehensive. Regrettably, the latest August data release involves another hiatus, in that percentage changes, rather than absolute levels, are now reported. Data inconsistencies such as these for China, as for all major consuming or producing countries, represent a significant set-back for transparency and for attempts to improve visibility and stability within the market.



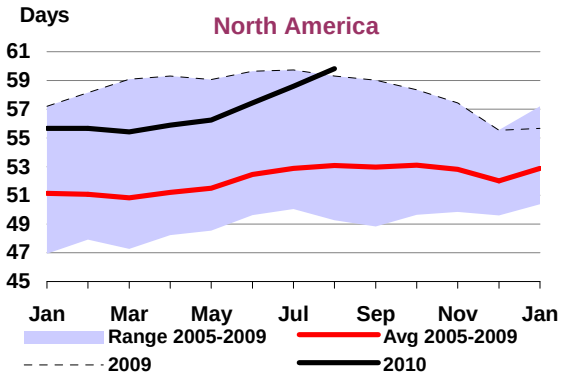


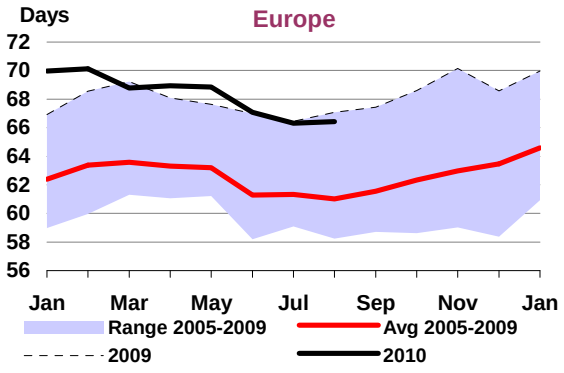
In Singapore, product inventories increased by 0.8 mb in September, led largely by fuel oil inflows. Partial offset came from stronger gasoil shipments to Europe, drawing the inventories down by 1.1 mb. Bunker fuel stocks rose by 1.8 mb due to arbitrage arrivals from the West. Reportedly, several cargoes originally slated to arrive in September were delayed, partly as a result of delays to tanker loadings in Europe.

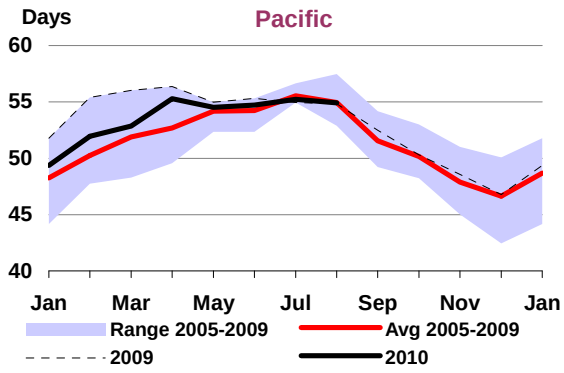
Regional OECD End-of-Month Industry Stocks

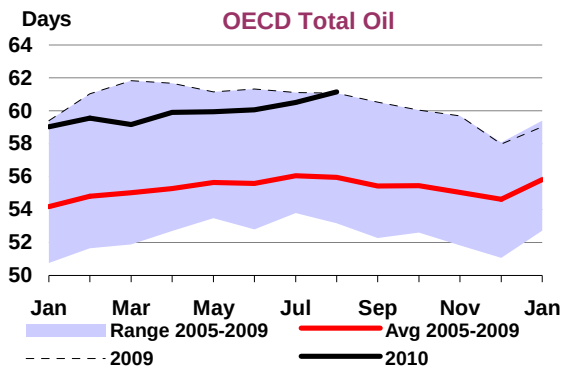
(in days of forward demand and millions barrels of total oil)

Days[1]

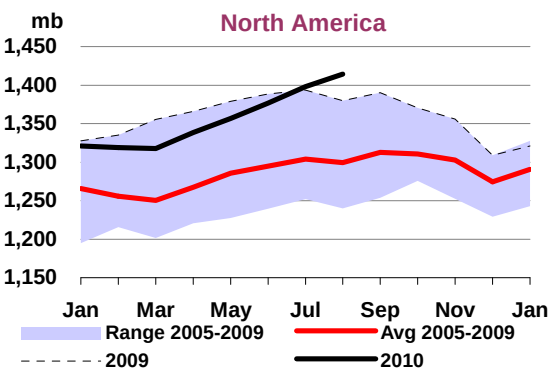


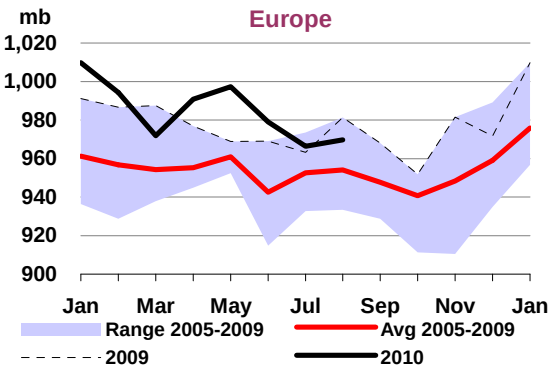


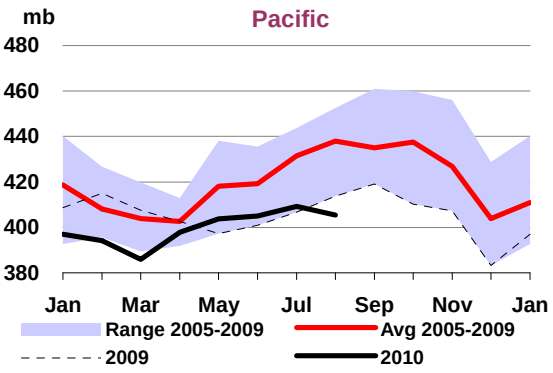


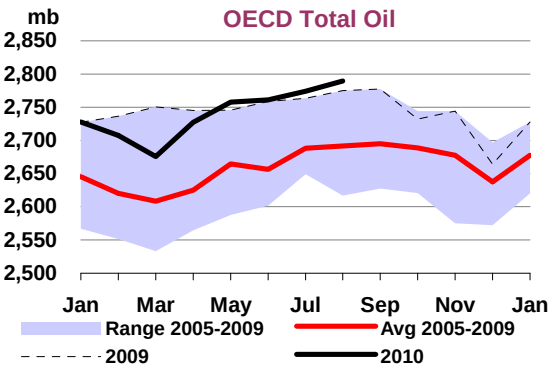


Million Barrels









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

PRICES

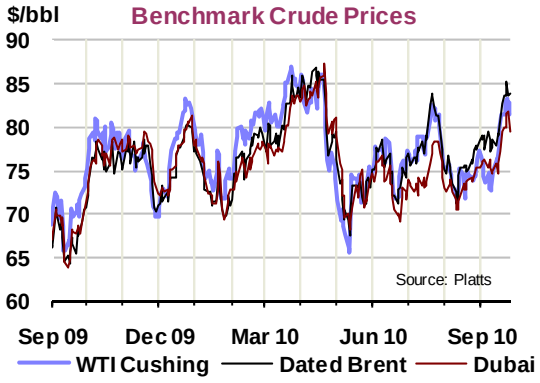
Summary

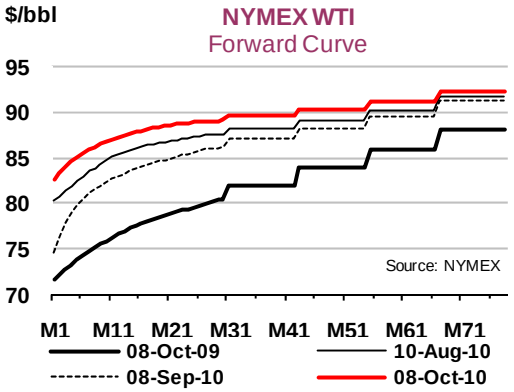
- **Benchmark crude futures prices were range-bound in September but had breached the $80/bbl mark by early October.** WTI prices posted a monthly decline of just over $1.00/bbl to an average $75.55/bbl in September. By contrast, Brent futures rose by $1.30/bbl to an average $78.42/bbl. Stronger demand, a rebound in financial markets, a weaker dollar and a major strike at a French port converged to propel prices higher. Brent was last trading around $83.00/bbl and WTI at $81.50/bbl.

- **While financial markets and macroeconomic developments continue to underpin oil prices, an apparent surge in 3Q10 demand** to 87.6 mb/d goes some way towards explaining recent price strength. Stronger demand for gasoil and diesel helped support higher spot prices in September.

- **The seasonal shift to gasoil in Atlantic basin markets accelerated** throughout September and early October. Expectations for stronger heating oil demand this winter is propping up crack spreads. On the NYMEX, heating oil cracks in September jumped by more than $3.50/bbl on average, to $13.12/bbl and by early October had reached $14.75/bbl. Some support for refining margins in Europe and the US was forthcoming as a result, although absolute levels remain weak.

- **Crude tanker rates on all benchmark routes hovered near break-even levels** during September and may have now bottomed out due to the unwillingness of tanker owners to run their vessels below break-even levels. As with the previous two months, vessel oversupply is weighing heavy on rates, underscored by the most recent oil-in-transit data.

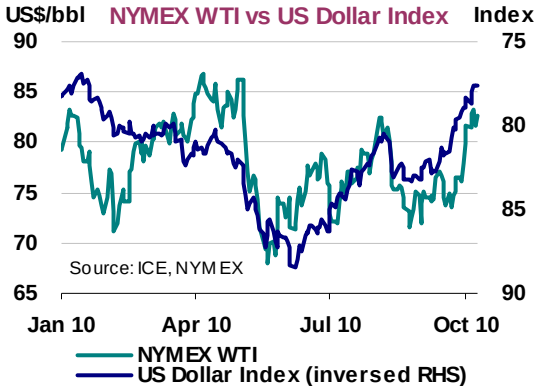


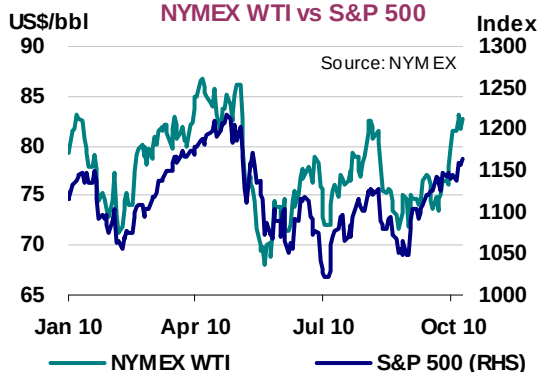


Market Overview

Benchmark crude oil prices were trading on either side of $76-78/bbl in September, but by early October had crossed the $80/bbl threshold. WTI prices posted a monthly decline of just over $1/bbl, to an average $75.55/bbl in September. By contrast, Brent futures rose by $1.30/bbl to an average $78.42/bbl. A combination of stronger than expected demand, a rebound in financial markets, a weaker dollar and a major strike at a French port propelled prices higher in recent weeks. Benchmark Brent was last trading around $83/bbl and WTI at $81.50/bbl.

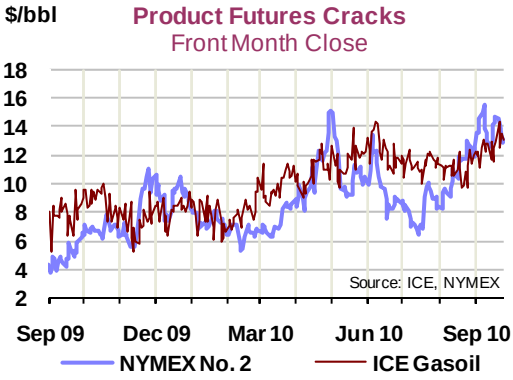
The ICE US Dollar Index, which tracks the US benchmark against a trade-weighted basket of currencies, also staged a modest recovery in late September, but plummeted to new lows by early October. Market expectations that the US Federal Reserve will need to inject a fresh round of money into the economy before end-year also weighed on the dollar. A weak US dollar translates into cheaper oil for buyers using other currencies. The US dollar also was trading at 15-year lows versus the yen and continued to weaken against the euro in September, making commodities an attractive alternative investment.





While financial markets and macroeconomic developments continue to underpin oil prices, an apparent surge in 3Q10 global demand to 87.6 mb/d may go some way towards explaining the recent price strength. However, demand is forecast to ease again in 4Q10, to 87.2 mb/d, despite the potential for higher refinery throughput after an October dip to meet increased winter demand.

Market consensus is that OPEC's 14 October meeting will be a low-key affair with little debate over compliance issues given range bound prices. Moreover, current prices for benchmark WTI and Brent crudes of over $80/bbl are well above the comfort zone for most OPEC members.



The seasonal shift to gasoil supplies accelerated throughout September and early October, supporting stronger refined product markets. Expectations for robust heating oil demand this winter are propping up crack spreads on futures exchanges. NYMEX heating oil cracks in September jumped by more than $3.50/bbl on average from August levels, to $13.12/bbl. By early October, heating oil cracks breached $14.75/bbl. ICE gasoil cracks posted smaller gains, with September averaging just under $11.75/bbl, around $0.35/bbl over August levels. However, by the first week of October, gasoil cracks were trading more than $1.50/bbl above September levels.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

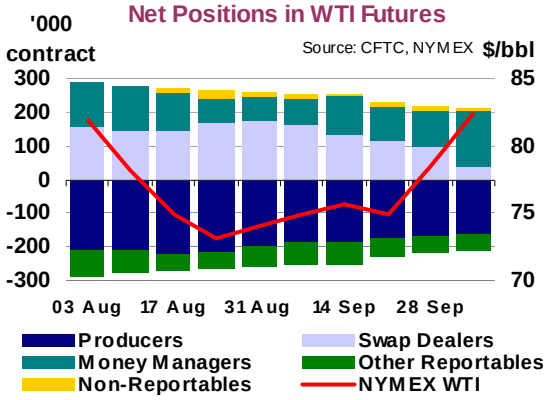
	Jul	Aug	Sep	Sep-Aug Avg Chg	% Chg	Week Commencing: 06 Sep	13 Sep	20 Sep	27 Sep	04 Oct
NYMEX										
Light Sweet Crude Oil	76.38	76.67	75.55	-1.12	-1.5	74.87	75.65	74.95	78.42	82.37
RBOB	86.58	83.76	81.68	-2.09	-2.6	81.70	81.95	80.93	84.19	89.41
No.2 Heating Oil	84.29	86.27	88.73	2.46	2.8	87.45	88.89	89.14	92.20	96.00
No.2 Heating Oil ($/mmbtu)	14.47	14.81	15.23	0.42	2.8	15.01	15.26	15.30	15.83	16.48
Henry Hub Natural Gas ($/mmbtu)	4.59	4.22	3.90	-0.32	-8.2	3.83	4.00	3.92	3.85	3.72
ICE										
Brent	75.36	77.12	78.42	1.30	1.7	77.68	78.76	78.53	80.82	84.13
Gasoil	86.70	88.52	90.15	1.64	1.8	88.82	90.68	91.22	93.15	97.51
Prompt Month Differentials										
NYMEX WTI - ICE Brent	1.03	-0.45	-2.87	-2.42		-2.82	-3.11	-3.58	-2.40	-1.76
NYMEX No.2 Heating Oil - WTI	7.91	9.60	13.18	3.58		12.59	13.24	14.18	13.77	13.63
NYMEX RBOB - WTI	10.20	7.10	6.13	-0.97		6.83	6.30	5.98	5.77	7.04
NYMEX 3-2-1 Crack (RBOB)	9.43	7.93	8.48	0.55		8.75	8.62	8.72	8.44	9.24
NYMEX No.2 - Natural Gas ($/mmbt	9.88	10.59	11.34	0.74		11.18	11.26	11.38	11.97	12.76
ICE Gasoil - ICE Brent	11.35	11.40	11.74	0.33		11.14	11.92	12.69	12.33	13.38

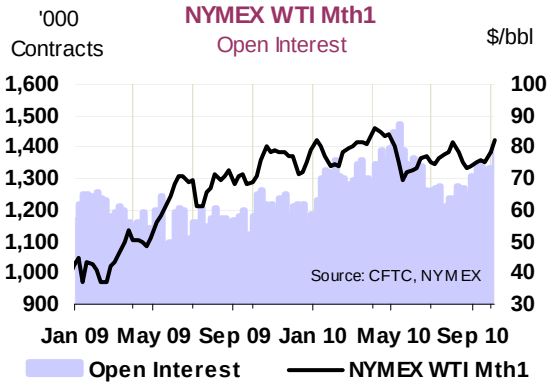
Source: ICE, NYMEX

Futures Markets

Open interest in WTI futures contracts rose in tandem with the increase in futures prices in recent weeks. Open interest rose by 4.3% to 1 407 900 contracts in September. Producers decreased their net short positions, while money managers increased their net long holdings as they switched sides last month and unwound the short holdings accumulated in August. Swap dealers balanced the market by closing more longs and taking on more short exposure and thus decreased their net long holdings by more than 75% in September.

Meanwhile, RBOB open interest increased by 7.7%. Money managers sharply raised their long holdings and unwound shorts, becoming net long in RBOB gasoline again in September. Open interest in heating oil rose but that for natural gas fell in September.





Following the G20 agreement last year to standardise over-the-counter (OTC) derivative trading and move it onto trading platforms when appropriate, the European Union unveiled in September its proposal to control OTC derivative trading and restrict short-selling. OTC derivative contracts will be standardised, centrally cleared and the trades will be reported to trade repositories. The new rules require approval from all member countries and the European Parliament, and will align EU laws with recently approved financial regulation in the US.

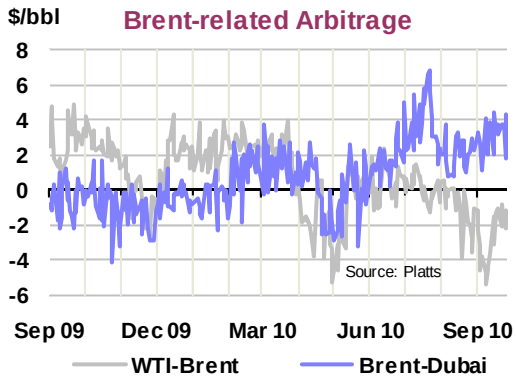
Meanwhile, under the mandate from the Dodd-Frank Act, the US Commodity Futures Trading Commission identified 30 areas where rules will be necessary and released three new proposals so far focused on the swaps market. The proposals are open to public comment for 30 days. The rules define governance, ownership caps and control of clearinghouses, exchanges and swap execution facilities, clarify financial resources for clearing house and finally, detail the reporting of unexpired swaps agreed before the Dodd-Frank Wall Street Reform and Consumer Protection Act became law.

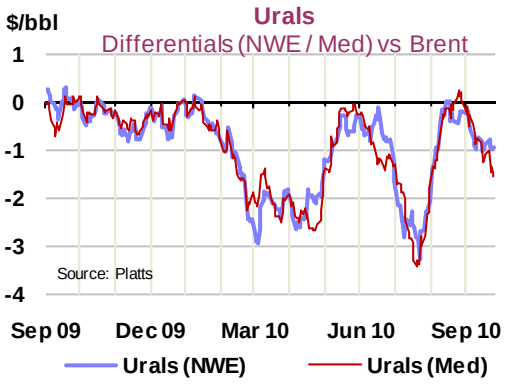
Spot Crude Oil Prices

Spot markets for benchmark crudes were mixed in September, with average monthly WTI prices down by $1.44/bbl to $75.17/bbl while Brent rose by $0.65/bbl to an average $77.80/bbl. Dubai bettered Brent's gains in September, rising by just over $1.00/bbl, to an average $75.12/bbl. By early October, prices were up by $4.00-6.00/bbl over September levels, average prices for the first week of the month for WTI averaging a lofty $82.36/bbl, Brent higher still at $84.02/bbl and Dubai pegged at $80.56/bbl.

WTI's discount to Brent widened to a steep $2.62/bbl in September compared with -$0.53/bbl in August and a premium of $0.68/bbl in July and $0.44/bbl in June. However, a drawdown in stocks held at Cushing storage terminals in the midcontinent helped to narrow the differential by early October, averaging -$1.66/bbl for the week ended 8 October.

That said, the return to operation of Enbridge's 670 kb/d pipeline is expected to increase flows of Canadian crude to the US midcontinent market and pressure prompt prices further in coming months. Indeed, the futures curve shows Brent's premium to WTI continuing as far out as next March.





Notably, Urals differentials to Brent narrowed further last month, largely due to a scheduled drop in Russian exports in September. In the Mediterranean, Urals discounts to Dated Brent narrowed to 0.41/bbl in September compared with $1.69/bbl in August and $1.84/bbl in July. However, the monthly average masked a steep widening of the differential in September and into early October on expectations of higher exports and as buyers shied away from relatively pricier Russian crude. Strike action in France also reduced demand for Urals, while upgrading unit maintenance may also underpin stronger demand for the lighter North Sea grade. Urals was briefly, and unusually, trading at a premium to dated Brent in the first week of the month before steadily widening again, from an average of +$0.12/bbl for the week starting 6 September to -$0.71/bbl mid-month and then to a steeper $1.37/bbl discount by early October.

Prices for middle-distillate rich crudes steadily strengthened ahead of the peak winter season. Prices for Middle East crudes also gained after hitting a trough in August stemming from increased supplies to the market and reduced demand following major disruptions (explosions and fires) to port and refinery operations in China and Taiwan. Abu Dhabi's Murban crude jumped from an average $76.12/bbl in early September to just over $82.50/bbl by the first week of October.

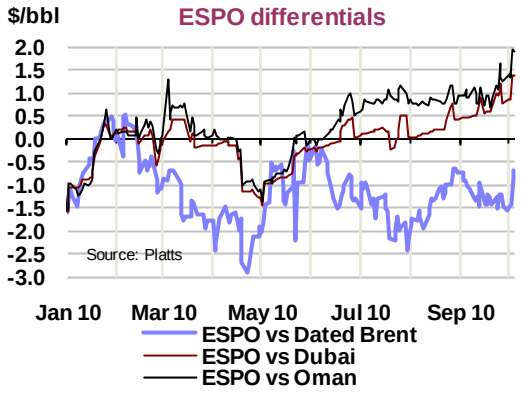
Spot Crude Oil Prices and Differentials

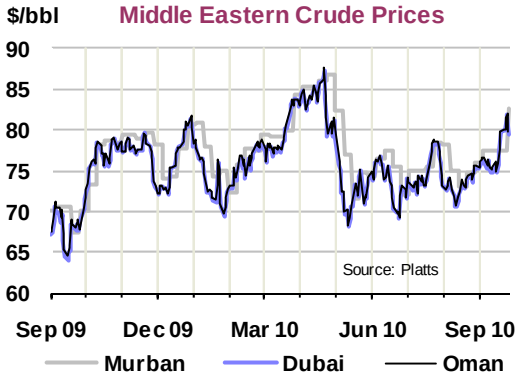
(monthly and weekly averages, $/bbl)

	Jul	Aug	Sep	Sep-Aug Avg Chg	%	Week Commencing: 06 Sep	13 Sep	20 Sep	27 Sep	04 Oct
Crudes										
Dated Brent	75.64	77.15	77.79	0.65	0.8	76.95	78.51	78.30	79.95	84.02
Brent (Asia) Mth1 adjusted	75.21	76.72	77.77	1.05	1.4	76.89	78.61	78.09	79.65	83.86
WTI (Cushing) Mth1 adjusted	76.32	76.62	75.17	-1.44	-1.9	74.79	75.50	73.73	78.33	82.36
Urals (Mediterranean)	73.80	75.45	77.38	1.93	2.6	77.07	78.25	77.59	78.84	82.65
Dubai Mth1 adjusted	72.49	74.09	75.12	1.03	1.4	74.39	75.89	75.30	76.60	80.56
Tapis (Dated)	77.63	78.90	80.65	1.75	2.2	79.13	81.13	81.11	83.55	87.58
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	0.68	-0.53	-2.62	-2.09		-2.16	-3.01	-4.57	-1.62	-1.66
Urals (Mediterranean)	-1.84	-1.69	-0.41	1.28		0.12	-0.26	-0.71	-1.11	-1.37
Dubai Mth1 adjusted - Dated Brent	-3.15	-3.06	-2.67	0.39		-2.56	-2.62	-3.00	-3.35	-3.46
Tapis (Dated)	1.99	1.76	2.86	1.10		2.18	2.62	2.81	3.60	3.56
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	0.03	-0.43	-0.16	0.27		-0.11	-0.06	-0.16	-0.19	-0.14
Forward WTI Cushing Mth1-Mth2 adj	-0.42	-0.56	-1.35	-0.79		-1.46	-1.10	-1.73	-1.07	-0.72

Source: Platts

Increased demand for light sour crudes helped propel prices higher for Russia's ESPO crude. ESPO Blend relative to Dubai and Brent charted new highs in early October, trading at a premium to Dubai of almost $1.40/bbl by 7 October compared to an average $0.64/bbl in September and $0.19/bbl in August.

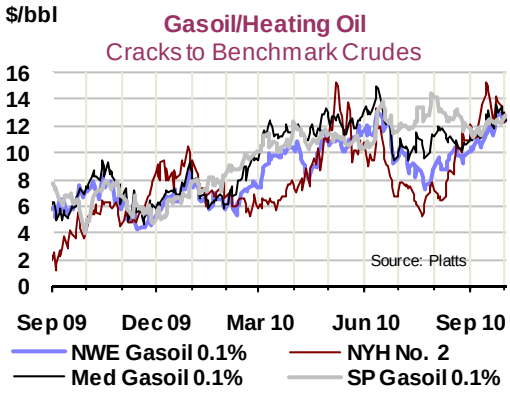




Spot Product Prices

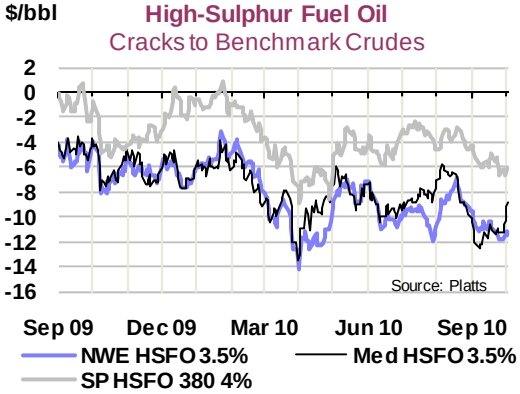
A seasonal shift to stronger demand for middle distillates ahead of the northern hemisphere winter saw crack spreads for gasoil and diesel in the US and Europe widen month-on month while surplus supplies in Asia added downward pressure on gasoil. Fuel oil —bar New York Harbor—weakened in line with a seasonal downturn in utility demand. In Europe, prices may gain some residual strength on the back of major strike action in France (see *French Refinery Operations Halted by Strikes* in Refining).

In the US, heating oil cracks increased by $4.50/bbl, to an average $12.73/bbl, on higher demand and reduced trade flows. A number of Gulf Coast cargoes of both heating oil and gasoline destined for the East Coast were reportedly diverted to the midcontinent due to pipeline problems forcing refiners to curtail production there. Increased US gasoil and diesel exports to Latin America also continue to support prices.



In Europe, restocking by consumers at the same time refiners were curtailing throughput rates helped increase spot prices by 2.6-3.6% in September. As a result, gasoil differentials for Brent in Rotterdam rose by $1.80/bbl in September, to $11/bbl. In the Mediterranean, differentials to Urals were up on average by a smaller $0.35/bbl, to $11.54/bbl, in part due the recent strength of the crude in the region. Diesel cracks also posted strong gains in Rotterdam, up $1.56/bbl to $13.46/bbl on average last month while they were unchanged in the Mediterranean.

By contrast, crack spreads in Asia were down across the board in September. Scheduled refinery maintenance work in the Middle East in November, however, may help tighten markets in the near term.



Premium unleaded gasoline differentials to Dubai were off $1.00/bbl, to $7.43/bbl last month but fuel oil posted the largest decline. LSWR differentials to Dubai lost more than $4.50/bbl last month as the end of seasonally strong demand for power unwound. In Asian markets HSFO 180 CST cracks lost about $2/bbl on average month-on-month, reaching -$5.29/bbl in Singapore, -$5.74/bbl in South Korea and -$4.84/bbl in Japan.

Spot Product Prices

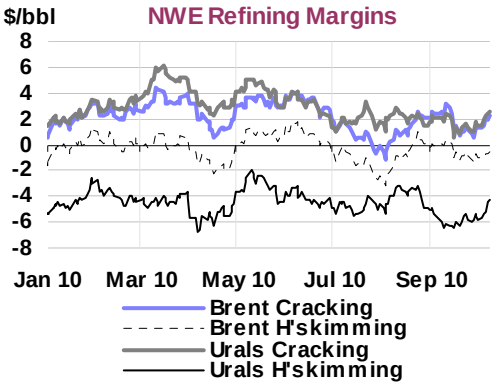
(monthly and weekly averages, $/bbl)

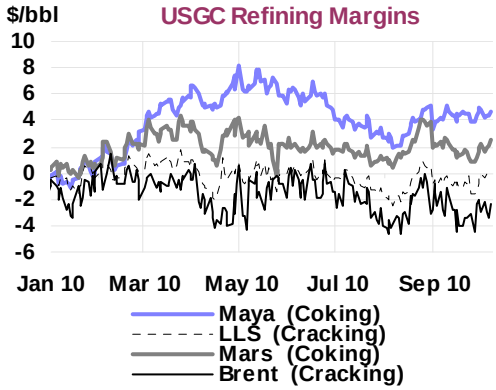
	Jul	Aug	Sep	Sep-Aug Chg	Sep-Aug %	Week Commencing: 06 Sep	13 Sep	20 Sep	27 Sep	04 Oct	Jul	Aug	Sep
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm	84.00	84.39	84.39	0.00	0.0	85.65	85.37	82.87	84.90	91.10	8.36	7.24	6.59
Naphtha	69.28	73.24	75.07	1.83	2.5	74.67	74.93	74.93	77.98	83.67	-6.36	-3.91	-2.72
Jet/Kerosene	86.68	88.56	89.73	1.17	1.3	88.92	90.25	90.43	91.87	96.35	11.05	11.41	11.94
ULSD 10ppm	86.21	89.05	91.25	2.20	2.5	90.30	91.96	91.71	94.05	98.26	10.57	11.90	13.46
Gasoil 0.1%	84.70	86.35	88.80	2.45	2.8	87.22	89.25	90.05	92.26	96.48	9.06	9.20	11.00
LSFO 1%	71.63	72.86	70.58	-2.28	-3.1	70.50	71.94	70.16	71.07	74.31	-4.00	-4.29	-7.22
HSFO 3.5%	65.81	68.08	67.28	-0.80	-1.2	66.82	67.69	67.57	68.46	72.54	-9.83	-9.07	-10.51
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	82.21	81.79	83.56	1.77	2.2	83.98	84.95	82.58	84.36	91.26	8.41	6.33	6.17
Naphtha	68.07	73.02	75.37	2.35	3.2	74.93	75.24	75.27	78.39	84.22	-5.73	-2.44	-2.02
Jet Aviation fuel	84.22	86.80	88.19	1.39	1.6	87.43	88.58	88.80	90.30	94.77	10.42	11.35	10.80
ULSD 10ppm	85.48	88.98	90.91	1.93	2.2	89.57	91.58	91.98	93.83	98.12	11.68	13.53	13.52
Gasoil 0.1%	84.21	86.64	88.92	2.28	2.6	87.71	89.48	90.03	91.68	96.03	10.41	11.19	11.54
LSFO 1%	70.97	72.16	70.56	-1.60	-2.2	70.63	71.68	70.35	71.02	73.72	-2.83	-3.29	-6.83
HSFO 3.5%	65.09	68.33	66.25	-2.08	-3.0	65.90	66.18	66.43	67.64	72.61	-8.70	-7.12	-11.13
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	88.25	85.73	86.38	0.66	0.8	86.14	87.39	86.04	89.44	96.20	11.93	9.11	11.21
Unleaded	83.78	81.74	82.61	0.88	1.1	82.86	82.88	82.03	85.39	91.01	7.45	5.12	7.44
Jet/Kerosene	86.30	88.71	90.51	1.80	2.0	89.59	90.81	90.55	93.25	96.76	9.98	12.09	15.34
No. 2 (Heating Oil)	83.14	84.83	87.90	3.07	3.6	86.47	87.92	88.36	91.55	95.19	6.81	8.22	12.73
LSFO 1%†	69.49	71.55	71.71	0.16	0.2	71.49	72.28	72.04	72.21	74.34	-6.83	-5.06	-3.46
No. 6 3%†	67.11	68.55	69.51	0.96	1.4	69.11	69.82	69.71	70.32	73.21	-9.21	-8.07	-5.66
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	82.42	82.52	82.55	0.04	0.0	82.09	83.11	82.31	84.39	89.05	9.93	8.43	7.43
Naphtha	68.57	73.31	74.52	1.22	1.7	73.97	74.49	74.31	76.74	81.18	-3.92	-0.78	-0.60
Jet/Kerosene	85.32	87.15	87.81	0.66	0.8	87.17	88.40	88.04	89.43	94.25	12.83	13.07	12.69
Gasoil 0.5%	84.69	87.14	87.04	-0.09	-0.1	85.95	87.44	87.56	88.90	93.10	12.21	13.05	11.92
LSWR Cracked	73.40	74.75	71.33	-3.42	-4.6	70.21	70.27	72.95	72.99	76.05	0.91	0.66	-3.79
HSFO 180 CST	68.63	69.89	68.71	-1.17	-1.7	68.58	68.94	68.78	69.68	73.43	-3.86	-4.20	-6.40
HSFO 380 CST 4%	69.36	70.49	69.83	-0.66	-0.9	69.76	69.98	69.89	70.75	74.32	-3.13	-3.60	-5.29

Source: Platts * CIF † Cargoes

Refining Margins

Refinery margins remained weak in September, although some improvements were seen in Northwest Europe and the US. Brent margins in Northwest Europe improved, whereas Urals margins fell back after the slight recovery seen in August. Mediterranean margins all weakened. In the US, Gulf Coast and West Coast margins differed over the month. In Asia, margins fell in both Singapore and China in September.





In Northwest Europe, Brent margins moved higher in the first half of the month on stronger gasoline and middle distillate prices. Gasoline prices rose on tighter supply due to refinery maintenance and increased demand both from West Africa and Saudi Arabia. Middle distillate prices were supported by pre-stocking ahead of winter and were lifted by maintenance-related supply tightness. However, although improving

over the month on average, Brent margins fell again in the second half of September as product prices did not keep up with the increasing crude price. Urals margins fell on average due to the unusual strength in Urals feedstock itself.

On the US Gulf Coast, Bonny and LLS cracking margins improved together with Maya coking margins, whereas Brent cracking and Mars coking margins weakened on average in September. Generally, the weak gasoline price weighed on the margins as high stock levels and the end of the driving season prevented prices from increasing. In the second half of the month, the stronger crude price further curbed margins. West Coast margins fell further from August except for Kern cracking margins, which were supported by higher fuel oil prices. On the East Coast, gasoline product cracks (NYH Unl 93) rose significantly throughout September, pushing refinery margins in the PADD 1 area higher. Prices were supported by Enbridge's pipeline problems, and lower regional throughputs in general (due to shutdowns and maintenance) which all reduced gasoline supplies to the region.

Singapore margins all fell in September and are back in negative territory. Plentiful product supplies, limited export opportunities, which weakened middle distillate prices, and stronger crude prices towards the end of the month all contributed to lower margins. Also, Chinese margins fell further in September, pressured by weak fuel oil prices.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Jul 10	Aug 10	Sep 10		Sep 10-Aug 10	10 Sep	17 Sep	24 Sep	01 Oct	08 Oct
NW Europe	Brent (Cracking)	0.78	1.06	1.73	↑	0.67	2.57	1.79	1.01	1.09	1.82
	Urals (Cracking)	1.92	2.06	1.63	↓	-0.43	2.12	1.39	1.32	1.42	2.10
	Brent (Hydroskimming)	-1.31	-0.89	-0.45	↑	0.44	0.06	-0.40	-0.86	-0.99	-0.80
	Urals (Hydroskimming)	-2.74	-2.28	-3.12	↓	-0.84	-3.01	-3.52	-3.08	-3.18	-3.08
Mediterranean	Es Sider (Cracking)	0.98	0.61	0.14	↓	-0.47	0.19	0.15	-0.07	0.17	0.84
	Urals (Cracking)	0.89	0.95	0.04	↓	-0.91	-0.02	-0.12	-0.07	0.19	1.50
	Es Sider (Hydroskimming)	-2.90	-3.04	-4.09	↓	-1.04	-4.04	-4.08	-4.23	-4.30	-4.71
	Urals (Hydroskimming)	-4.80	-4.00	-5.82	↓	-1.83	-5.99	-6.30	-5.76	-5.69	-5.02
US Gulf Coast	Bonny (Cracking)	-0.49	-1.47	-1.33	↑	0.14	-1.09	-1.43	-2.11	-1.04	-1.13
	Brent (Cracking)	-1.89	-2.71	-2.77	↓	-0.06	-2.25	-2.92	-3.64	-2.81	-2.74
	LLS (Cracking)	-0.63	-0.96	-0.84	↑	0.12	-0.55	-0.80	-0.77	-1.17	0.02
	Mars (Cracking)	-0.06	0.28	-0.16	↓	-0.44	0.47	-0.23	-0.38	-0.90	0.12
	Mars (Coking)	1.53	2.06	1.73	↓	-0.33	2.30	1.67	1.49	1.30	2.09
	Maya (Coking)	3.70	3.36	4.27	↑	0.91	4.36	4.36	4.50	4.35	4.48
US West Coast	ANS (Cracking)	1.51	1.00	0.11	↓	-0.89	0.42	0.50	0.16	-0.73	-0.34
	Kern (Cracking)	4.64	3.23	4.20	↑	0.97	5.21	3.96	4.03	2.57	2.48
	Oman (Cracking)	4.15	1.19	-0.73	↓	-1.92	-0.39	-1.09	-1.40	0.04	1.43
	Kern (Coking)	14.47	11.33	9.98	↓	-1.35	10.37	9.35	10.06	10.42	11.77
Singapore	Dubai (Hydroskimming)	-1.52	-1.27	-2.22	↓	-0.96	-2.05	-2.70	-2.24	-2.27	-2.31
	Tapis (Hydroskimming)	-3.66	-2.93	-4.89	↓	-1.96	-4.24	-5.31	-4.93	-6.02	-6.04
	Dubai (Hydrocracking)	0.16	0.55	-0.14	↓	-0.69	-0.12	-0.57	-0.14	0.07	0.26
	Tapis (Hydrocracking)	-3.15	-2.24	-3.46	↓	-1.22	-2.78	-3.68	-3.73	-4.49	-4.24
China	Cabinda (Hydroskimming)	-2.97	-2.75	-4.72	↓	-1.97	-5.12	-5.31	-4.25	-4.81	-4.92
	Daqing (Hydroskimming)	0.42	-0.27	-3.94	↓	-3.67	-3.81	-5.22	-3.40	-4.32	-4.56
	Dubai (Hydroskimming)	-1.25	-1.08	-2.01	↓	-0.93	-1.85	-2.48	-2.01	-2.05	-2.08
	Daqing (Hydrocracking)	2.09	1.41	-1.06	↓	-2.47	-0.80	-2.02	-0.95	-1.29	-1.00
	Dubai (Hydrocracking)	0.51	0.81	0.15	↓	-0.66	0.15	-0.27	0.17	0.36	0.57

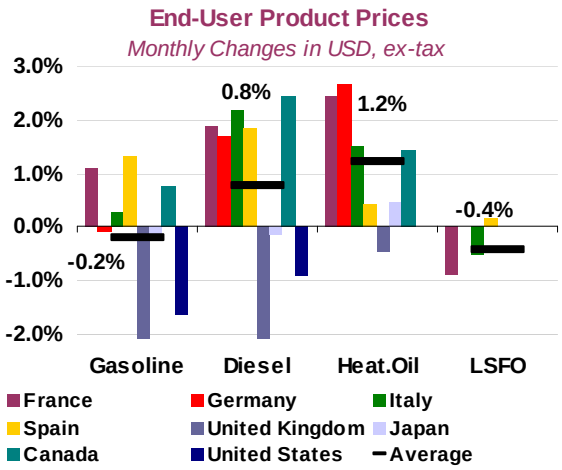
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

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

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in September

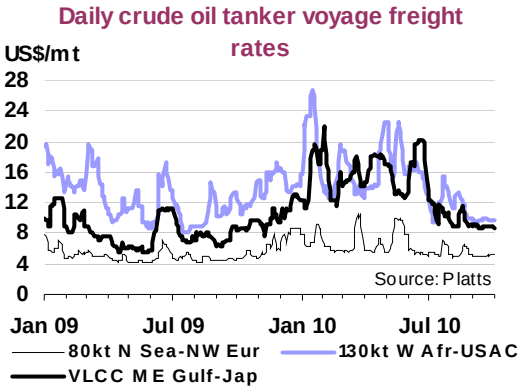
End-user prices in US dollars, ex-tax, remained relatively stable in September, increasing by a modest 0.4%. However, the picture was mixed across surveyed fuels and countries. On a US dollar, ex-tax basis, across the IEA region, gasoline and low sulphur fuel oil weakened while diesel and heating oil prices rose. However, when examining average ex-tax prices in national currencies the impact of the weaker dollar was conspicuous, since prices fell in all surveyed countries except Canada. On this basis, Japan experienced the most significant average price fall of 2.8%, but this was skewed by an exceptional 7.8% fall in low sulphur fuel oil. In Europe, the most significant average price fall was reported in the UK, where prices fell by 2.2% following notable falls in gasoline (-2.9%) and diesel (-2.5%).

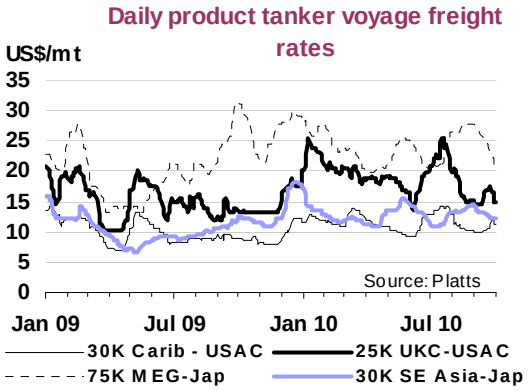


Gasoline pump prices fell across all surveyed countries except Canada, which remained stable. Regular motor gasoline averaged $2.71/gallon in the US, ¥133/litre in Japan and £1.15/litre in the UK. Across the Eurozone, prices ranged from €1.17/litre in Spain to €1.38/litre in Germany. The picture was slightly different for automotive diesel with price climbs in the Eurozone and Canada and price falls elsewhere. Forecourt prices averaged $2.95/gallon in the US, ¥113/litre in Japan and £1.17/litre in the UK while in the Eurozone prices ranged from €1.09/litre in Spain to €1.22/litre in Italy.

Freight

Dirty tanker rates on all benchmark routes hovered near break-even levels during September. Rates may have now 'bottomed out' due to the unwillingness of tanker owners to run their vessels at far-below break-even levels. As with the previous two months, vessel oversupply is weighing heavy, underscored by the most recent oil-in-transit data. Consultancy Oil Movements estimate that in early October 45.7 mb of crude was in transit globally which is approximately 2 mb higher than one year ago, but almost 3.3 mb lower than the seasonal high reported in mid-July. It is therefore highly likely that the mid-July crash of the dirty tanker market resulted from the drop in oil in transit combined with the release of vessels from floating storage.

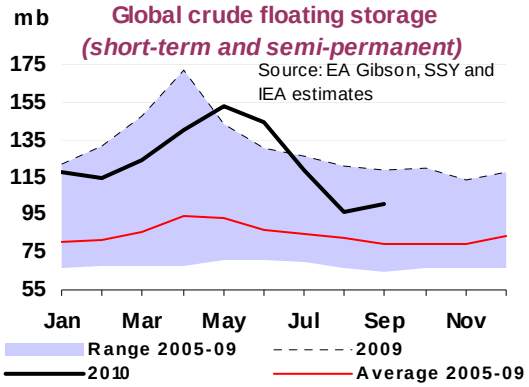




The problem of oversupply and resulting idle tankers was emphasised by a recent report suggesting that during negotiations for a recent long-term crude supply deal between Kuwait and India, KPC stipulated that its vessels are to be used for the shipments. Following the Fos-Lavera port strike in France, it is anticipated that there will be some localised supply tightness, and recent broker reports indicate sharp

increases in the Mediterranean Aframax market. Indeed, our data indicate that rates in these markets spiked by more than $2/mt (+57%) between 4 and 6 October and are likely to continue climbing if the strike is prolonged. At the time of writing, 56 oil tankers were reported to be blocked either outside or inside the port.

In September, **clean tanker rates** fared almost as badly as their dirty counterparts, although the geographical split reported last month reversed, as Atlantic basin routes outperformed those East of Suez. The 25K UK – US Atlantic Coast route peaked at $17/mt late month after a number of westwards gasoline cargoes were fixed. Additionally, rates on the 30K Caribbean – US Atlantic Coast trade firmed by $1/mt to stand at over $11/mt by month-end. In comparison, the 75K Arabian Gulf – Japan and 30K Singapore – Japan routes fell, with the former plummeting by $7/mt over the month. Some short-term support to markets could come from the movement of gasoil from Asia and the US to Europe, where the market has recently moved into backwardation in part resulting from high demand caused by German heating oil stock replenishment.



Short-term floating storage of crude and products increased by 3.6 mb to stand at 76.0 mb by end-September. Crude increased by 4.9 mb with estimated Iranian storage increasing by 1.3 mb to approximately 33 mb. Elsewhere, crude stored in the Asia Pacific region increased by 4.3 mb and US Gulf volumes fell by 0.8 mb. Products decreased by 1.5 mb, with the draw concentrated in North West Europe (-1.5 mb), likely resulting from gasoil moving ashore for economic reasons. At month-end the storage fleet was stable at 57 vessels with VLCCs increasing by two to number 20.

REFINING

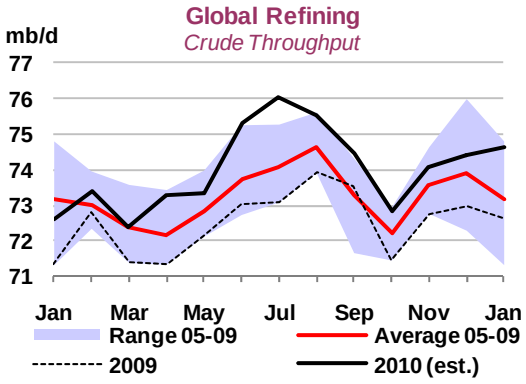
Summary

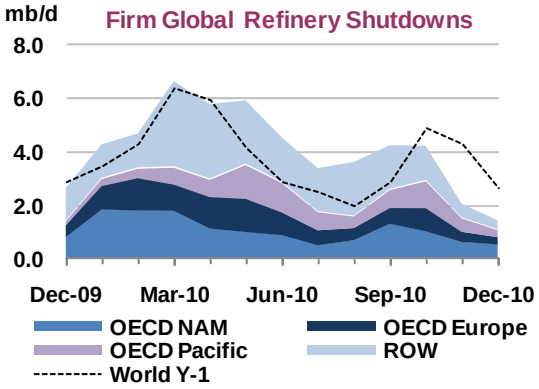
- **Global refinery crude throughputs have been revised up by 0.7 mb/d for 3Q10,** to 75.3 mb/d, or some 1.8 mb/d above 3Q09, following stronger-than-expected runs in both the OECD and non-OECD. North America and Europe each account for about a quarter of the total adjustment, shadowing recent revisions to oil product demand. In the non-OECD, both Brazil and Russia reported another set of record-high runs, further contributing to the revision.

- **Forecast 4Q10 global crude runs are seen falling sharply, to 73.8 mb/d,** on the back of an expected slowdown in global demand growth. Despite the drop of almost 1.6 mb/d from the previous quarter, runs retain annual growth of close to 1.4 mb/d. Annual increases are centred in the non-OECD, in particular in China and the FSU, though the OECD is also expected to post modest 4Q10 growth.

- **OECD crude runs averaged 37.6 mb/d in August**, some 170 kb/d below a month earlier, though an impressive 960 kb/d above last year's depressed levels. Masked by the relatively stable overall picture, runs moved in opposite directions in the US and Japan, in line with seasonal trends. As US refinery runs fell back from summer highs, Pacific runs increased sharply as peak maintenance wound down. Preliminary weekly data for the US, Canada and Japan indicate a further weakening in utilisation rates in September, though not as much as we had anticipated.

- **July OECD refinery yields** increased for gasoline, jet fuel and other kerosene and fell for all other products. OECD gross output continued its upward trend, although flattened compared to the increase seen for June. Output for July edged close to the 5-year average.





Global Refinery Throughputs

Global crude throughputs have been revised up by 0.7 mb/d for 3Q10, following stronger runs in both the OECD and several non-OECD countries. In the OECD, both North American and European runs were higher than expected, and reflect recent revisions to oil demand. The absence of any hurricanes affecting plants in the US in September lifted North American runs, while European runs were also stronger than expected in both July and August, mostly due to higher French throughputs. According to preliminary August data, France reported its first annual growth in refinery runs since February 2009, though recent industrial action have reduced runs in September and October. In the non-OECD, both Brazil and Russia recorded another set of record throughputs in July and August, respectively, while Saudi Arabia reported its highest run rates in two years in August. Some strength was equally seen in African runs in June/July, underpinned by Algeria and South Africa.

At 75.3 mb/d, 3Q10 global throughputs are assessed 1.8 mb/d above year-earlier levels. Annual increases are now equally split between the OECD and the non-OECD, as opposed to recent growth

strongly skewed towards the non-OECD. OECD strength has to be seen as only a partial recovery however, and runs remain well below levels seen in 2007 and early 2008. In the non-OECD, China still accounts for the bulk of growth, though the FSU, Africa and the Middle East all contribute.

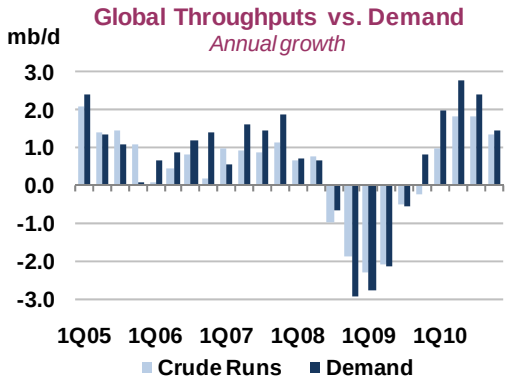
Global Refinery Crude Throughput[1]

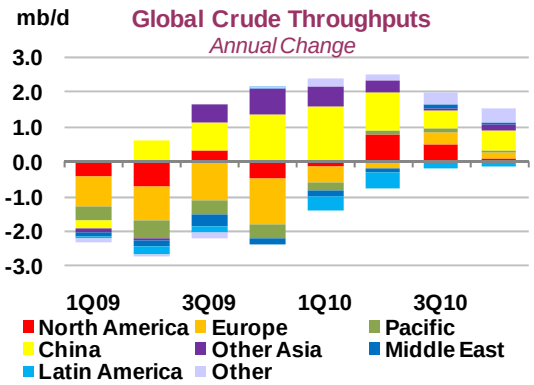
(million barrels per day)

	Jun 10	**2Q2010**	Jul 10	Aug 10	Sep 10	**3Q2010**	Oct 10	Nov 10	Dec 10	**4Q2010**	Jan 11
North America	18.3	18.2	18.6	17.9	17.7	18.1	17.0	17.1	17.1	17.1	17.0
Europe	13.0	12.3	13.0	12.9	12.5	12.8	11.9	12.2	12.2	12.1	12.4
Pacific	5.9	6.2	6.2	6.8	6.5	6.5	6.0	6.5	6.8	6.4	6.9
Total OECD	**37.2**	**36.7**	**37.7**	**37.6**	**36.7**	**37.3**	**35.0**	**35.8**	**36.1**	**35.6**	**36.3**
FSU	6.3	6.2	6.5	6.7	6.2	6.5	6.2	6.5	6.5	6.4	6.4
Non-OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.6	8.5	8.3	8.2	8.4	8.3	8.6	8.6	8.6	8.6	8.7
Other Asia	8.9	8.8	8.9	8.7	8.7	8.8	8.7	9.0	8.9	8.9	9.0
Latin America	5.2	5.0	5.3	5.2	5.3	5.3	5.3	5.2	5.2	5.3	5.1
Middle East	6.0	5.9	6.2	6.2	6.1	6.1	6.0	5.9	5.9	5.9	6.0
Africa	2.4	2.3	2.5	2.4	2.3	2.4	2.4	2.4	2.4	2.4	2.4
Total Non-OECD	**38.1**	**37.3**	**38.3**	**38.0**	**37.8**	**38.0**	**37.8**	**38.3**	**38.3**	**38.1**	**38.3**
Total	**75.3**	**74.0**	**76.0**	**75.5**	**74.5**	**75.3**	**72.8**	**74.1**	**74.4**	**73.8**	**74.6**

1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

4Q10 global throughputs have been adjusted slightly lower (-120 kb/d) since last month's report, to average 73.8 mb/d. The downward adjustments mostly come from China, following a reassessment of capacity expansion projects and likely ramp-up rates, and smaller adjustments to runs in the Middle East, despite offsetting increases in the OECD. The steep fall in utilisation rates from 3Q10 is in part due to higher expected maintenance at the tail-end of the year but also due to an expected slowdown in oil product demand growth. 4Q10 world demand growth is estimated at around 1.4 mb/d, down from an average of 2.4 mb/d in the three previous quarters.





OECD Refinery Throughput

OECD crude throughputs averaged 37.6 mb/d in August, some 170 kb/d lower than July's high point. Both July and August were revised up by nearly 270 kb/d, following higher throughputs in North America in July and Europe in August. Masked by the relatively stable overall throughput level, large offsetting moves were seen in North America and in the Pacific. While North American runs came down some 640 kb/d from summer highs, Pacific refiners all increased runs as maintenance wound down. Despite the monthly decline, August runs remained an impressive 960 kb/d above last year's depressed levels.

Refinery Crude Throughput and Utilisation in OECD Countries

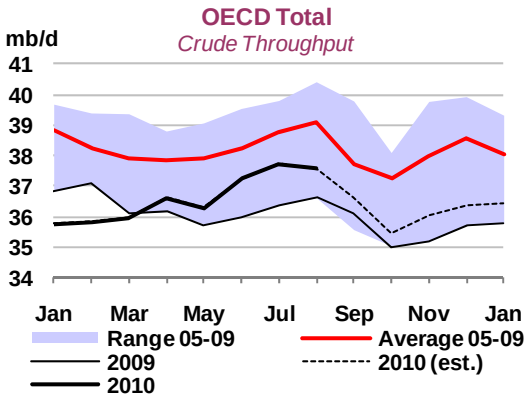
(million barrels per day)

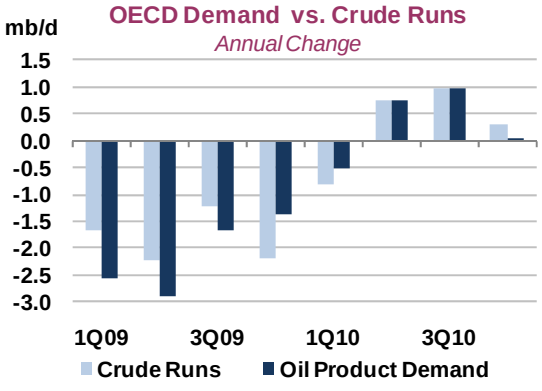
							Change from		Utilisation rate[1]	
	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Jul 10	Aug 09	Aug 10	Aug 09
US[2]	14.30	15.12	15.22	15.39	15.52	14.99	-0.53	0.42	84.9%	82.7%
Canada	1.74	1.69	1.73	1.75	1.84	1.80	-0.05	0.01	91.6%	91.1%
Mexico	1.25	1.26	1.23	1.20	1.21	1.15	-0.06	-0.11	68.2%	82.3%
OECD North America	**17.29**	**18.07**	**18.18**	**18.33**	**18.57**	**17.93**	**-0.64**	**0.31**	**84.2%**	**83.4%**
France	1.45	1.46	1.35	1.34	1.45	1.49	0.04	0.04	80.7%	72.9%
Germany	1.76	1.89	1.93	2.02	1.99	2.04	0.06	-0.08	85.7%	88.9%
Italy	1.65	1.60	1.58	1.81	1.76	1.69	-0.07	-0.02	74.0%	74.8%
Netherlands	1.10	1.05	1.03	1.11	1.08	1.09	0.02	0.15	90.2%	77.4%
Spain	1.02	1.08	0.90	1.20	1.14	1.11	-0.03	0.10	79.3%	78.9%
United Kingdom	1.40	1.38	1.45	1.49	1.47	1.45	-0.02	-0.01	80.2%	77.3%
Other OECD Europe	3.89	3.51	3.70	3.99	4.07	4.00	-0.07	0.27	81.9%	78.1%
OECD Europe	**12.27**	**11.97**	**11.93**	**12.97**	**12.96**	**12.88**	**-0.08**	**0.47**	**81.4%**	**78.5%**
Japan	3.57	3.50	3.22	2.83	3.25	3.59	0.34	0.06	77.9%	74.9%
South Korea	2.21	2.31	2.29	2.41	2.27	2.46	0.18	0.12	89.9%	85.6%
Other OECD Pacific	0.60	0.75	0.66	0.68	0.68	0.71	0.03	0.00	84.0%	87.7%
OECD Pacific	**6.38**	**6.56**	**6.17**	**5.92**	**6.20**	**6.75**	**0.55**	**0.18**	**82.5%**	**79.7%**
OECD Total	**35.95**	**36.60**	**36.28**	**37.22**	**37.73**	**37.56**	**-0.17**	**0.96**	**82.9%**	**81.0%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

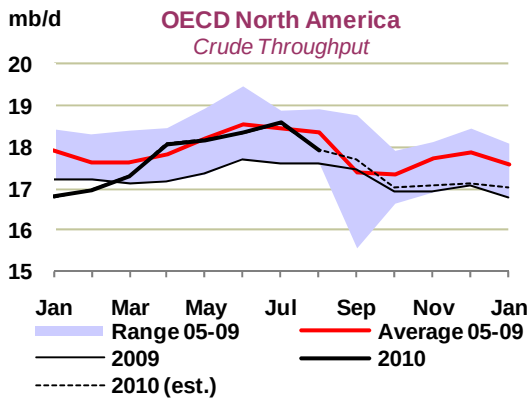
Preliminary data for September came in higher-than-expected for both the US and Japan, leading to yet another upward revision. The absence of any hurricane shutdowns underpinned the US adjustment, as we previously included a five-year average outage adjustment, as for upstream supply. Stronger-than-expected oil product demand likely also supported runs. As a result, 3Q10 OECD runs are now assessed at 37.3 mb/d, close to 1 mb/d higher than the same period last year and 360 kb/d above our previous estimate.

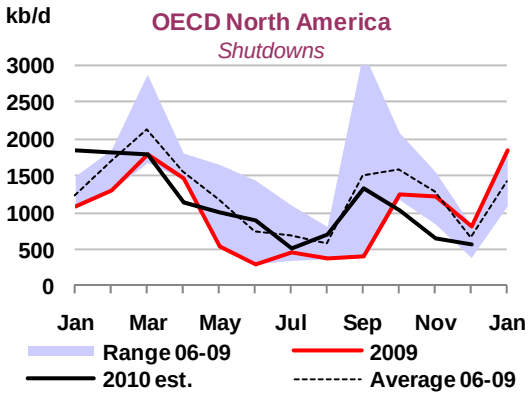




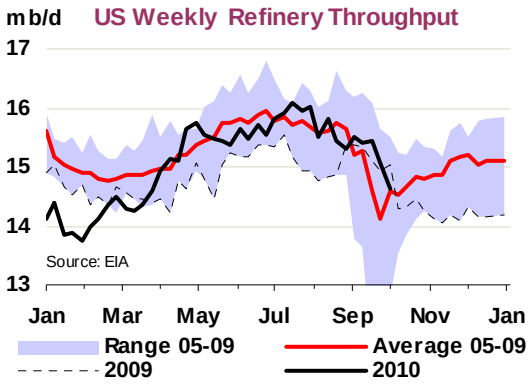
4Q10 OECD crude throughputs have similarly been adjusted slightly higher since last month's report, to average 35.6 mb/d. Nevertheless, quarterly runs are assessed some 1.7 mb/d lower than 3Q10. Indeed, US runs already fell sharply towards the end of September, as did Japanese runs. In both the Pacific and North America autumn maintenance is currently lowering throughput levels. A significant expected slowdown in OECD demand growth in the last quarter will also likely put downward pressure on margins and operating rates. Lastly, the closure of capacity in North America, in both Canada and the US northeast, will lower runs for the remainder of the year. In Europe, strike action in France and poor margins are expected to bring runs down from earlier highs.

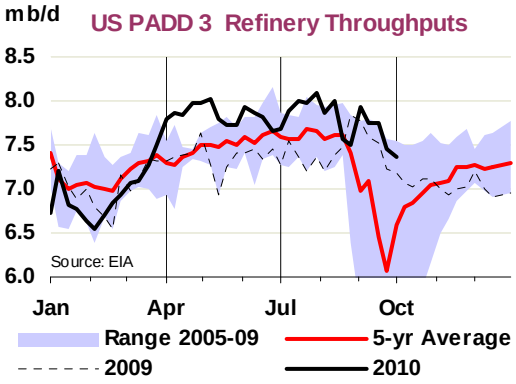
North American crude throughputs fell by 640 kb/d in August, to average 17.9 mb/d, 310 kb/d above a year-ago and 80 kb/d lower than our previous estimate. The monthly decline was concentrated in the US as maintenance activity resumed after the summer lull, and deteriorating margins likely prompted refiners to lower operating rates. Preliminary weekly data for the US and Canada, supported by an increase in recorded shutdowns, saw runs falling further in September. As mentioned above, despite a number of named storms, none of the hurricanes made landfall near the main refining centres, minimising the need for closures or precautionary shutdowns. As a result, September US run rates have been revised up by some 415 kb/d, as we had previously included a hurricane adjustment in the forecast.





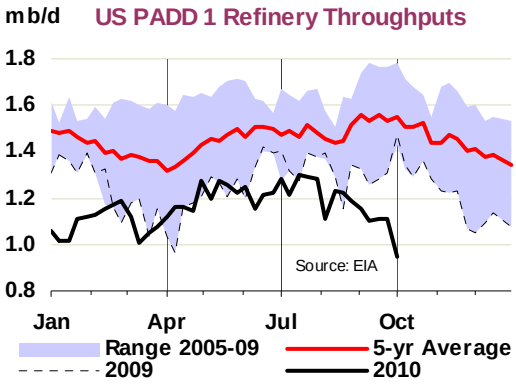
US crude runs fell by 230 kb/d in September, with declines in PADD 1, 2 and 3. The fall was concentrated in the second half of the month, when total US crude runs fell by close to 900 kb/d. Gulf Coast runs fell the most and were down by almost 500 kb/d in the last two weeks of September. Refining margins in the region continued to deteriorate until late August, before improving somewhat through September, yet all cracking margins remained negative in September. The closure of the upper Houston Ship Channel after an accident on 3 October is not expected to have significantly reduced refinery runs in the area, as refiners hold operational stocks to deal with short-term disruptions such as this. The channel, which connects the Gulf of Mexico to the Port of Houston, and is used to deliver oil to refineries in the Houston-Texas City-Baytown area, reopened for two-way traffic on 6 October.

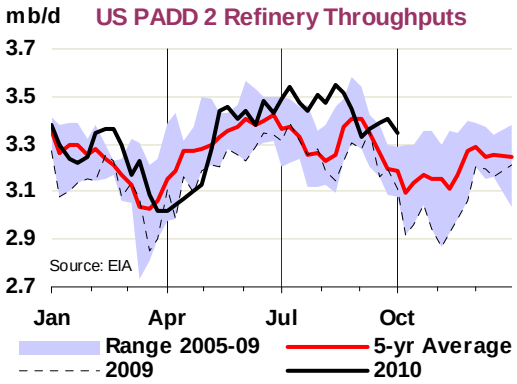




Refinery runs on the East Coast (PADD 1) fell by 95 kb/d in September. A slew of maintenance and another refinery closure pulled runs lower yet again, reducing regional product supplies and supporting product cracks. ConocoPhillips' 238 kb/d Bayway refinery on New York Harbor went down for 45 days maintenance at the end of September. Western Refining announced on 13 September that it had completed the closure of its 70 kb/d Yorktown refinery, originally announced on 5 August, because of poor profitability. The company will continue to run the products terminal and storage facility to supply the region with finished products. Refining capacity in PADD 1 is now assessed at 1.2 mb/d, a reduction of 400 kb/d since the closure of Eagle Point, Delaware and Yorktown. Also on the East Coast, United Refining's 70 kb/d Warren refinery in Pennsylvania was reportedly running at reduced rates due to the shutdown of Enbridge's Line 6B pipeline, which ruptured on 26 July, and remained closed for more than 2 months.

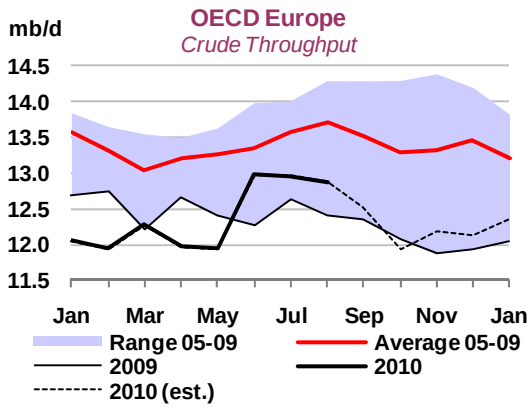
Though runs have come down from August highs, the shutdown of Enbridge's 6A and 6B pipelines seem to have had a limited impact on refining operations in the Midwest (PADD 2). Record high regional crude oil stocks enabled refiners to sustain rates. PADD 2 crude stocks have come down by more than 6 mb since the pipeline ruptured. The slide in runs in September will likely continue in October due to increased maintenance and lower demand and profitability.

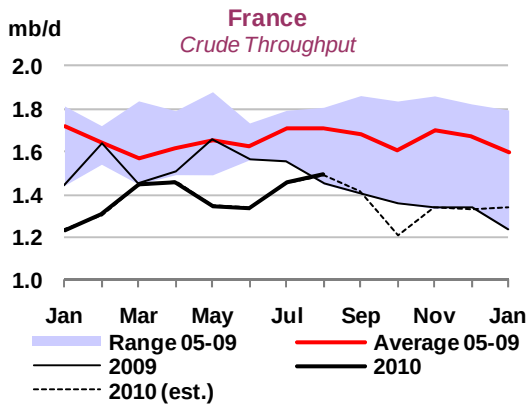




Outside of the US, **Canadian** crude runs averaged 1.84 mb/d in July and just under 1.8 mb/d in August. Preliminary weekly data show runs falling further in September, in part due to the phased shutdown of Shell's Montreal refinery from mid-month. The 130 kb/d plant will be completely shut by the end of October, one month ahead of schedule, and will be operated as a terminal thereafter. In **Mexico**, the explosion at PEMEX's 275 kb/d Cadereyta refinery on 7 September is thought to have had minimal impact on refinery operations as, according to a company spokesperson, damage was not serious and could be repaired quickly.

In **OECD Europe**, August marked a third consecutive month of relatively strong refinery throughputs, averaging 12.9 mb/d. Year-on-year growth of 470 kb/d came from a number of countries, including the Netherlands (+155 kb/d), Spain (+105 kb/d), Turkey (+55 kb/d) and Greece (+45 kb/d). According to preliminary JODI data, France also posted its first annual increase in runs in 18 months, leading to an upward revision of some 200 kb/d. Although the impact of the current blockade of the port of Fos-Lavera in southern France (see *French Refinery Operations Halted by Strikes*) is still unclear, we have lowered our estimate for French output over October. French refinery throughputs were also affected in September, when Total was forced to operate its five French refineries, with a combined capacity of 930 kb/d, at minimum rates due to nationwide strikes in protest over government plans to overhaul pensions. In all, OECD European runs are estimated at 12.8 mb/d in 3Q10, and falling to 12.1 mb/d in 4Q10, upwardly revised by 165 kb/d and 75 kb/d respectively.



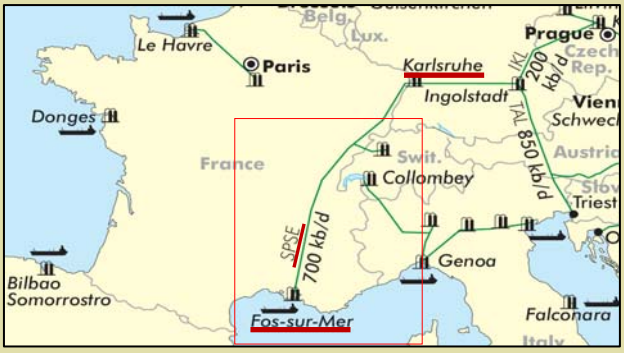


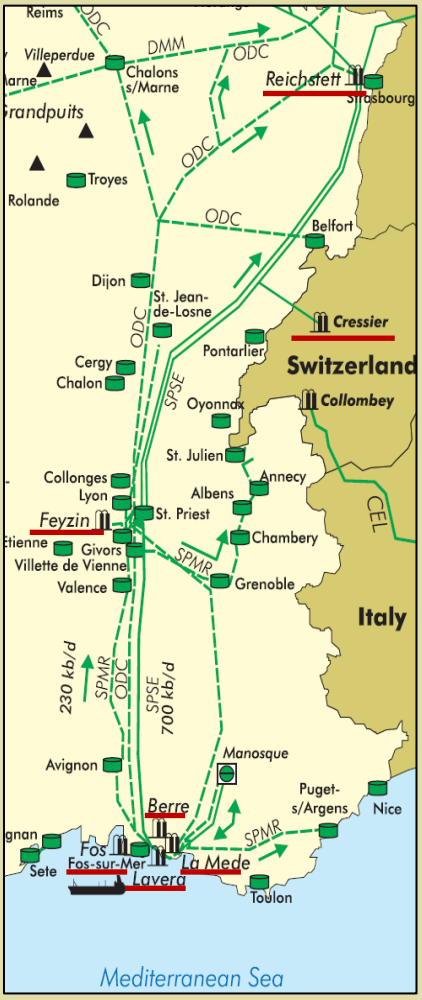
French Refinery Operations Halted by Strikes

At the time of writing, a strike at the Fos-Lavera oil terminal had entered its third week, crippling local refinery operations. The strike, which began on 27 September, is preventing oil shipments in or out of the port and tightening the supply of oil products in the region. Industrial action revolves around changes in the port's ownership and proposed nationwide pension reforms. On 12 October, eight out of France's 12 refineries joined French trade unions in a separate, national, strike in protest against pension reforms.

The port closure has cut crude supplies to the four regional refineries and the pipeline (SPSE) which feeds two refineries in north-eastern France and one refinery in Switzerland. All are reported to have been running at reduced rates since the start of the strike. Two facilities have already been required to begin shutdown procedures. Total's La Mede refinery started shutting down on 10 October due to a lack of crude supplies, as did Ineos' Lavera refinery a day later. Other refineries have signalled they will have to start shutting down in coming days should the situation not be resolved. The Karlsruhe refinery, in south-eastern Germany, also usually sources crude supplies via the SPSE, but unlike the other affected units, has the possibility of using an alternative supply line.

Area	Refinery	Company	Crude capacity (kb/d)
Fos port region	Berre l'Etaing	Lyondell- Basell	105
	Fos sur Mer	ESSO	119
	La Mede	Total SA	158
	Lavera	Ineos	207
sub-total Fos port region			*589*
North-east France	Reichstett	Petroplus	85
	Feyzin	Total SA	116
sub-total North-east France			*200*
Total French refineries affected			**789**
	% total France		*42.8%*
Switzerland	Cressier	Petroplus	60
Germany	Karlsruhe	Miro	310
Total refineries affected			**1,159**
	% total Europe		*7.6%*





There is no shortage of oil product supplies so far, as commercial inventories are being used to replace missing refinery production. However, by some estimates the strike could continue during the next two weeks and lead to product shortages. The strike is pushing European product cracks and refining margins higher however, drawing in products from abroad and likely encouraging other refiners to increase run rates. Press reports have indicated that a large number of diesel cargoes are heading to Europe from the United States, but if the Fos-Lavera port remains blocked logistics of delivering the products to end-users in the region could be significantly hampered.

French Refinery Operations Halted by Strikes (continued)

The Fos-Lavera port region has four refineries and is the starting point of the SPSE pipeline. While total crude distillation capacity of all refineries supplied from near the port is some 1.2 mb/d, refineries have not been operating anywhere near maximum levels in recent years, and pre-strike utilisation rates are estimated at closer to three quarters of this amount.

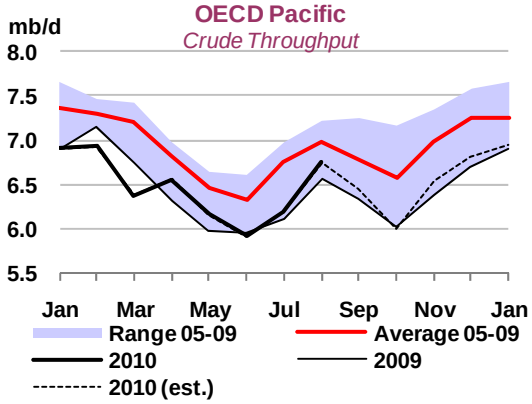
The SPSE has a capacity of 700 kb/d of crude, feeding two refineries in France, and one each in Germany and Switzerland. Only about two-thirds of the pipeline capacity has been utilised in recent years. The German Karlsruhe refinery can also receive supply from the port of Trieste, Italy (via the TAL line).

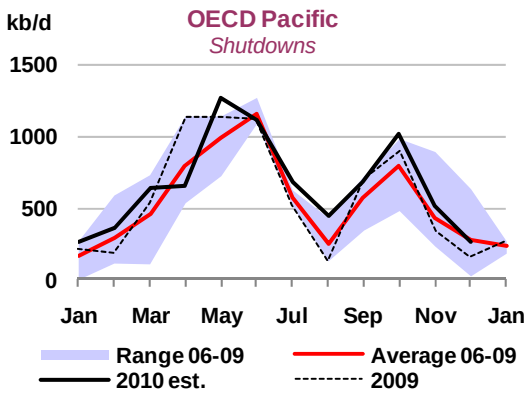
Based on the IEA's method of calculating stockholding obligations, France had total oil stocks equating to 95 days of net imports at the end of July. Roughly 60 days are held as public stocks (some 95 million barrels); the remaining portion of strategic stocks (some 30 days) is covered by stocks held by industry for emergency use. Public stocks at the Manosque storage facility close to the Fos-Lavera hub include both crude and products. Crude stocks in this facility, nearly 20 million barrels, can be pumped at a rate of 300 kb/d to feed the refineries in the Fos region and can also enter the SPSE pipeline to supply the refineries further in land.

While France has not drawn down emergency stocks in response to this situation, stocks held for emergency purposes have been utilised in a technique referred to as "re-localisation". In a geographical exchange, reserves in the needed area are swapped with commercial stocks held elsewhere in France, such that the total emergency reserves do not change.

The potential loss of around 800 kb/d of refinery capacity due to the port strikes, if sustained, and the added shutdowns elsewhere in the country due to the separate action from 12 October, have at first glance the potential to push European commercial products stocks sharply below September's 38.5 days. However, ex-France European refinery utilisation stands at only 82%, meaning supplies could be increased elsewhere within the region to deal with a disruption. The problem, rather, is a logistical one involving the movement of crude and products within France.

Crude runs in the **OECD Pacific** were in line with expectations for August, averaging 6.8 mb/d. The 550 kb/d increase from a month earlier largely stemmed from Japan, though South Korean runs were also higher. The increase in runs coincides with the end of the maintenance season, and Japanese runs could have been further supported by relatively strong domestic demand over the summer. Unseasonably high temperatures led to two consecutive months of year-on-year growth in oil product sales in July and August (although in part due to direct crude burn and not refined products).

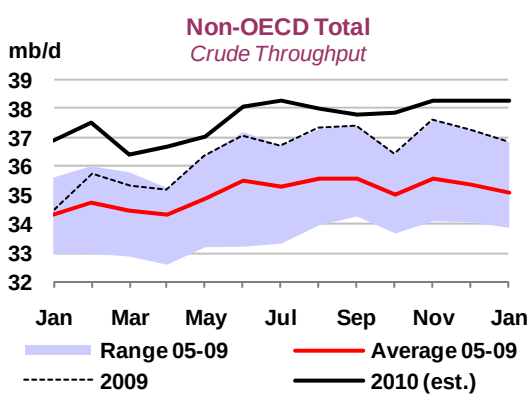


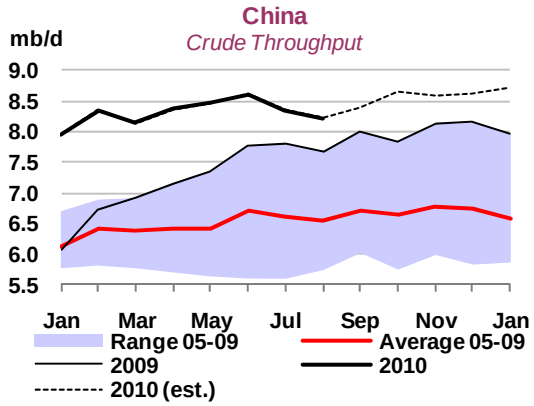


Weekly data from the Petroleum Association of Japan show Japanese crude runs falling by about 200 kb/d in September as maintenance activity picks up again. Furthermore, several Japanese refiners, including Showa Shell, have indicated they will reduce operating rates in the fourth quarter due to weak domestic demand. Simultaneously, the company plans to increase product exports in line with announcements made by Idemitsu Kosan (which said they would double product exports in 4Q10 compared to a year earlier). In all, total Pacific crude runs are largely unchanged from previous reports, at 6.5 mb/d in 3Q10 and 6.4 mb/d in 4Q10.

Non-OECD Refinery Throughput

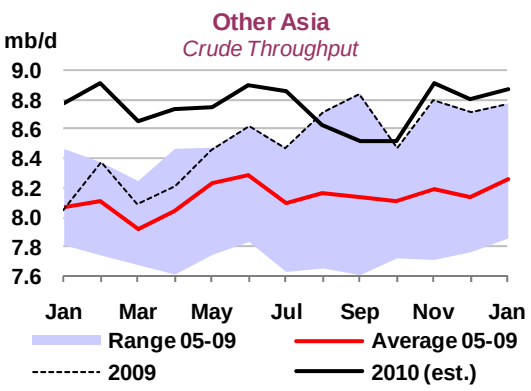
Non-OECD throughputs have been revised up by 330 kb/d for 3Q10, to 38.0 mb/d, due to higher assessed runs in Latin America, the FSU, the Middle East and Africa. Both Brazil and Russia reported another set of record high runs of 1.9 mb/d and 5.2 mb/d respectively for July and August. In Saudi Arabia runs reached their highest in two years in August. African throughputs also showed some strength over the summer months, mainly driven by higher Algerian and South African runs. Though 4Q10 non-OECD runs are now seen slightly lower than the previous forecast, growth is expected to pick up from 3Q10's level of 850 kb/d, to just over 1.0 mb/d.

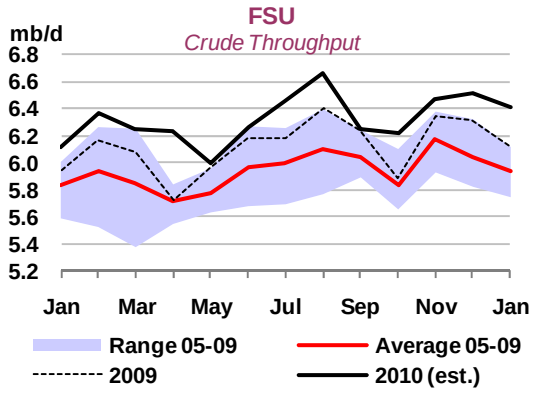




Chinese crude runs fell by 130 kb/d in August, to average 8.21 mb/d (100 kb/d less than expected). Total crude runs were nevertheless 540 kb/d higher than a year earlier, or +7.1% y-o-y. Run rates are thought to have increased in September as PetroChina's 200 kb/d Guangxi refinery started operations. Several refineries, including Sinopec's Yangzi Petrochemical, and PetroChina's Jingxi and Daqing plants, will also exit turnarounds during September

In Other Asia, **Indian** refinery runs fell by 100 kb/d in August, to 3.79 mb/d (assuming stable throughputs of 600 kb/d at Reliance's Jamnagar). At -0.6% y-o-y, this is the first annual decline since November 2008. According to trade sources, Reliance shut half its 660 kb/d refinery for about a month at the end of September for maintenance, though confirmation remains elusive. **Pakistan** successfully restarted its 100 kb/d Pak-Arab refinery on 14 September, a day ahead of schedule, after it was forced to close on 7 August due to the heavy floods. In **Taiwan**, state-run CPC Corp. announced in early September that it had started the decommissioning of several processing units at its 220 kb/d Kaohsiung refinery. The company had pledged it would permanently shut the refinery by 2015, in exchange of permission to build an ethylene plant on the site. Formosa is also facing more delays in the restart of units at its 540 kb/d Mailao refinery, which was damaged in a fire in early July. The 700 kt/y naphtha cracker restart has been delayed by two weeks, from end-September, due to investigations and design modifications following a series of fires at the plant. The third and last 180 kb/d crude distillation unit is scheduled to restart during October.

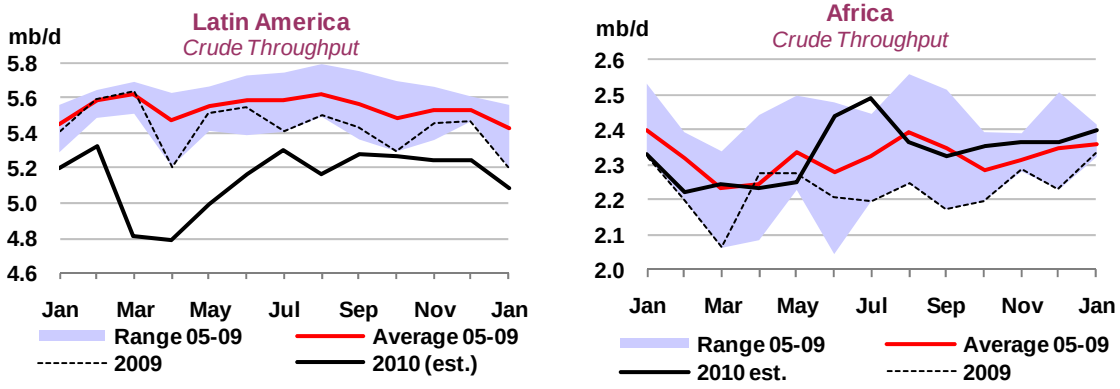




Russian crude runs reached yet another record high in August at 5.2 mb/d, with throughput 260 kb/d above year-earlier levels and 210 kb/d higher than our expectations. It looks like the wildfires that raged across the country over the summer did not affect refinery operations. Russian runs are likely supported by strong domestic demand, as well as favourable export duties on products relative to crude oil. Additionally, several refiners are upgrading their plants to produce European specification fuels and some are increasing crude distillation capacity at the same time. The Novoshakhinsk and Atinpinsky refineries are currently commissioning new capacity. Runs are forecast to have fallen in September, as several refineries started autumn maintenance.

Elsewhere in the region, **Kazakhstani** crude runs also rebounded sharply in August, by 80 kb/d to just over 300 kb/d, as the 160 kb/d Pavlodar refinery came back on line after a complete maintenance shutdown in July. In the **Ukraine**, some sources reported that Lukoil will permanently shut its 80 kb/d Odessa refinery in the Ukraine due to poor economic performance, though the company said it is still considering options. Reportedly, runs will already be cut in October by 36% to 115 kt (27 kb/d). Average runs at the refinery were 41 kb/d in 2009.

Latin American crude runs have been revised up by 150 kb/d for 3Q10, mostly due to higher Brazilian estimates. July data from ANP (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*) were some 80 kb/d higher than our previous forecast while our maintenance assessments have been slightly lowered for August and September. At 1.93 mb/d, July marked yet another record high throughput month to fuel the robust domestic demand growth of +6% y-o-y in 2010. Valero has once again delayed the decision whether to restart its Aruba refinery, this time until January 2011 at the earliest.



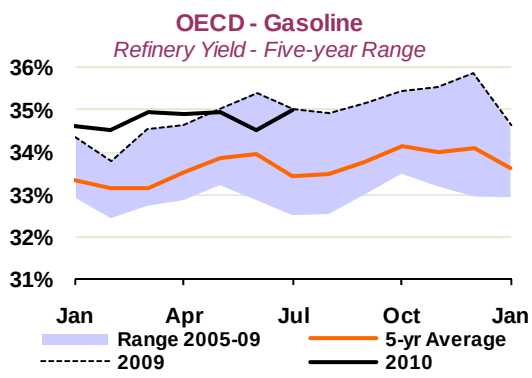
According to JODI data, **African** crude runs were remarkably robust in June and July, at around 2.5 mb/d. The sharp increase from May, when total regional crude runs were estimated at 2.25 mb/d is largely underpinned by higher runs in Algeria and South Africa, and some improvement in Nigerian throughputs. South African runs averaged 480 kb/d in July, 150 kb/d higher than the previous 12-month average. Due to a major power cut, Engen Petroleum had to shut its 125 kb/d refinery for about a week in October. Furthermore, South African historical data have been revised lower by 50-60 kb/d back to 2004 due to an update of conversion factors for that country.

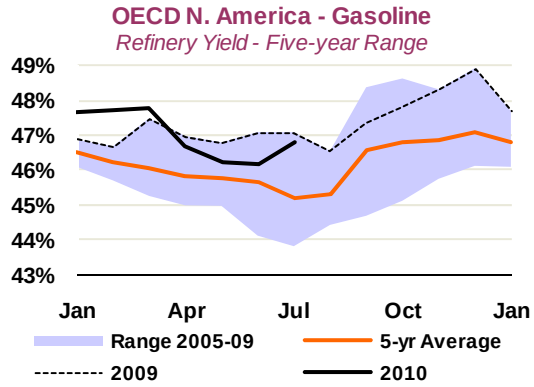
OECD Refinery Yields

July OECD refinery yields increased for gasoline, jet fuel and other kerosene and fell for all other products. OECD gross output continued its upward trend, although flattened compared with the increase seen for June. Output for July edged close to the five-year average.

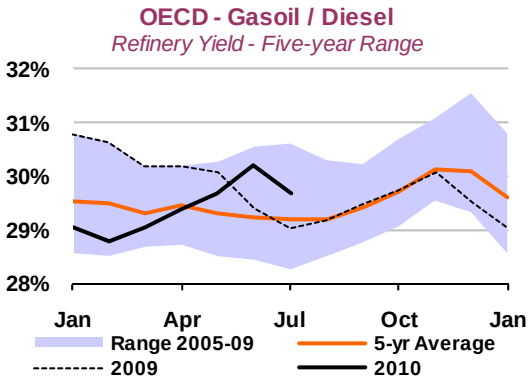
OECD gasoline yields increased by 0.44 percentage points (pp) compared to June, and stand just 0.05 pp below last year's level. The largest increase was in North America, where gasoline yields went up by 0.6 pp, in line with seasonally rising demand. The gross refinery output of gasoline in North America was very high in July as well, due to utilisation rates above 90% at US refineries. Refinery gross output of

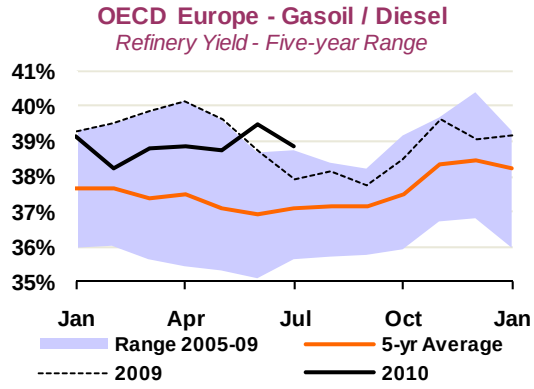
gasoline increased by 340 kb/d from June, and was 580 kb/d higher than last year. In the OECD Pacific, gasoline yields increased by 0.36 pp as demand was high amid exports to non-OECD countries in the region. European yields increased only marginally (0.14 pp), reflecting weak demand and already high stock levels.



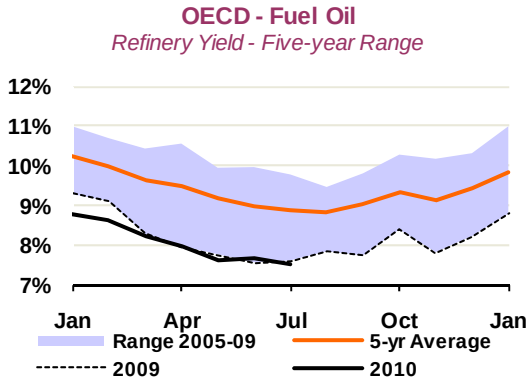


The OECD gasoil yield dipped by 0.53 pp in July, the largest contributor being Europe, where gasoil yields decreased by 0.64 pp. As a result of run cuts, European gross output of gasoil also fell. The decrease has to be seen in relation to an oversupplied market and weaker middle distillates prices. However, in the Pacific region the gasoil/diesel yields increased by 0.29 pp.





OECD fuel oil yields decreased by 0.16 pp in July. The regional fuel oil yields were all in line with last year's levels, and European and Pacific fuel oil yields decreased by 0.41 pp and 0.28 pp respectively. North American fuel oil yields were generally flat from the previous month with an increase of 0.04 pp. The OECD refinery gross output of fuel oil was however above last year's levels, lifted by an increase in the North American refinery gross output as runs were very high in July.



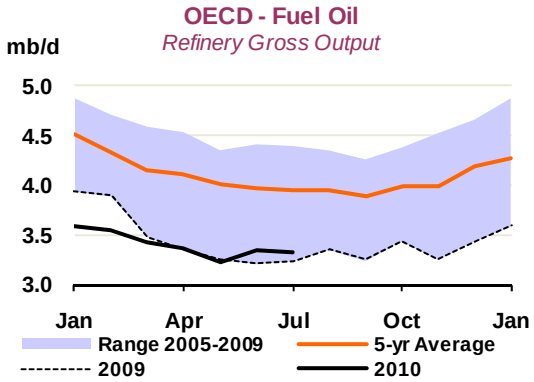


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.0	23.7	23.8	23.6	23.6	23.9	23.7	23.7
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.6	14.4	14.3	14.1	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.4	7.8	7.7	8.1	7.2	7.2	7.7	7.5
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.0	45.9	45.8	45.8	44.8	45.5	45.7	45.5
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.3	4.2	4.2	4.3	4.2	4.5	4.3	4.3
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	9.1	9.1	9.4	9.7	9.5	9.5	9.5
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.2	10.4	10.1	10.4	10.3	10.5	10.7	10.4	10.8	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.1	6.3	6.4	6.4	6.3	6.3	6.5	6.6	6.6	6.5
Middle East	6.5	6.8	6.6	7.1	7.6	6.9	7.0	7.0	7.4	7.8	7.2	7.3	7.3	7.7	8.1	7.5	7.7
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Total Non-OECD	37.2	38.4	37.8	39.5	40.2	39.8	39.3	40.3	41.5	41.6	41.3	41.2	41.8	43.0	43.1	42.8	42.7
Total Demand[1]	86.5	85.9	84.2	84.0	85.2	85.7	84.8	86.2	86.8	87.6	87.2	86.9	87.6	87.9	88.7	88.5	88.2
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.0	13.7	13.9	14.0	13.7	13.7	13.8	13.8
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.9	4.2	4.2	4.2	4.0	3.9	4.1	4.0
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.5	18.6	18.8	18.8	18.3	18.2	18.5	18.5
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.6	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.9	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.3	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.5	28.7	28.9	29.2	29.4	29.0	29.6	29.8	29.8	30.1	29.8	30.4	30.3	30.3	30.5	30.4
Processing Gains[3]	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.0	1.9	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.9	50.9	51.1	51.4	51.8	52.3	51.7	52.3	52.7	52.6	52.8	52.6	53.0	52.9	53.2	53.4	53.1
Non-OPEC: Historical Composition[2]	50.4	49.9	51.1	51.4	51.8	52.3	51.7	52.3	52.7	52.6	52.8	52.6	53.0	52.9	53.2	53.4	53.1
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0	29.2							
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.7	5.0	5.0	5.2	5.4	5.2	5.7	5.8	5.8	5.9	5.8
Total OPEC[2]	34.6	35.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.5							
OPEC: Historical Composition[2]	35.1	36.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.5							
Total Supply[6]	85.5	86.5	84.3	84.5	85.3	86.1	85.1	86.3	86.8	87.0							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.1	0.9								
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0								
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9								
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.4								
Miscellaneous to balance[7]	-0.8	0.2	-1.3	0.1	-0.1	1.1	-0.1	0.2	-1.3								
Total Stock Ch. & Misc	-1.0	0.6	0.1	0.5	0.1	0.3	0.3	0.1	0.0	-0.6							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.3	30.7	28.5	28.0	28.6	28.6	28.5	28.9	29.0	29.8	29.0	29.2	28.9	29.2	29.7	29.2	29.3
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.7	28.4	29.1	27.7	29.8	29.0	28.9	28.9	29.2	29.7	29.2	29.2

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	-0.1	-	0.3	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.2	-	0.1	-	-	0.1	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.6	0.1	0.2	-0.1	-	0.4	0.1	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Other Asia	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.2	0.1	0.2	0.3	0.1	0.2
Total Demand	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8	0.2	0.3	-	0.2	0.6	0.2	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	0.4	0.1	0.1	0.2	0.1	0.2	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.2	-	-	0.1	0.1	0.2	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-0.3	0.1	0.1	0.1	-	-0.4	0.1	0.2	0.1	-	-0.4	-	0.4	0.1	-
Total Non-OPEC	-	-	-0.3	0.1	0.1	0.1	-	-0.4	0.1	0.3	-	-	-0.3	0.1	0.6	0.3	0.2
Non-OPEC: historical composition	-	-	-0.3	0.1	0.1	0.1	-	-0.4	0.1	0.3	-	-	-0.3	0.1	0.6	0.3	0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-								
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-								
OPEC: historical composition	-	-	-	-	-	-	-	-	-								
Total Supply	-	-	-0.3	0.1	0.1	0.1	-	-0.4	0.1								
STOCK CHANGES AND MISCELLANEOUS REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-								
Miscellaneous to balance	-	-	-0.4	-	0.1	-	-0.1	-0.5	-								
Total Stock Ch. & Misc	-	-	-0.4	-	0.1	-	-0.1	-0.5	-								
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	0.4	-	-0.1	-	0.1	0.5	-	0.5	0.2	0.3	0.3	0.1	0.1	-0.1	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	0.5	0.1	0.2	0.3	0.1	-	-0.1	0.1

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.79	23.96	23.71	23.76	23.56	23.63	23.94	23.68	23.71
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.13	14.60	14.41	14.33	14.14	14.00	14.42	14.34	14.23
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.30	7.40	7.81	7.67	8.08	7.19	7.18	7.71	7.54
Total OECD	47.58	46.44	44.48	44.99	45.89	45.45	45.94	45.22	45.97	45.93	45.76	45.79	44.82	45.55	45.73	45.47
Asia	17.37	17.45	18.57	18.54	18.92	18.37	19.18	19.77	19.21	19.57	19.43	19.89	20.41	19.89	20.28	20.12
Middle East	6.83	6.59	7.10	7.56	6.92	7.04	6.96	7.37	7.81	7.16	7.33	7.27	7.74	8.13	7.49	7.66
Latin America	6.00	5.79	5.98	6.09	6.13	6.00	6.05	6.29	6.39	6.38	6.28	6.28	6.52	6.62	6.61	6.51
FSU	4.23	3.98	3.87	4.11	4.03	4.00	4.19	4.13	4.35	4.22	4.22	4.31	4.23	4.47	4.33	4.34
Africa	3.19	3.25	3.23	3.17	3.13	3.19	3.18	3.28	3.18	3.22	3.22	3.33	3.40	3.28	3.33	3.33
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.70	0.71	0.70	0.72	0.73	0.72	0.72	0.72
Total Non-OECD	38.37	37.81	39.50	40.20	39.85	39.35	40.26	41.55	41.64	41.26	41.18	41.80	43.03	43.13	42.76	42.68
World	85.95	84.25	83.98	85.19	85.74	84.79	86.20	86.76	87.60	87.19	86.94	87.59	87.86	88.68	88.49	88.16
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.26	18.99	19.07	18.87	18.99	19.23	18.93	19.00
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	8.91	8.76	8.78	8.76	8.55	8.74	8.69	8.69
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.16	9.13	9.15	9.37	9.74	9.51	9.51	9.53
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.03	4.17	4.40	4.35	4.66	3.90	3.97	4.29	4.20
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.16	3.41	3.35	3.53	3.54	3.25	3.53	3.46
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.15	2.98	3.01	3.02	2.99	3.24	3.06	3.08
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.75	2.81	2.71	2.72	2.82	2.87	2.93	2.84
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.03	2.49	2.66	2.49	2.92	3.14	2.64	2.80
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.24	2.30	2.24	2.24	2.21	2.18	2.28	2.23	2.22
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.11	2.25	2.21	2.31	2.18	2.07	2.25	2.20
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.18	2.15	2.17	2.19	2.14	2.21	2.18
Iran	1.77	1.68	1.64	1.63	1.66	1.65	1.64	1.63	1.64	1.66	1.64	1.73	1.69	1.71	1.70	1.71
Total	60.65	59.32	58.89	59.81	60.52	59.64	61.00	61.22	61.76	61.30	61.32	61.84	61.68	62.16	61.97	61.91
% of World	70.6%	70.4%	70.1%	70.2%	70.6%	70.3%	70.8%	70.6%	70.5%	70.3%	70.5%	70.6%	70.2%	70.1%	70.0%	70.2%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.7	3.0	0.7	2.0	-0.1	-0.6	-0.1	-0.1	-0.2
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.8	-1.0	0.9	0.4	-1.1	-0.2	-0.9	-1.2	-0.5	-0.7
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.4	2.2	-2.2	0.2	-1.3	-1.5	-3.0	-1.3	-1.7
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.7	2.2	0.1	0.7	-0.3	-0.9	-0.9	-0.4	-0.6
Asia	1.8	-0.8	4.9	6.7	12.5	5.8	9.9	6.5	3.6	3.4	5.8	3.7	3.3	3.5	3.6	3.5
Middle East	5.4	1.6	3.3	3.8	3.9	3.2	5.7	3.8	3.3	3.4	4.0	4.4	5.1	4.1	4.6	4.6
Latin America	5.6	-0.1	-1.1	-0.7	2.1	0.1	4.4	5.1	4.9	4.2	4.7	3.8	3.8	3.6	3.5	3.7
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.2	7.0	5.8	4.5	5.6	3.0	2.2	3.0	2.8	2.8
Africa	3.9	1.5	0.9	0.8	-2.9	0.0	-2.2	1.7	0.2	3.0	0.7	4.6	3.5	3.3	3.2	3.7
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-6.4	-6.4	-4.4	-0.9	-4.6	2.6	3.2	2.5	2.0	2.6
Total Non-OECD	3.2	-0.6	2.0	2.9	5.8	2.5	6.5	5.2	3.6	3.5	4.7	3.8	3.6	3.6	3.6	3.7
World	-0.7	-3.2	-2.5	-0.6	1.0	-1.3	2.3	3.3	2.8	1.7	2.5	1.6	1.3	1.2	1.5	1.4
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.84	0.69	0.16	0.46	-0.02	-0.15	-0.02	-0.03	-0.06
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.72	-0.14	0.13	0.05	-0.16	-0.03	-0.13	-0.17	-0.07	-0.10
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.03	0.16	-0.18	0.02	-0.11	-0.11	-0.22	-0.10	-0.13
Total OECD	-1.77	-2.56	-2.91	-1.68	-1.38	-2.13	-0.50	0.74	0.98	0.04	0.32	-0.15	-0.39	-0.42	-0.20	-0.29
Asia	0.31	-0.13	0.86	1.16	2.10	1.01	1.73	1.20	0.67	0.65	1.06	0.71	0.64	0.68	0.71	0.69
Middle East	0.35	0.10	0.22	0.28	0.26	0.22	0.38	0.27	0.25	0.24	0.28	0.31	0.38	0.32	0.33	0.33
Latin America	0.32	0.00	-0.07	-0.04	0.13	0.00	0.26	0.30	0.30	0.25	0.28	0.23	0.24	0.23	0.23	0.23
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.24	0.18	0.22	0.13	0.09	0.13	0.12	0.12
Africa	0.12	0.05	0.03	0.03	-0.09	0.00	-0.07	0.05	0.01	0.09	0.02	0.15	0.12	0.10	0.10	0.12
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.03	-0.01	-0.03	0.02	0.02	0.02	0.01	0.02
Total Non-OECD	1.20	-0.23	0.76	1.15	2.18	0.97	2.45	2.05	1.44	1.41	1.83	1.54	1.49	1.49	1.50	1.50
World	-0.56	-2.78	-2.15	-0.53	0.81	-1.16	1.95	2.78	2.41	1.45	2.15	1.39	1.09	1.07	1.30	1.21
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.02	0.30	0.06	0.09	-0.10	0.03	0.27	0.10	0.08
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.09	0.01	0.02	0.00	-0.01	0.00	0.00	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.21	0.00	0.05	-0.01	-0.01	0.11	-0.02	0.02
Total OECD	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.59	0.07	0.17	-0.10	0.01	0.38	0.09	0.10
Asia	-0.02	0.06	0.06	0.06	0.06	0.06	0.10	0.10	0.12	0.12	0.11	0.07	0.13	0.09	0.08	0.09
Middle East	0.00	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	0.00	0.00	-0.02	-0.01	0.00	0.00	-0.01	-0.03	-0.01
Latin America	0.00	0.01	0.01	0.01	0.01	0.01	0.04	0.05	0.07	0.06	0.05	0.06	0.07	0.09	0.07	0.07
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.11	0.02	0.04	0.02	0.02	0.13	0.03	0.05
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.04	-0.01	-0.02	0.01	-0.02	-0.05	-0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.03	-0.03	-0.01	-0.02	-0.01	-0.02	-0.02	-0.01	-0.02
Total Non-OECD	-0.02	0.06	0.06	0.06	0.06	0.06	0.13	0.11	0.25	0.12	0.15	0.11	0.21	0.25	0.10	0.17
World	-0.02	0.06	0.06	0.06	0.05	0.06	0.13	0.12	0.85	0.18	0.32	0.01	0.22	0.64	0.19	0.27
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.02	0.19	0.13	-0.03	0.01	0.08	0.06	0.06	0.79	0.13	0.26	-0.12	0.10	-0.21	0.00	-0.06

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	May 10	Jun 10	Jul 10 [2]	Latest month vs. Jun 10	Latest month vs. Jul 09
North America											
LPG&Ethane	2.70	2.79	2.61	3.17	3.18	2.53	2.52	2.56	2.69	0.13	0.15
Naphtha	0.36	0.33	0.33	0.32	0.40	0.42	0.39	0.42	0.44	0.02	0.09
Motor Gasoline	10.54	10.56	10.75	10.52	10.22	10.81	10.82	10.92	10.97	0.05	0.10
Jet/Kerosene	1.77	1.62	1.67	1.57	1.62	1.67	1.65	1.75	1.68	-0.07	-0.05
Gasoil/Diesel Oil	5.00	4.61	4.42	4.72	4.80	4.72	4.68	4.78	4.57	-0.21	0.22
Residual Fuel Oil	1.07	0.93	0.84	0.93	0.99	0.96	0.95	0.96	0.99	0.03	0.25
Other Products	2.73	2.46	2.67	2.31	2.36	2.68	2.61	2.78	2.73	-0.04	0.10
Total	24.18	23.30	23.28	23.55	23.58	23.79	23.62	24.17	24.07	-0.10	0.86
Europe											
LPG&Ethane	1.02	0.92	0.88	0.89	0.98	0.94	0.92	0.89	0.85	-0.04	-0.07
Naphtha	1.16	1.11	1.09	1.15	1.27	1.15	1.15	1.16	1.23	0.07	0.15
Motor Gasoline	2.36	2.29	2.39	2.20	2.06	2.27	2.22	2.31	2.38	0.08	-0.09
Jet/Kerosene	1.32	1.27	1.35	1.24	1.20	1.24	1.28	1.32	1.39	0.08	0.06
Gasoil/Diesel Oil	6.27	6.02	5.78	6.09	6.12	5.87	5.70	6.04	6.10	0.07	0.21
Residual Fuel Oil	1.66	1.43	1.37	1.40	1.33	1.21	1.15	1.23	1.29	0.06	-0.09
Other Products	1.57	1.45	1.60	1.38	1.21	1.44	1.36	1.60	1.57	-0.03	-0.06
Total	15.36	14.49	14.47	14.35	14.17	14.13	13.77	14.54	14.81	0.27	0.12
Pacific											
LPG&Ethane	0.88	0.86	0.85	0.87	0.90	0.83	0.85	0.79	0.72	-0.07	-0.17
Naphtha	1.60	1.63	1.62	1.71	1.76	1.60	1.56	1.62	1.58	-0.04	0.03
Motor Gasoline	1.53	1.55	1.60	1.57	1.52	1.52	1.49	1.51	1.65	0.14	0.08
Jet/Kerosene	0.89	0.85	0.60	0.99	1.15	0.71	0.63	0.64	0.61	-0.02	0.07
Gasoil/Diesel Oil	1.69	1.60	1.50	1.68	1.64	1.55	1.46	1.56	1.56	0.00	0.10
Residual Fuel Oil	0.91	0.75	0.65	0.71	0.77	0.67	0.67	0.66	0.74	0.08	0.03
Other Products	0.54	0.42	0.44	0.45	0.45	0.41	0.41	0.42	0.47	0.05	0.07
Total	8.04	7.66	7.25	7.99	8.19	7.30	7.06	7.20	7.33	0.14	0.21
OECD											
LPG&Ethane	4.60	4.58	4.33	4.93	5.05	4.30	4.29	4.24	4.26	0.02	-0.09
Naphtha	3.12	3.06	3.04	3.18	3.43	3.16	3.10	3.21	3.25	0.04	0.27
Motor Gasoline	14.43	14.39	14.74	14.30	13.79	14.60	14.53	14.74	15.00	0.26	0.10
Jet/Kerosene	3.98	3.73	3.62	3.80	3.98	3.62	3.55	3.71	3.69	-0.02	0.08
Gasoil/Diesel Oil	12.95	12.23	11.69	12.49	12.57	12.14	11.83	12.38	12.23	-0.15	0.53
Residual Fuel Oil	3.64	3.12	2.86	3.04	3.10	2.85	2.77	2.85	3.02	0.17	0.20
Other Products	4.85	4.33	4.71	4.14	4.02	4.54	4.38	4.79	4.77	-0.02	0.11
Total	47.58	45.45	44.99	45.89	45.94	45.22	44.45	45.91	46.22	0.31	1.20

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	May 10	Jun 10	Jul 10 [2]	Latest month vs. Jun 10	Latest month vs. Jul 09
United States[3]											
LPG	1.95	2.05	1.90	2.41	2.39	1.80	1.80	1.83	1.95	0.12	0.14
Naphtha	0.25	0.25	0.26	0.25	0.27	0.28	0.27	0.29	0.31	0.02	0.04
Motor Gasoline	8.99	9.00	9.16	8.94	8.68	9.22	9.23	9.30	9.36	0.06	0.10
Jet/Kerosene	1.55	1.41	1.46	1.39	1.42	1.46	1.44	1.53	1.48	-0.05	-0.03
Gasoil	3.95	3.63	3.46	3.70	3.79	3.70	3.64	3.76	3.56	-0.19	0.17
Residual Fuel Oil	0.62	0.51	0.38	0.51	0.58	0.53	0.51	0.52	0.58	0.06	0.26
Other Products	2.19	1.92	2.12	1.73	1.80	2.11	2.03	2.18	2.12	-0.06	0.05
Total	19.50	18.77	18.72	18.93	18.93	19.10	18.92	19.40	19.36	-0.04	0.73
Japan											
LPG	0.53	0.49	0.47	0.51	0.53	0.46	0.47	0.44	0.40	-0.04	-0.09
Naphtha	0.75	0.73	0.75	0.80	0.84	0.71	0.70	0.69	0.70	0.01	0.01
Motor Gasoline	0.98	0.99	1.03	1.00	0.96	0.97	0.94	0.96	1.07	0.11	0.08
Jet/Kerosene	0.59	0.55	0.34	0.64	0.81	0.43	0.35	0.36	0.34	-0.02	0.04
Diesel	0.48	0.40	0.39	0.43	0.38	0.35	0.31	0.36	0.38	0.02	0.00
Other Gasoil	0.44	0.44	0.38	0.46	0.53	0.42	0.38	0.42	0.41	-0.01	0.04
Residual Fuel Oil	0.54	0.40	0.37	0.38	0.39	0.36	0.36	0.36	0.42	0.06	0.00
Other Products	0.49	0.37	0.39	0.38	0.34	0.31	0.31	0.33	0.40	0.07	0.04
Total	4.79	4.37	4.11	4.60	4.79	4.03	3.84	3.92	4.12	0.20	0.12
Germany											
LPG	0.09	0.09	0.09	0.09	0.10	0.10	0.09	0.10	0.10	0.00	0.00
Naphtha	0.38	0.37	0.38	0.38	0.43	0.37	0.36	0.41	0.42	0.01	0.05
Motor Gasoline	0.48	0.47	0.49	0.47	0.42	0.48	0.48	0.48	0.49	0.01	0.01
Jet/Kerosene	0.19	0.19	0.20	0.19	0.17	0.19	0.20	0.21	0.21	0.00	0.01
Diesel	0.65	0.64	0.69	0.66	0.60	0.68	0.66	0.70	0.71	0.01	0.03
Other Gasoil	0.48	0.41	0.29	0.36	0.46	0.33	0.35	0.37	0.37	0.00	0.08
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.14	0.13	0.13	0.13	0.15	0.01	0.00
Other Products	0.14	0.11	0.13	0.11	0.05	0.11	0.09	0.12	0.13	0.01	0.00
Total	2.57	2.44	2.41	2.39	2.38	2.39	2.36	2.52	2.58	0.06	0.17
Italy											
LPG	0.10	0.10	0.08	0.12	0.14	0.10	0.09	0.10	0.09	-0.01	0.01
Naphtha	0.10	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.12	0.00	0.02
Motor Gasoline	0.26	0.25	0.26	0.24	0.22	0.24	0.23	0.25	0.26	0.01	-0.01
Jet/Kerosene	0.09	0.09	0.11	0.09	0.09	0.11	0.11	0.11	0.12	0.01	0.01
Diesel	0.51	0.49	0.50	0.50	0.47	0.50	0.49	0.52	0.55	0.03	0.00
Other Gasoil	0.13	0.13	0.11	0.16	0.13	0.10	0.10	0.10	0.11	0.01	0.01
Residual Fuel Oil	0.25	0.21	0.21	0.19	0.15	0.14	0.12	0.15	0.16	0.01	-0.08
Other Products	0.19	0.16	0.19	0.14	0.13	0.16	0.15	0.18	0.20	0.02	-0.01
Total	1.63	1.53	1.55	1.54	1.45	1.47	1.41	1.54	1.62	0.08	-0.06
France											
LPG	0.13	0.09	0.06	0.09	0.14	0.09	0.08	0.09	0.08	-0.01	0.02
Naphtha	0.17	0.14	0.15	0.14	0.15	0.15	0.15	0.14	0.13	0.00	-0.04
Motor Gasoline	0.21	0.20	0.21	0.19	0.17	0.20	0.19	0.20	0.21	0.01	-0.02
Jet/Kerosene	0.16	0.15	0.16	0.14	0.14	0.15	0.16	0.16	0.17	0.01	0.01
Diesel	0.66	0.66	0.68	0.68	0.64	0.69	0.65	0.72	0.73	0.01	0.00
Other Gasoil	0.33	0.31	0.24	0.33	0.35	0.21	0.19	0.20	0.22	0.02	0.02
Residual Fuel Oil	0.10	0.10	0.09	0.10	0.11	0.09	0.08	0.09	0.08	-0.01	-0.01
Other Products	0.19	0.18	0.18	0.15	0.16	0.19	0.18	0.22	0.19	-0.03	-0.01
Total	1.95	1.83	1.77	1.82	1.85	1.77	1.68	1.82	1.81	-0.01	-0.03
United Kingdom											
LPG	0.17	0.16	0.14	0.14	0.13	0.15	0.15	0.14	0.11	-0.02	-0.06
Naphtha	0.02	0.02	0.02	0.03	0.03	0.02	0.03	0.01	0.02	0.01	0.01
Motor Gasoline	0.39	0.37	0.37	0.35	0.35	0.36	0.35	0.35	0.35	-0.01	-0.03
Jet/Kerosene	0.34	0.34	0.34	0.34	0.35	0.30	0.31	0.31	0.32	0.02	0.01
Diesel	0.44	0.45	0.45	0.44	0.47	0.46	0.46	0.48	0.47	-0.01	0.02
Other Gasoil	0.14	0.10	0.11	0.09	0.11	0.10	0.09	0.11	0.13	0.03	0.03
Residual Fuel Oil	0.09	0.07	0.07	0.07	0.06	0.06	0.05	0.04	0.07	0.03	0.00
Other Products	0.15	0.16	0.16	0.15	0.14	0.16	0.16	0.17	0.15	-0.01	0.00
Total	1.73	1.67	1.66	1.61	1.65	1.62	1.61	1.59	1.63	0.03	-0.03
Canada											
LPG	0.34	0.34	0.33	0.34	0.35	0.35	0.35	0.35	0.35	0.00	0.00
Naphtha	0.08	0.05	0.05	0.05	0.08	0.08	0.07	0.09	0.08	-0.01	0.03
Motor Gasoline	0.72	0.73	0.76	0.72	0.70	0.75	0.74	0.76	0.77	0.01	0.01
Jet/Kerosene	0.12	0.12	0.12	0.10	0.11	0.12	0.11	0.13	0.11	-0.02	-0.03
Diesel	0.23	0.23	0.23	0.23	0.23	0.22	0.22	0.24	0.22	-0.02	-0.01
Other Gasoil	0.33	0.28	0.26	0.31	0.32	0.31	0.34	0.28	0.32	0.04	0.06
Residual Fuel Oil	0.11	0.09	0.09	0.09	0.11	0.10	0.10	0.11	0.10	-0.01	0.02
Other Products	0.32	0.30	0.32	0.32	0.30	0.31	0.30	0.32	0.37	0.04	0.05
Total	2.24	2.15	2.16	2.17	2.19	2.24	2.22	2.28	2.31	0.04	0.14

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.
2 Latest official OECD submissions (MOS).
3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	2Q10	3Q10	4Q10	1Q11	2Q11	Jul 10	Aug 10	Sep 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.96	8.08				8.01	8.11	8.11
Iran	3.74			3.75	3.69				3.68	3.70	3.68
Iraq	2.43			2.35	2.41				2.38	2.33	2.52
UAE	2.27			2.30	2.33				2.36	2.32	2.31
Kuwait	2.01			2.03	2.03				2.03	2.04	2.03
Neutral Zone	0.54			0.54	0.54				0.54	0.54	0.54
Qatar	0.80			0.79	0.80				0.80	0.79	0.80
Angola	1.77			1.81	1.72				1.70	1.77	1.68
Nigeria	1.82			1.96	2.15				2.16	2.14	2.15
Libya	1.55			1.56	1.56				1.56	1.56	1.55
Algeria	1.25			1.24	1.26				1.26	1.26	1.25
Ecuador	0.47			0.46	0.46				0.47	0.46	0.45
Venezuela	2.15			2.24	2.23				2.23	2.23	2.22
Total Crude Oil[6]	28.71			28.99	29.24				29.18	29.24	29.29
Total NGLs[1,6]	4.65	5.15	5.79	5.02	5.23	5.36	5.70	5.78	5.23	5.23	5.23
Total OPEC[6]	33.36			34.01	34.47				34.42	34.48	34.52
OPEC: Historical Composition[6]	33.36			34.01	34.47				34.42	34.48	34.52
NON-OPEC[2]											
OECD											
North America	13.62	13.91	13.77	14.05	13.99	13.67	13.95	13.72	14.01	13.93	14.05
United States[5]	7.44	7.65	7.65	7.74	7.79	7.38	7.70	7.79	7.65	7.80	7.93
Mexico	2.97	2.94	2.78	2.96	2.93	2.90	2.86	2.81	2.95	2.93	2.91
Canada	3.22	3.32	3.34	3.34	3.27	3.38	3.40	3.12	3.41	3.20	3.20
Europe	4.52	4.19	4.02	4.18	3.88	4.20	4.21	3.95	3.93	3.74	3.96
UK	1.47	1.37	1.32	1.40	1.21	1.34	1.39	1.31	1.16	1.14	1.32
Norway	2.39	2.20	2.12	2.14	2.06	2.25	2.21	2.05	2.15	2.03	2.01
Others	0.67	0.62	0.59	0.63	0.61	0.61	0.60	0.59	0.62	0.57	0.63
Pacific	0.65	0.65	0.68	0.62	0.66	0.68	0.67	0.66	0.63	0.67	0.68
Australia	0.55	0.55	0.59	0.52	0.56	0.59	0.58	0.57	0.53	0.58	0.58
Others	0.10	0.10	0.09	0.10	0.10	0.10	0.09	0.09	0.10	0.10	0.10
Total OECD	18.80	18.75	18.48	18.84	18.53	18.56	18.84	18.33	18.57	18.34	18.69
NON-OECD											
Former USSR	13.28	13.60	13.79	13.54	13.56	13.83	13.84	13.81	13.64	13.58	13.46
Russia	10.21	10.44	10.51	10.43	10.43	10.52	10.51	10.49	10.46	10.37	10.47
Others	3.07	3.16	3.28	3.12	3.13	3.30	3.33	3.32	3.18	3.21	2.99
Asia	7.47	7.72	7.71	7.74	7.73	7.71	7.76	7.68	7.69	7.76	7.74
China	3.87	4.08	4.08	4.10	4.09	4.09	4.11	4.07	4.04	4.10	4.13
Malaysia	0.74	0.71	0.66	0.72	0.68	0.68	0.67	0.66	0.68	0.69	0.67
India	0.80	0.86	0.89	0.84	0.89	0.88	0.88	0.88	0.90	0.88	0.88
Indonesia	0.98	0.99	0.97	1.00	0.98	0.98	0.98	0.97	0.98	0.99	0.98
Others	1.08	1.09	1.11	1.09	1.09	1.08	1.11	1.10	1.11	1.09	1.08
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
Latin America	3.88	4.11	4.43	4.09	4.11	4.21	4.31	4.40	4.09	4.14	4.11
Brazil[5]	2.03	2.15	2.37	2.15	2.14	2.21	2.28	2.35	2.14	2.17	2.12
Argentina	0.72	0.71	0.70	0.71	0.71	0.71	0.71	0.70	0.71	0.71	0.72
Colombia	0.67	0.80	0.92	0.78	0.80	0.83	0.87	0.90	0.79	0.81	0.81
Others	0.45	0.46	0.45	0.45	0.46	0.45	0.46	0.45	0.45	0.46	0.46
Middle East[3]	1.68	1.70	1.72	1.69	1.71	1.71	1.74	1.73	1.71	1.71	1.72
Oman	0.81	0.87	0.93	0.86	0.88	0.89	0.92	0.92	0.88	0.88	0.89
Syria	0.38	0.37	0.35	0.37	0.37	0.36	0.36	0.35	0.37	0.37	0.36
Yemen	0.29	0.28	0.27	0.28	0.28	0.27	0.27	0.27	0.28	0.28	0.27
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.18	0.19	0.19	0.19
Africa	2.60	2.56	2.59	2.55	2.55	2.54	2.57	2.58	2.55	2.56	2.55
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.61	1.57	1.61	1.58	1.56	1.55	1.58	1.60	1.57	1.57	1.56
Total Non-OECD	29.04	29.84	30.39	29.76	29.81	30.14	30.36	30.34	29.84	29.88	29.72
Processing Gains[4]	2.29	2.20	2.23	2.20	2.20	2.20	2.23	2.23	2.20	2.20	2.20
Global Biofuels[5]	1.57	1.82	1.99	1.94	2.03	1.92	1.54	1.97	2.12	2.16	1.79
TOTAL NON-OPEC[6]	51.69	52.60	53.10	52.74	52.57	52.81	52.97	52.87	52.73	52.58	52.40
Non-OPEC: Historical Composition[6]	51.69	52.60	53.10	52.74	52.57	52.81	52.97	52.87	52.73	52.58	52.40
TOTAL SUPPLY	85.06			86.76	87.04				87.14	87.06	86.92

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Apr2010	May2010	Jun2010	Jul2010	Aug2010*	Aug2007	Aug2008	Aug2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	504.8	503.3	511.4	507.7	508.6	453.6	444.2	478.6	-0.19	-0.09	0.36	0.09
Motor Gasoline	252.8	247.3	245.3	251.3	253.4	222.2	221.7	237.0	-0.01	0.11	0.06	-0.15
Middle Distillate	216.7	222.3	231.0	243.8	247.6	207.6	206.2	247.6	0.14	-0.12	-0.26	0.16
Residual Fuel Oil	51.8	53.5	50.8	49.5	48.7	45.6	45.9	41.5	-0.01	0.01	0.05	0.02
Total Products[3]	683.5	698.5	710.7	734.9	751.9	671.3	660.7	738.4	0.17	-0.54	-0.25	0.41
Total[4]	1338.5	1356.7	1376.6	1398.2	1414.5	1285.1	1269.1	1379.8	0.02	-0.88	0.10	0.65
Europe												
Crude	356.2	358.8	342.5	335.1	335.9	325.4	323.8	335.8	-0.14	0.03	-0.02	0.13
Motor Gasoline	95.4	94.3	95.1	94.3	94.3	95.3	103.5	93.9	0.03	0.05	0.02	-0.09
Middle Distillate	279.1	285.7	285.1	285.3	286.3	254.3	278.1	302.4	0.09	-0.03	-0.05	0.03
Residual Fuel Oil	75.3	74.4	77.4	72.6	72.9	73.5	77.4	68.4	-0.05	0.03	0.02	0.04
Total Products[3]	561.8	567.5	567.4	562.9	563.9	532.2	571.8	574.4	0.12	0.04	-0.06	0.00
Total[4]	990.7	997.3	979.1	966.3	969.7	933.4	967.1	981.3	-0.01	0.04	0.00	0.08
Pacific												
Crude	176.4	166.5	166.3	170.5	158.0	170.5	166.8	165.0	-0.05	-0.06	0.05	0.02
Motor Gasoline	26.8	27.4	26.2	24.4	24.3	23.0	24.3	24.2	-0.01	-0.02	0.02	0.01
Middle Distillate	54.5	60.1	57.7	59.1	63.7	81.4	76.0	71.4	0.11	-0.11	-0.05	0.00
Residual Fuel Oil	20.5	21.2	20.9	20.1	20.7	24.3	23.7	21.8	0.03	-0.03	0.02	0.01
Total Products[3]	155.9	166.6	168.1	169.2	177.4	198.5	195.9	182.8	0.22	-0.26	-0.03	0.11
Total[4]	397.9	403.8	405.1	409.2	405.4	443.0	438.1	413.8	0.20	-0.39	0.03	0.21
Total OECD												
Crude	1037.5	1028.5	1020.2	1013.3	1002.5	949.5	934.8	979.4	-0.38	-0.12	0.39	0.24
Motor Gasoline	375.0	369.0	366.5	370.0	372.0	340.4	349.4	355.2	0.01	0.14	0.11	-0.22
Middle Distillate	550.3	568.0	573.8	588.1	597.5	543.3	560.3	621.3	0.34	-0.26	-0.36	0.19
Residual Fuel Oil	147.6	149.1	149.1	142.2	142.3	143.4	147.0	131.6	-0.04	0.00	0.09	0.07
Total Products[3]	1401.2	1432.6	1446.2	1467.0	1493.2	1402.0	1428.4	1495.7	0.51	-0.76	-0.34	0.52
Total[4]	2727.2	2757.8	2760.8	2773.7	2789.6	2661.4	2674.3	2774.9	0.21	-1.23	0.13	0.94

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Apr2010	May2010	Jun2010	Jul2010	Aug2010*	Aug2007	Aug2008	Aug2009	3Q2009	4Q2009	1Q2010	2Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.6	690.4	707.2	724.1	0.01	0.02	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	184.4	185.2	185.4	185.3	185.3	176.7	178.5	186.1	0.00	-0.02	0.04	-0.03
Products	237.7	237.1	237.3	234.7	234.7	245.7	233.7	240.6	0.03	-0.01	-0.01	-0.03
Pacific												
Crude	390.0	390.2	390.9	388.9	388.9	385.0	384.2	388.5	-0.01	0.01	0.00	0.02
Products	20.0	20.0	20.0	20.0	20.0	17.6	19.2	19.2	0.00	0.01	0.00	0.00
Total OECD												
Crude	1301.0	1302.0	1302.9	1300.7	1300.7	1252.1	1270.0	1298.7	0.00	0.00	0.04	0.00
Products	259.7	259.1	259.3	256.7	256.7	265.2	254.9	261.8	0.03	0.00	-0.01	-0.03
Total[4]	1562.1	1562.5	1563.5	1558.8	1558.8	1518.4	1525.8	1562.2	0.03	0.00	0.03	-0.04

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End June 2009		End September 2009		End December 2009		End March 2010		End June 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	197.9	92	194.5	90	192.6	87	191.4	85	188.0	-
Mexico	48.1	23	50.4	23	44.7	21	51.5	24	54.4	-
United States[4]	1846.4	99	1850.3	98	1778.4	95	1781.4	94	1840.7	-
Total[4]	2114.6	91	2117.3	90	2037.7	87	2046.4	86	2105.2	88
Pacific										
Australia	40.5	43	44.9	46	40.3	43	41.5	44	42.7	-
Japan	611.2	149	607.3	132	588.8	123	581.5	144	597.1	-
Korea	149.1	73	167.0	74	155.0	67	163.6	75	167.3	-
New Zealand	8.4	55	7.5	49	8.1	51	8.1	59	8.9	-
Total	809.2	112	826.7	104	792.2	97	794.7	109	816.0	110
Europe[5]										
Austria	19.8	72	20.8	78	21.2	80	22.7	84	20.1	-
Belgium	33.6	56	34.2	52	34.4	53	35.3	69	37.8	-
Czech Republic	22.0	99	21.8	104	21.5	124	21.7	106	20.4	-
Denmark	26.4	161	25.0	153	25.5	154	27.2	171	28.2	-
Finland	26.6	131	29.3	143	33.1	151	32.5	171	28.5	-
France	172.9	98	174.0	96	174.9	94	171.8	97	170.1	-
Germany	280.2	116	276.7	116	284.1	120	287.7	120	281.0	-
Greece	35.9	95	35.5	90	35.1	85	35.6	104	33.9	-
Hungary	15.1	94	14.4	89	14.3	115	16.8	115	17.0	-
Ireland	11.7	76	12.4	71	11.4	66	12.7	74	12.8	-
Italy	129.1	83	129.0	84	125.6	87	129.2	88	132.5	-
Luxembourg	0.8	16	0.8	15	0.8	14	0.8	13	0.7	-
Netherlands	138.4	137	138.1	137	135.7	135	131.0	123	138.8	-
Norway	23.6	114	24.7	128	21.9	112	21.1	93	22.1	-
Poland	62.6	107	64.0	115	63.2	125	62.5	115	63.8	-
Portugal	24.8	92	24.5	92	26.2	99	23.4	85	24.9	-
Slovak Republic	8.4	99	8.3	103	8.3	109	9.5	122	9.3	-
Spain	135.6	93	135.0	94	132.6	91	132.0	93	134.1	-
Sweden	39.5	117	38.5	117	39.5	110	39.3	109	35.4	-
Switzerland	38.0	153	38.2	137	37.0	155	37.8	158	38.1	-
Turkey	58.8	93	57.8	111	57.6	119	58.1	96	58.4	-
United Kingdom	91.7	55	94.2	59	94.4	57	92.4	57	95.4	-
Total	1395.6	97	1397.5	97	1398.2	99	1401.1	99	1403.1	96
Total OECD	4319.4	96	4341.6	95	4228.1	92	4242.2	94	4324.2	94
DAYS OF IEA Net Imports[6]	-	133	-	133	-	144	-	145	-	147

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End June 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
2Q2007	4168	1506	2661	85	31	54
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4297	1547	2750	97	35	62
2Q2009	4319	1561	2758	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4242	1567	2676	94	35	59
2Q2010	4324	1563	2761	94	34	60

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 2Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	May 10	Jun 10	Jul 10	Year Earlier Jul 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.44	0.53	0.71	0.69	0.59	0.64	0.65	0.56	0.08
Europe	0.70	0.70	0.59	0.57	0.61	0.55	0.64	0.58	0.63	0.72	0.66	0.06
Pacific	1.19	1.22	1.28	1.23	1.32	1.25	1.17	1.12	1.08	1.20	1.30	-0.11
Saudi Medium												
North America	0.56	0.64	0.40	0.41	0.34	0.38	0.36	0.35	0.36	0.30	0.44	-0.14
Europe	0.05	0.05	0.02	0.01	0.02	-	0.00	-	-	-	0.02	-
Pacific	0.34	0.39	0.34	0.35	0.33	0.33	0.37	0.34	0.40	0.30	0.39	-0.09
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.04	0.02	0.02
Europe	0.11	0.09	0.02	0.01	0.01	0.00	0.00	-	-	-	0.00	-
Pacific	0.20	0.24	0.15	0.12	0.12	0.23	0.19	0.16	0.19	0.21	0.13	0.08
Iraqi Basrah Light[c]												
North America	0.50	0.60	0.40	0.45	0.40	0.42	0.43	0.40	0.54	0.34	0.32	0.01
Europe	0.30	0.21	0.12	0.19	0.06	0.06	0.09	0.07	0.15	0.13	0.20	-0.07
Pacific	0.17	0.15	0.24	0.24	0.27	0.35	0.19	0.19	0.17	0.19	0.21	-0.02
Iraqi Kirkuk												
North America	-	0.08	0.06	0.11	0.04	0.01	0.03	0.07	-	0.05	0.13	-0.08
Europe	0.11	0.23	0.31	0.34	0.29	0.33	0.27	0.24	0.29	0.27	0.44	-0.17
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.13	0.16	0.20	0.24	0.18	0.27	0.40	0.05	0.35
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.07	0.07	0.06	0.04	0.08	-0.04
Iranian Heavy[c]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.48	0.37	0.35	0.47	0.41	0.63	0.80	0.51	0.28
Pacific	0.64	0.61	0.57	0.57	0.56	0.61	0.44	0.44	0.45	0.63	0.56	0.07
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.33	0.09	0.11	0.21	0.35	0.27	0.13	0.42	-0.29
Europe	0.08	0.06	0.07	0.04	0.02	0.01	0.02	0.03	0.01	0.03	0.08	-0.05
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.87	0.75	0.89	0.83	0.89	0.73	0.99	0.74	0.25
Europe	0.07	0.07	0.07	0.06	0.08	0.07	0.06	0.08	0.04	0.07	0.06	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.87	0.82	0.82	0.96	1.03	0.87	0.90	0.83	0.07
Europe	0.14	0.14	0.10	0.09	0.12	0.12	0.11	0.12	0.11	0.08	0.10	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.01	0.00	0.03	0.02	0.05	0.01	0.01	0.01	-0.01
Europe	0.02	0.01	0.01	0.02	-	-	0.02	0.02	0.01	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.17	0.06	0.08	0.13	0.11	0.15	-	0.20	-
Europe	1.86	1.81	1.72	1.76	1.80	1.76	1.86	1.77	1.83	1.88	1.86	0.02
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.63	0.67	0.55	0.64	0.60	0.74	0.61	0.64	-0.03
Europe	0.24	0.29	0.32	0.30	0.34	0.26	0.29	0.28	0.26	0.26	0.42	-0.16
Pacific	0.01	-	0.00	-	0.01	-	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.19	0.21	0.24	0.29	0.26	0.29	0.23	0.28	-0.05
Europe	0.07	0.14	0.13	0.12	0.15	0.07	0.09	0.10	0.10	0.11	0.09	0.02
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	May-10	Jun-10	Jul-10	Year Earlier Jul-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7316	6717	7057	7903	7577	8146	7969	7130	12%
Europe	9691	9776	8910	8850	8676	8562	9157	8482	9769	9616	9087	6%
Pacific	6718	6605	6082	5961	6102	6445	5899	5681	5559	6061	5832	4%
Total OECD	24622	24427	22319	22127	21495	22063	22958	21740	23473	23646	22437	5%
LPG												
North America	28	31	13	9	5	12	7	3	10	7	5	38%
Europe	278	268	249	232	261	286	269	264	231	216	239	-9%
Pacific	557	589	529	566	529	534	600	587	684	473	501	-6%
Total OECD	863	887	792	806	795	832	876	855	925	696	745	-7%
Naphtha												
North America	40	56	22	18	12	23	28	19	36	65	29	124%
Europe	283	298	312	294	388	444	393	325	379	419	273	54%
Pacific	794	776	841	907	896	953	899	940	877	918	927	-1%
Total OECD	1116	1130	1176	1219	1296	1421	1320	1285	1292	1403	1229	14%
Gasoline[3]												
North America	1128	1077	878	843	785	697	838	858	858	1041	950	10%
Europe	179	215	193	231	62	163	196	217	156	228	245	-7%
Pacific	73	90	96	95	99	70	73	80	56	43	85	-50%
Total OECD	1380	1382	1166	1170	946	931	1107	1156	1070	1311	1280	2%
Jet & Kerosene												
North America	183	64	61	67	55	69	59	59	63	75	71	6%
Europe	373	401	451	439	444	439	358	360	356	403	419	-4%
Pacific	43	34	53	37	48	46	37	35	28	34	42	-19%
Total OECD	599	500	566	542	546	553	454	454	447	511	531	-4%
Gasoil/Diesel												
North America	132	74	56	36	44	114	43	30	58	31	17	87%
Europe	783	871	1033	891	1038	1132	885	912	774	953	984	-3%
Pacific	91	119	87	73	114	88	121	125	135	104	94	10%
Total OECD	1005	1064	1177	999	1196	1333	1048	1068	967	1088	1095	-1%
Heavy Fuel Oil												
North America	323	288	270	205	226	277	292	312	200	302	210	44%
Europe	436	458	534	550	544	564	545	512	545	437	522	-16%
Pacific	95	125	113	103	79	136	104	149	59	118	99	19%
Total OECD	854	871	918	858	848	978	941	973	804	856	832	3%
Other Products												
North America	1050	1078	870	896	756	676	780	812	704	864	923	-6%
Europe	771	734	718	763	696	622	605	646	638	686	803	-15%
Pacific	254	298	325	337	356	330	276	223	327	374	370	1%
Total OECD	2074	2110	1913	1996	1809	1628	1662	1681	1670	1924	2096	-8%
Total Products												
North America	2883	2667	2171	2073	1882	1868	2047	2094	1929	2385	2205	8%
Europe	3102	3245	3491	3400	3432	3650	3252	3237	3080	3342	3484	-4%
Pacific	1906	2032	2045	2117	2121	2157	2110	2140	2167	2064	2119	-3%
Total OECD	7891	7944	7707	7591	7436	7675	7408	7471	7175	7790	7808	0%
Total Oil												
North America	11097	10713	9497	9390	8600	8924	9949	9671	10075	10353	9723	6%
Europe	12793	13022	12401	12250	12109	12211	12408	11719	12848	12958	12571	3%
Pacific	8623	8637	8127	8078	8223	8602	8008	7821	7725	8125	7951	2%
Total OECD	32513	32371	30026	29718	28931	29738	30366	29211	30648	31436	30245	4%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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User's Guide and Glossary to the IEA *Oil Market Report*

For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (©2010 Platts - a division of McGraw-Hill Inc.).

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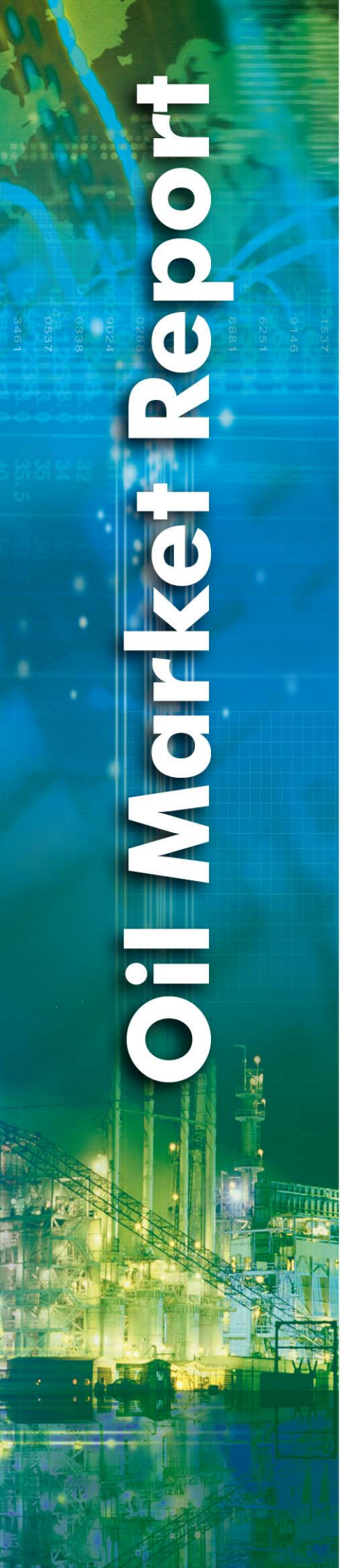
Oil Market Report Contacts



International Energy Agency

12 November 2010

HIGHLIGHTS

- **Oil markets turned markedly stronger in October** on higher-than-expected demand, lower OECD inventories and a weaker dollar. Crude oil futures broke out of the $75-78/bbl range seen in 3Q10 and headed to a loftier $82-83.50/bbl in October. By early November, benchmark crudes hovered near two-year highs, oscillating around $89/bbl.

- **Forecast global oil demand growth for 2010 is revised up by 0.2 mb/d to 2.3 mb/d** on higher-than-expected 3Q10 data in the OECD and slightly stronger readings in the non-OECD. Assuming no recurrence of the weather-induced third-quarter surge, 2011 growth is set to slow to 1.2 mb/d year-on-year, with demand averaging 88.5 mb/d versus 87.3 mb/d in 2010.

- **September OECD industry stocks plummeted by 42.8 mb to 2 750 mb, or 59.9 days**, driven by a sharp draw in European crude oil inventories. Preliminary data point to a modest 1.8 mb build in onshore stocks in October, but oil in floating storage fell.

- **October global oil supply rose by 0.8 mb/d to 87.6 mb/d, largely on higher non-OPEC output.** Seasonal maintenance in the Caspian and Norway ended and the US Gulf avoided storm shut-ins. Non-OPEC 2010 estimates remain at 52.6 mb/d, but 2011 is boosted by 0.3 mb/d to 53.4 mb/d on stronger North American and Chinese supply.

- **OPEC crude oil supply in October is assessed at 29.15 mb/d**, off by a marginal 40 kb/d from the previous month. The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d on higher demand, dipping to 29.4 mb/d in 2011. OPEC NGLs supplies are expected to rise from 5.1 mb/d in 2010 to 5.8 mb/d in 2011.

- **3Q10 global refinery throughputs averaged 75.7 mb/d**, up by 2.2 mb/d versus 3Q09. In October, peak maintenance, poor margins and industrial action in France curbed OECD crude runs to 34.6 mb/d, the lowest since 1993 and 2.4 mb/d below September. 4Q10 global runs are projected at 73.9 mb/d, with an expected OECD rebound in November and stronger runs in China.

www.oilmarketreport.org

12 November 2010

OMR PUBLISHING SCHEDULE – 2011

Please find below the 2011 release dates for the ***Oil Market Report***:

Tuesday 18 January
Thursday 10 February
Tuesday 15 March
Tuesday 12 April
Thursday 12 May
Thursday 16 June*
Wednesday 13 July
Wednesday 10 August
Tuesday 13 September
Wednesday 12 October
Thursday 10 November
Tuesday 13 December

This information is also available at: **oilmarketreport.org/schedule** and **omrpublic.iea.org/schedule**.

The 2011 Edition of ***Medium-Term Oil & Gas Markets (MTOGM) will be released on the same date as the ***OMR*** of 16 June 2011. The ***OMR*** of this date will comprise the usual data and projections through end-2011, but with heavily abridged text.

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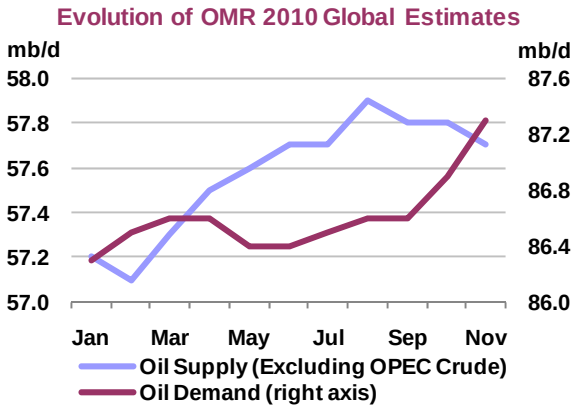
THE ONLY WAY IS UP?

Physical market developments through October have stoked expectations of inexorably higher prices, even though the framework of market fundamentals for next year, to us, still looks fairly comfortable. October saw blockades in France, which may have dented European product supplies by around 1 mb/d. OECD 3Q10 demand came in stronger than preliminary data indicated, and expectations for 4Q10 demand in China are also raised. Expected refinery throughputs for late-2010 have been upgraded accordingly. We still expect OECD demand strength to prove partly transient, and surging Chinese diesel demand for power generation to ease early next year. But the market has been spooked by successive quarters this year in which year-on-year growth has accelerated from roughly 2 mb/d to 3 mb/d (even if most acknowledge that growth will likely now slow). As the graph below shows, our own demand estimates for 2010 have been revised higher, albeit partly derived from historical baseline changes. This demand resurgence, not so surprising after the depth of recession seen in 2008/2009, has seen global demand recover to late-2007 levels, and has begun eating into OECD stock overhang in the process.



Market contango has narrowed and prompt prices are testing the upper edge of an $85-$90/bbl range. Some press reports cite producers using the opportunity to make a case for a new, higher 'fair' price range encompassing $90/bbl or higher. A number of macro economists appear remarkably sanguine too about stronger prices and their potential impact on the world economy. Our own view remains that the period of price stability since last autumn, albeit at prices much higher than suggested purely by marginal costs, was probably what the global economy needed in recovery mode. The dangers of a renewed price bubble, borne of perceptions on the timing of 'inevitably' tightening markets, seem clear. As such, and though it remains a subsidiary scenario for now, we retain our lower GDP sensitivity. This points to the possibility of weaker 2011 GDP growth, and thus oil demand, than the base case projections shown here. All things being equal, that outcome would not support sustained high prices in 2011. So 'be careful what you wish for' might be a valuable adage for more bullish market advocates.

Others have pointed to a lock-step relationship between the dollar, risk diversification and crude prices. As we discuss later, however, although recent months have seen a persuasive argument for correlation, strict causality from dollar value to crude prices remains difficult to prove empirically. And plenty of economic voices more qualified than our's see at least the possibility that QE2 could have uneven economic impacts if inflation or new trade barriers were to result. So the conclusion that current monetary policy will inevitably drive oil prices higher on a sustained basis may be premature.

To end on a more positive note (some suggested last month's editorial made us resemble harbingers of gloom), our own supply estimates for 2010 have also ratcheted higher to a similar extent as those for demand. To be sure, risks remain. Upstream costs have bottomed out. *Macondo* still casts a shadow, at least over the lead times for US deepwater supply growth. And uncertainties over the investment environment in locations as widespread as Brazil, Nigeria and Russia may make companies wary of rushing in. But ever since prices recovered through $60/bbl and beyond in mid-2009, there have been plenty of encouraging signs too. News of a government finally being formed in Iraq raises hopes of expansion in the years ahead. Mexico has been remarkably successful in blunting the impact of mature field decline. In the US Gulf of Mexico too, activity is stirring again after a six month hiatus, with tighter permitting and operational standards hopefully resulting in safer, but still economic new supply. Reasons to be cheerful, after all.

DEMAND

Summary

- **Forecast global oil product demand growth for 2010 is revised up by 0.2 mb/d to +2.3 mb/d or +2.8% year-on-year**, mostly on higher-than-expected 3Q10 data in the OECD, as well as slightly stronger readings in the non-OECD. Apart from the recent 2004 peak (+3.0 mb/d), global growth last reached such high levels in the late 1970s (+2.3 mb/d in 1978). Overall, global oil demand is now expected to average 87.3 mb/d in 2010, up by 0.4 mb/d versus our last report, with roughly half of this adjustment (+180 kb/d) related to a baseline revision to LPG/ethane demand in the Middle East. For 2011, we maintain our growth prognosis broadly unchanged at +1.2 mb/d or +1.4% year-on-year, with demand averaging 88.5 mb/d, assuming no recurrence of the weather-induced third-quarter surge in the OECD and non-OECD demand growth slowing in line with slightly weaker macroeconomic assumptions versus 2010.

- **Projected OECD oil demand for 2010 and 2011 is adjusted up by 130 kb/d and 100 kb/d, respectively**, with September readings significantly exceeding preliminary indications. Assuming that the Pacific's sharp weather-related surge was exceptional, that European heating oil deliveries may moderate with German inventories tracking their five-year average, and that North American underlying demand is slightly stronger than previously thought, OECD demand is currently expected to average 45.9 mb/d in 2010 (+440 kb/d or +1.0% year-on-year). Total oil product demand is projected to resume its structural decline in 2011 (-320 kb/d or -0.7% versus the previous year).

Global Oil Demand (2009-2011)

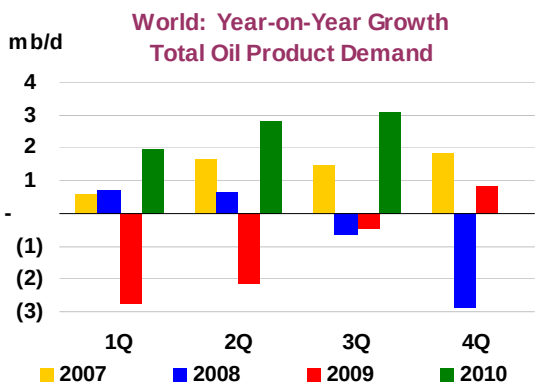
(million barrels per day)

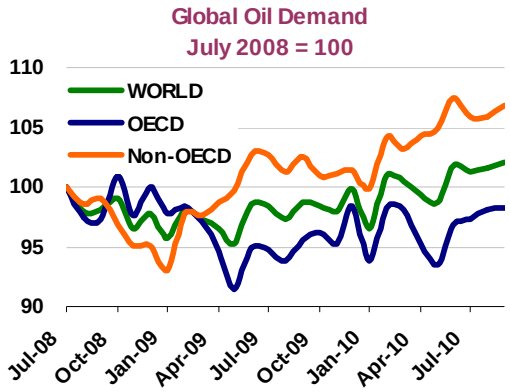
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.5	30.1	30.1	29.9	30.2	30.7	30.4	30.3
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.9	27.5	27.2	28.0	27.6	27.2	28.0	27.7
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.4	15.1	15.1	14.9	14.7	15.2	15.0	14.9
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.3	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
World	**84.4**	**84.2**	**85.4**	**85.9**	**85.0**	**86.4**	**87.0**	**88.5**	**87.5**	**87.3**	**87.9**	**88.1**	**89.3**	**88.7**	**88.5**
Annual Chg (%)	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.6	1.8	2.8	1.8	1.3	0.9	1.5	1.4
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	2.0	2.8	3.1	1.5	2.3	1.5	1.1	0.8	1.3	1.2
Changes from last OMR (mb/d)	0.19	0.19	0.19	0.17	0.18	0.18	0.19	0.85	0.27	0.38	0.32	0.23	0.60	0.26	0.35

- **Estimated non-OECD oil demand for both 2010 and 2011 is raised by 250 kb/d on average**, largely on a reappraisal of baseline LPG/ethane demand in the Middle East (Iran), coupled with slightly stronger-than-anticipated third-quarter data across all regions. In addition, the outlook now assumes stronger gasoil demand in China in 4Q10-1Q11, as manufacturers in coastal areas turn to small gasoil-fired electricity generators amid government-mandated closures of coal-fired plants, ostensibly aiming at complying with the 11th five-year plan's energy intensity targets. Total non-OECD oil product demand is now projected at 41.4 mb/d in 2010 (+1.9 mb/d or +4.7% year-on-year) and 42.9 mb/d in 2011 (+1.5 mb/d or +3.7%).

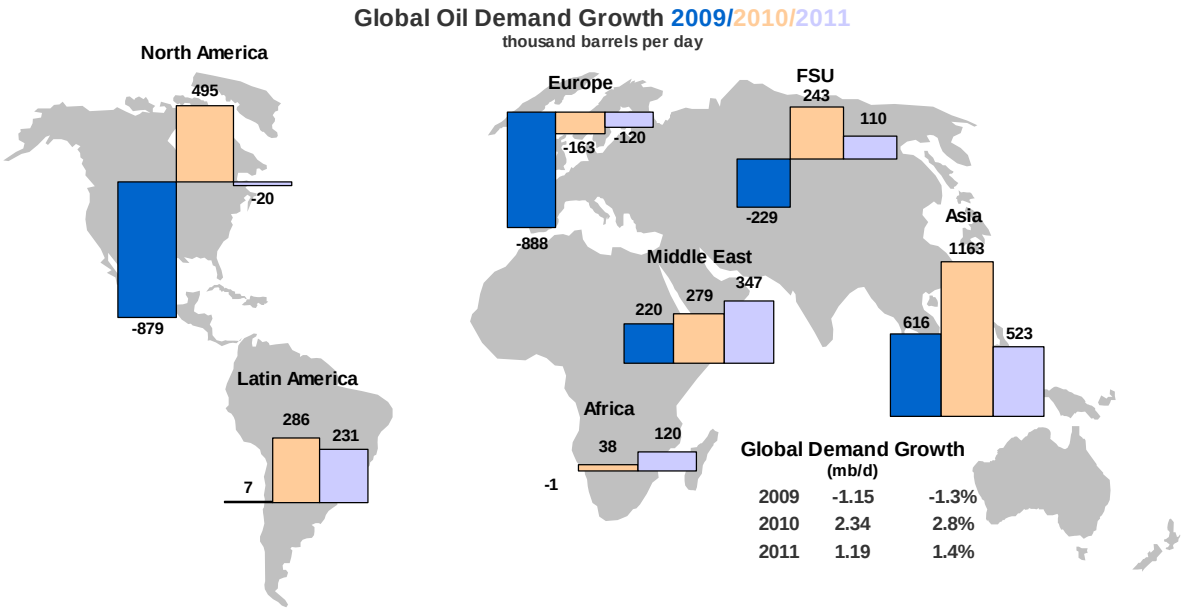
Global Overview

The latest preliminary data suggest that global oil demand rose by 3.1 mb/d year-on-year in 3Q10, showing a continuous acceleration since the beginning of the year (compared with +2.0 mb/d in 1Q10 and +2.8 mb/d in 2Q10). The magnitude of such a rebound, albeit mostly attributable to temporary factors in the OECD that were flagged in last month's report, was nonetheless unexpected, entailing a further upward revision (0.5 mb/d) to the regional outlook in 3Q10. In addition, the non-OECD also featured slightly higher-than-expected readings.





Such exceptional third-quarter strength raises questions regarding the fourth-quarter outlook. Together with most oil market observers, we had assumed that global demand growth would gently subside from 2H10, given a much higher baseline in the same period of the previous year. However, although we still believe growth will slow down (to 1.5 mb/d in 4Q10), there are upside risks to this outlook. In the OECD, conflicting readings in US preliminary weekly data have vastly complicated any pre-emptive adjustment and thus the assessment of the underlying monthly trend. Meanwhile, heating oil consumer restocking in Germany has surged relative to a very low base, and could trend higher than the five-year average in the months ahead. A third risk factor is the weather. After Japan's unprecedented summer heat wave, which led to an extraordinary surge of oil demand for electricity generation, some forecasters reckon that the winter in the northern hemisphere will be extremely cold – yet our outlook is based both on average temperatures and recent trends in efficiency improvements and interfuel substitution (spot natural gas remains much cheaper than oil, although in Japan gas continues to be indexed to oil).



In the non-OECD, the main source of uncertainty is China. The country's annual oil demand growth has clearly moderated (+18.9%, +10.6% and +6.2% in 1Q10, 2Q10 and 3Q10, respectively), but could well accelerate again in 4Q10. The reason is related to the government's last-minute drive to achieve at all costs the energy intensity targets of the 11th five-year plan (a 20% reduction from 2006 to 2010). This has led to shutdowns of coal-fired power plants and heavy industry since the summer, notably in coastal areas – obliging many smaller businesses and factories to rely on small gasoil-fired generators. As such, the shutdowns could herald a replay of 2004, when power shortages due to limited coal-based

generation capacity boosted gasoil use sharply (+300 kb/d year-on-year versus +280 kb/d currently expected in 2010), although in relative terms this year's gasoil rise should less pronounced (+10.5% versus +17.2% in 2004). We are factoring in higher gasoil demand at least until February 2011 (the start of the new Chinese year, after which we assume that these shutdowns will likely cease), but an earlier policy reversal may not be excluded if gasoil shortages, which have emerged since late September, were to worsen significantly over the next few weeks despite higher domestic refinery runs and imports.

Overall, we currently expect that global oil demand growth will top 2.3 mb/d or +2.8% year-on-year in 2010, with the OECD accounting for a respectable +0.4 mb/d. Apart from the recent 2004 peak (+3.0 mb/d), global growth last reached such high levels in the late 1970s (+2.3 mb/d in 1978). This entails a +0.2 mb/d revision versus our last report – although absolute demand has been adjusted by +0.4 mb/d to 87.3 mb/d, with roughly half (+180 kb/d) related to a baseline revision to Middle Eastern LPG/ethane demand, concentrated in Iran. Still, it is worth noting that despite its recent strength, OECD demand remains well below its 2008 levels – global growth has effectively been driven since then by non-OECD countries. For 2011, we maintain our growth prognosis broadly unchanged at 1.2 mb/d year-on-year, assuming no recurrence of the weather-induced third-quarter surge in the OECD, thus implying a resumption of the area's gradual demand decline (-0.3 mb/d) and non-OECD demand growth (+1.5 mb/d) in line with recent trends and current assumptions of slightly lower GDP growth.

OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 2.8% year-on-year in September. The extraordinary summer heat wave in **OECD Pacific** continued to boost residual fuel oil use and direct crude burning for power generation, as well as transportation fuel demand. In **OECD Europe**, sustained consumer heating oil re-stocking provided persistent support to distillate deliveries. In **OECD North America** (which includes US Territories), strong diesel demand readings suggest a stronger-than-anticipated economic rebound.

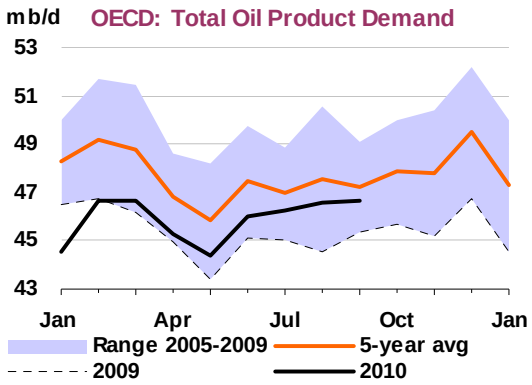
OECD Demand based on Adjusted Preliminary Submissions - September 2010
(million barrels per day)

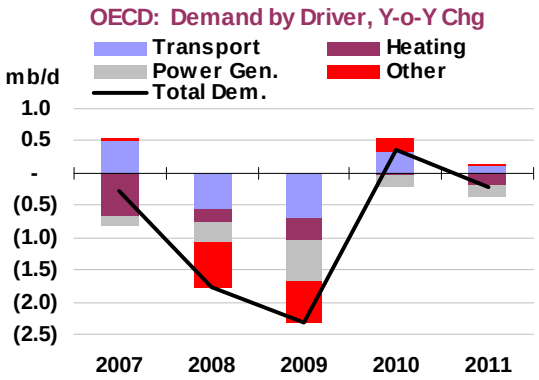
	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.57**	**0.8**	**1.66**	**3.8**	**3.98**	**7.0**	**0.90**	**12.0**	**0.84**	**4.3**	**5.90**	**3.76**	**23.85**	**3.2**
US50	9.00	1.0	1.47	4.3	3.42	7.0	0.43	17.9	0.42	24.3	4.44	1.5	19.18	3.1
Canada	0.75	-1.3	0.11	2.2	0.24	-2.5	0.33	26.8	0.12	29.8	0.75	9.8	2.29	7.0
Mexico	0.77	0.3	0.05	-7.4	0.28	1.2	0.12	1.2	0.23	-24.6	0.67	14.1	2.12	0.5
OECD Europe	**2.30**	**-3.3**	**1.40**	**2.7**	**4.56**	**1.2**	**1.85**	**10.4**	**1.35**	**-5.6**	**3.61**	**-0.6**	**15.06**	**0.6**
Germany	0.49	-2.2	0.20	-0.3	0.73	0.2	0.52	34.4	0.16	16.6	0.59	-3.0	2.68	5.0
United Kingdom	0.35	-3.9	0.36	-0.1	0.45	5.9	0.14	7.9	0.08	1.8	0.29	-6.6	1.67	0.1
France	0.20	-4.6	0.15	-0.1	0.72	2.7	0.34	11.6	0.07	-23.8	0.42	-1.3	1.90	0.9
Italy	0.24	-5.8	0.11	10.9	0.53	-0.8	0.13	-1.4	0.12	-40.1	0.40	11.2	1.53	-3.3
Spain	0.14	-3.0	0.12	0.7	0.49	-1.2	0.15	-9.0	0.20	-4.1	0.33	-1.5	1.42	-2.6
OECD Pacific	**1.61**	**4.4**	**0.70**	**11.6**	**1.06**	**3.7**	**0.50**	**1.6**	**0.80**	**33.3**	**3.08**	**1.6**	**7.74**	**6.0**
Japan	1.04	6.3	0.41	12.3	0.43	12.2	0.39	2.2	0.49	55.4	1.69	-1.7	4.45	7.4
Korea	0.20	10.7	0.15	16.0	0.25	-3.2	0.10	-0.4	0.27	11.3	1.20	7.1	2.17	6.8
Australia	0.32	-0.8	0.12	4.6	0.33	1.4	0.00	0.0	0.03	-18.1	0.16	-1.9	0.96	-0.2
OECD Total	**14.48**	**0.5**	**3.75**	**4.7**	**9.60**	**3.8**	**3.24**	**9.4**	**2.99**	**5.4**	**12.59**	**2.0**	**46.65**	**2.8**

* Including US territories

For the second month in a row, revisions to preliminary submissions were substantial. Demand in August turned out to be 640 kb/d higher, notably in North America (+380 kb/d), with US readings once again exceeding adjusted weekly estimates for all product categories bar LPG. In Europe (+240 kb/d), naphtha and gasoil were much stronger, notably in France and Germany. In the Pacific, by contrast, overall revisions were negligible (+20 kb/d). Total OECD demand thus rose by a hefty 4.4% year-on-year in August, almost 50% faster than implied by preliminary data.

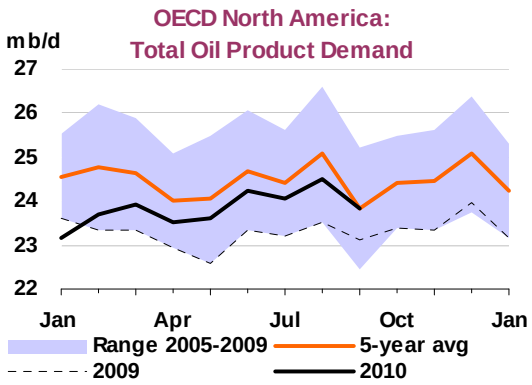
As noted earlier, these unusually strong data have resulted in yet another sizeable revision (+520 kb/d) to 3Q10 estimates. Added to a broadly similar adjustment last month, 3Q10 demand is now about 1.1 mb/d higher than estimated just two months ago, taking most observers aback. However, we have only partly carried through these revisions. We continue to assume that the Pacific's weather-related surge was exceptional and that European heating oil deliveries may moderate with German inventories tracking their five-year average, but we have allowed for a slightly higher underlying demand trend in North America. On this basis, OECD demand is currently expected to average 45.9 mb/d in 2010 (+1.0% or +440 kb/d year-on-year and 130 kb/d higher than previously anticipated), resuming its structural decline in 2011 (-0.7% or -320 kb/d versus the previous year and 100 kb/d higher when compared to our last report).

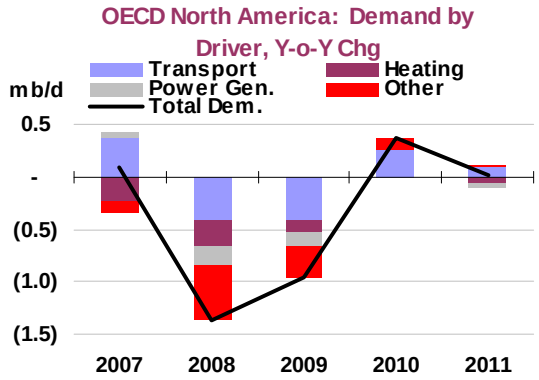




North America

Preliminary data show oil product demand in North America (including US territories) rising by 3.2% year-on-year in September, following a 4.2% increase in August. Growth in September continued to be broad-based, with all categories bar LPG posting gains. Demand has turned out to be higher than anticipated in recent months, anchored by strong readings in transportation fuels, diesel and jet fuel/kerosene and, to a lesser degree, gasoline. Overall, oil demand growth in 3Q10 (+3.7% or +0.9 mb/d year-on-year) has outpaced economic activity, but whether this signals stronger underlying economic fundamentals – as opposed to a mere catch-up from previous, relatively strong quarterly GDP figures – remains uncertain. With slowing October consumption growth, as suggested by US weekly data, we remain cautious regarding the outlook for 4Q10 and 2011.

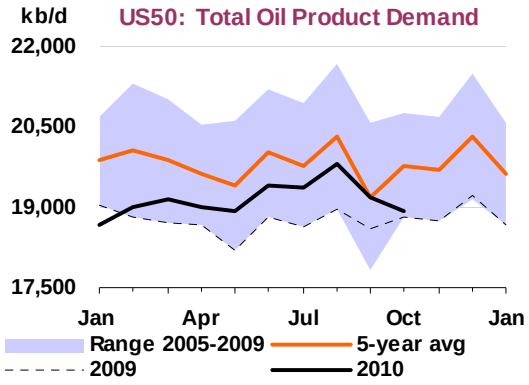


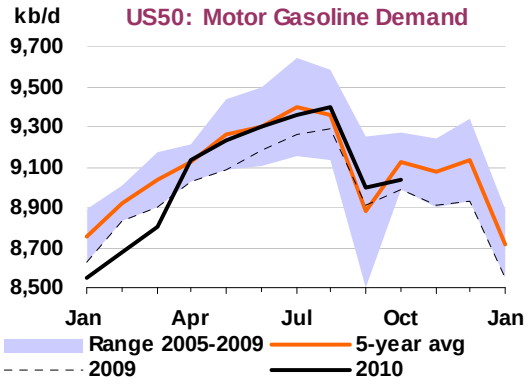


This month's report sees again higher 3Q10 demand, with a +380 kb/d revision to August preliminary data. Diesel (+130 kb/d) accounted for one-third of the adjustment, aided by stronger readings in gasoline and 'other products'. Part of the total revision has fed through to September (+160 kb/d), but on the basis of weaker-than-expected US preliminary data, October demand has been revised downward

by 130 kb/d. North American demand is now estimated at 23.8 mb/d in 2010 (+2.1% or +500 kb/d versus 2009 and 30 kb/d higher than our last report). In 2011, demand is still expected to fall slightly to 23.8 mb/d (-0.1% or -20 kb/d year-on-year and 70 kb/d higher than our last report).

Adjusted preliminary weekly data through 29 October for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 0.6% in October, following a 3.1% year-on-year rise in September. October data featured a sharp year-on-year decline in both LPG and residual fuel oil, stemming partly from warmer weather compared to a relatively cold October 2009 and from propane supply disruptions in the US Northeast.



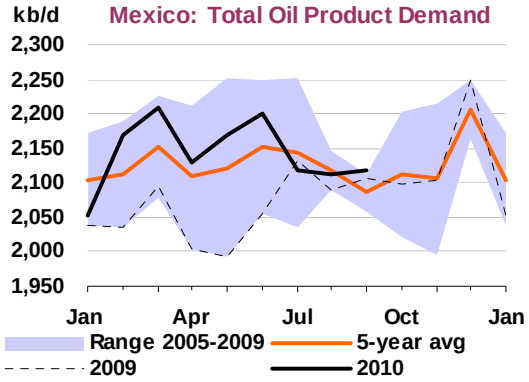


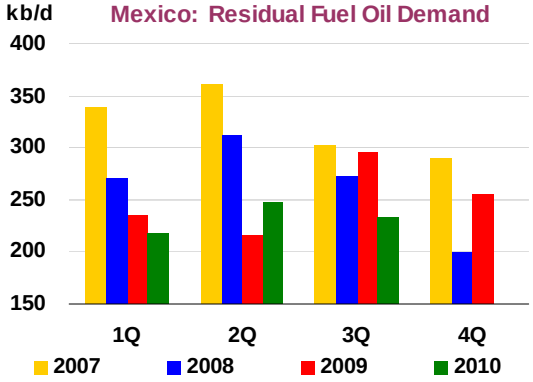
Slowing oil demand growth in October also resulted from moderate transportation fuel readings. Jet fuel/kerosene grew by 0.7% year-on-year, versus an average of +2.9% in the previous six months. Similarly, gasoline demand expanded by 0.6%, compared with +1.2% on average from April to September. However, US weekly data in October included a sharply negative gasoline 'supply adjustment' factor. This adjustment attempts to account for unreported blending of ethanol and other components; a negative factor implies some undercounting. As such, we have foregone our own weekly-to-monthly adjustment to gasoline demand (i.e., the twelve-month rolling average of previous revisions), which would have implied a further downward correction to weekly data. Still, the degree of gasoline strength remains uncertain. MasterCard's report through 5 November show that four-week average gasoline consumption was down by 2.0% versus year-ago levels, as retail prices have risen above the $2.70-$2.80/gallon range that prevailed during much of the summer.

Meanwhile, diesel demand remains buoyant, growing by an estimated 11.1% year-on-year in October after rising by 7.0% in September and 11.4% in August. While the precise split between diesel and heating oil in preliminary data, based on historical patterns, remains tenuous, overall middle distillate demand (+9.4% in October) has benefitted from improved industrial indicators. After falling in August, the American Trucking Association's tonnage index rose by 5.1% month-on-month in September. Similarly, the ISM's purchasing managers index rebounded in October to its highest level since May, while rail freight activity expanded by 11% year-on-year in September and October.

In the longer run, US diesel demand will increasingly depend on structural changes in the country's truck fleet. In late October, the Obama Administration announced proposals for stringent fuel economy standards for new medium and heavy trucks, starting from model year 2014, to be met by 2018. While precise targets will not be finalised until next summer, the standards envisage a 10% fuel consumption reduction for buses, a 15% cutback for heavy-duty diesel vehicles (pickup trucks and vans) and a 20% decline for farm tractors.

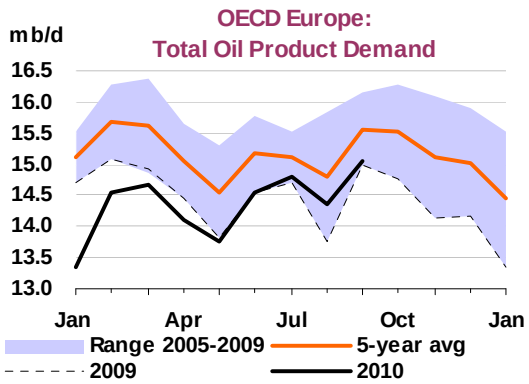
Mexican oil demand growth has slowed down in the past several months, with September consumption rising by only 0.5% year-on-year, versus an average of +4.7% in the previous six months. Weak residual fuel oil readings, relative to a drought-affected September 2009, explain the bulk of the moderation; stripping out residual fuel oil, oil product demand growth in 3Q10 would have been closer to the +4.0% mark. Nonetheless, transportation fuel growth has also dwindled. In September, gasoline grew by 0.3% (versus 2.5% in the previous six months) and jet fuel/kerosene declined by 7.4% (possibly because Mexicana de Aviación, the country's second-largest carrier, went bankrupt and ceased operations), while diesel, which had expanded by 3.9% on average from March to August, rose by only 1.2%.

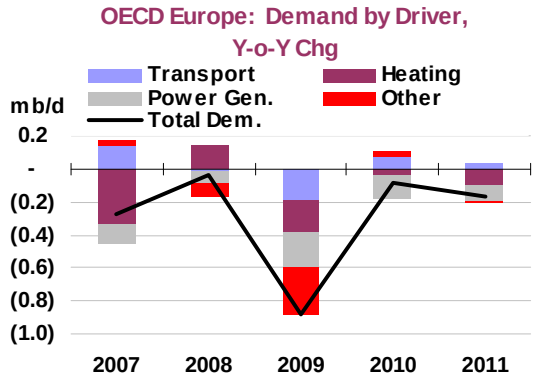




Europe

Preliminary inland data suggest that oil product demand growth in Europe softened to 0.6% year-on-year in September, compared with +4.4% in August. This was largely due to somewhat less buoyant heating oil deliveries (+10.4% versus +33.8% in August) in the region's main user, Germany. Indeed, **German** heating oil demand rose by 'only' 34.4%, after surging by an upwardly revised +125.9% in the previous month. By end September, German consumer stocks stood at 62% of capacity, above August (60%) but broadly in line with the five-year average. Meanwhile, European jet fuel/kerosene demand continued to show some strength, suggesting a sustained rebound in air travel.

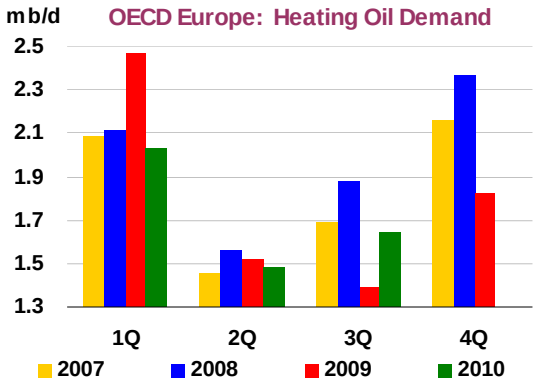


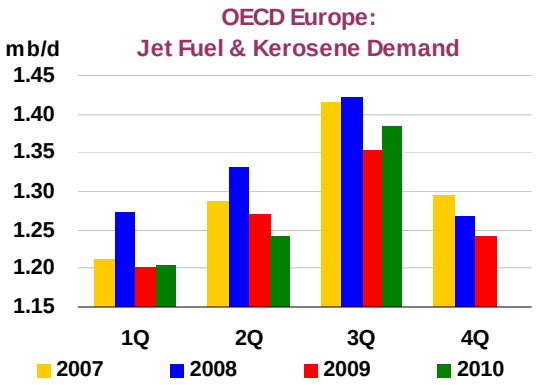


Revisions to August preliminary demand data were large (+240 kb/d), due to stronger-than-expected deliveries of naphtha and heating oil, notably in France and Germany. The naphtha revision, in particular, seems consistent with a rise in industrial production in August (although September readings suggest that such an increase was temporary). Overall, 3Q10 oil demand growth in Europe reached 1.9% year-on-year, almost reversing the losses seen in the previous five quarters.

Looking forward, we have kept our 4Q10 assessment of European demand broadly unchanged, assuming that German heating oil deliveries track their five-year average. In addition, we have not made

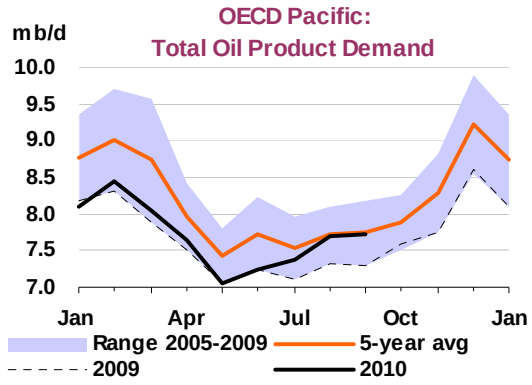
substantial changes to **France's** outlook. Indeed, the effects of the latest wave of strikes are quite difficult to quantify – panic fuel purchases by French motorists were probably partly offset by shortages as deliveries from the country's stocks were blocked in some areas amid the closure of virtually all refineries. As such, French data may show a demand spike in October, followed by lower-than-usual deliveries in November – with a neutral overall effect. In the meantime, we expect total OECD Europe demand to average 14.4 mb/d in 2010 (-0.9% or -130 kb/d compared with the previous year and 35 kb/d higher than previously expected) and to decline further in 2011 to 14.2 mb/d (-1.0% or -140 kb/d versus 2010, broadly unchanged versus last month's report).

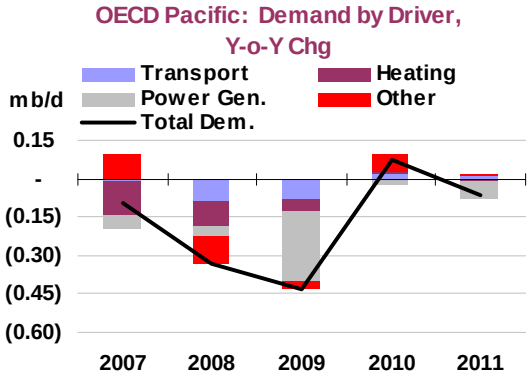




Pacific

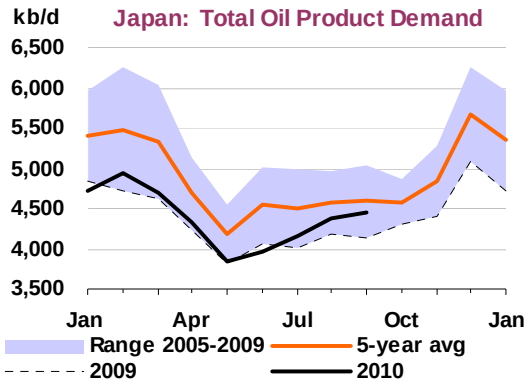
Preliminary data indicate that oil product demand in the Pacific rose by 6.0% year-on-year in September. A persistent heat wave nurtured buoyant demand for residual fuel oil use and direct crude burning (included in 'other products') for power generation, as well as strong deliveries of transportation fuels, presumably as motorists and travellers sought to take advantage of warm weather.

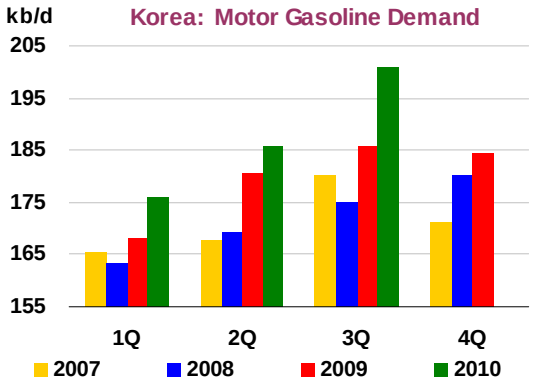




This was particularly marked in **Japan**, where total oil product demand surged by an unexpected 7.4%, an annual pace not seen since September 2007 (+8.5%). Although the number of cooling-degree days, which reached record peaks in both August and September, fell sharply in October, they were still higher when compared to both the ten-year average and to the previous year. As much as our outlook has attempted to account for such warm weather conditions, October demand readings could well again surprise on the upside if it turns out that natural gas use proved insufficient to meet electricity peak demand, as it was seemingly the case in the previous two months (according to some estimates, a temperature increase of 1°C requires some additional 5 GW of power generation capacity, equivalent to roughly five nuclear plants).

Meanwhile, **Korea** also continued to post strong demand readings (+6.8%), with buoyant transportation fuel demand, particularly of gasoline (+10.7%) and jet fuel/kerosene (+16.0%). This complemented strong naphtha deliveries (+7.7%), which have been exceptionally resilient since June. Naphtha, which accounts for roughly 40% of total demand, is indeed once again flirting with historical record-high levels, although it remains a shade below its 1Q09 peak.





As a result of these unusually strong demand data, total OECD Pacific demand is revised up by 60 kb/d in 2010, largely on a further adjustment to 3Q10 figures (+200 kb/d). At 7.7 mb/d this year, the region is on track to post annual growth of 1.0% or 80 kb/d, an occurrence not seen since 2005 (+0.9%). However, assuming that summer weather returns to normal in 2011, total demand should resume its structural decline and average 7.6 mb/d (-2.1% or -160 kb/d).

Non-OECD

Starting from this edition, we publish our estimates of monthly non-OECD oil product demand by product and region, in an effort to further enhance data transparency. Several caveats, though, should be noted with respect to the tables below. As most other analysts do, we only track a limited number of non-OECD countries on a monthly basis, given prevailing data limitations. Currently, we cover the 30 largest, yet these countries represent just under 76% of total non-OECD demand. The missing quarter of non-OECD demand is based on annual submissions (currently up to 2008), to which specific growth rates derived from our econometric model are applied, and which are then disaggregated based on estimated seasonalities per region. As much as this monthly assessment is partial, we believe it is useful to provide a broad overview of ongoing non-OECD demand trends. But it also brings back to the fore the crucial issue of the need for more and better oil demand data – the more so since global demand growth is increasingly, if not exclusively, driven by the non-OECD.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-10	Aug-10	Sep-10	Aug-10	Sep-10	Aug-10	Sep-10
LPG & Ethane	4,252	4,304	4,392	236	234	5.8	5.6
Naphtha	2,844	2,827	2,881	221	149	8.5	5.5
Motor Gasoline	7,962	7,919	8,083	184	350	2.4	4.5
Jet Fuel & Kerosene	2,711	2,727	2,731	122	139	4.7	5.4
Gas/Diesel Oil	12,728	12,512	12,716	472	562	3.9	4.6
Residual Fuel Oil	5,608	5,604	5,606	56	259	1.0	4.8
Other Products	5,751	5,946	5,821	490	-5	9.0	-0.1
Total Products	**41,857**	**41,839**	**42,231**	**1,781**	**1,688**	**4.4**	**4.2**

Preliminary demand data indicate that non-OECD demand continued to expand at a buoyant pace in September (+4.2% year-on-year), with growth concentrated in distillate fuels, notably gasoil, closely followed by gasoline and petrochemical feedstocks. The strength of gasoil use is particularly noteworthy,

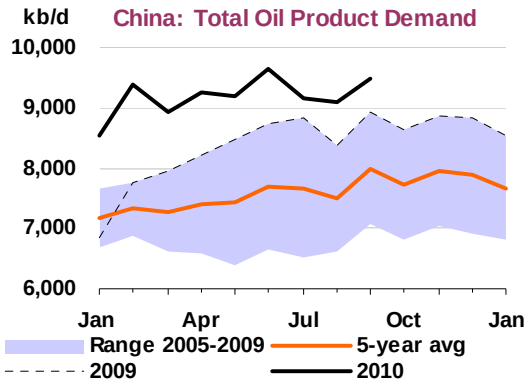
as it accounts for roughly a third of total growth, with Asia, Latin America, the FSU and the Middle East, in that order, showing strong demand – and China alone accounting for almost a quarter, a share that could potentially increase in the short-term on the back of rising small-scale power needs. This pecking order is reproduced in terms of overall oil product demand, with Asia representing roughly half of total non-OECD growth. Interestingly, the Middle East is now at a distant fourth, as somewhat anaemic Iranian demand has partly offset the sharp surge in direct crude burning in Saudi Arabia.

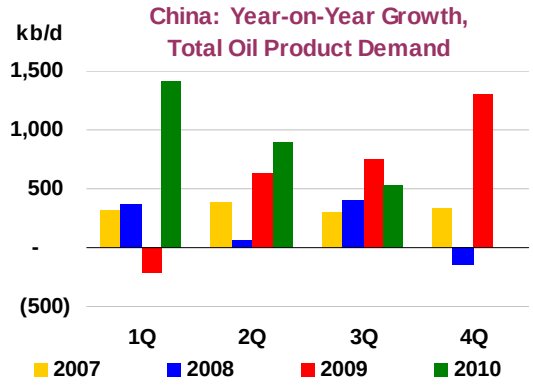
Non-OECD: Demand by Region
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-10	Aug-10	Sep-10	Aug-10	Sep-10	Aug-10	Sep-10
Africa	3,242	3,200	3,221	59	28	1.9	0.9
Asia	19,154	19,061	19,547	869	804	4.8	4.3
FSU	4,297	4,452	4,509	376	379	9.2	9.2
Latin America	6,437	6,340	6,457	305	334	5.1	5.4
Middle East	8,044	8,078	7,777	197	166	2.5	2.2
Non-OECD Europe	683	708	720	-25	-21	-3.4	-2.9
Total Products	**41,857**	**41,839**	**42,231**	**1,781**	**1,688**	**4.4**	**4.2**

China

China's preliminary data indicate that apparent oil demand rose by 6.5% year-on-year in September, with all product categories bar residual fuel oil featuring strong gains. Although somewhat slower than in upwardly revised August (+8.6%), such a pace suggests that China's much awaited gradual economic slowdown may be less steep than expected, at least in the short-term (year-on-year GDP growth was 'only' 9.6% in 3Q10 versus 10.3% in 2Q10, but actually higher on a quarter-on-quarter basis), thus putting a floor under oil demand growth. Annual growth is no longer at the mind-blowing level seen in 1Q10 (+1.4 mb/d), but at some +0.5 mb/d in 3Q10 it is still substantial – the more so relative to a high 2009 baseline. Numerous infrastructure projects such as roads or railways are reportedly moving ahead, suggesting limited government tightening as far as investment is concerned (the recent two rises in interest rates, for the first time in nearly three years, are arguably mainly aimed at cooling asset prices, notably the country's red-hot real estate market, and curbing inflationary expectations).





As noted earlier, the country's oil demand could well surge sharply again in 4Q10 as manufacturers in coastal areas turn to small gasoil-fired electricity generators amid government-mandated closures of coal-fired plants. Such policy, ostensibly aiming at complying with energy intensity targets, has been in place since August and could well have unintended consequences in terms of domestic – and perhaps international – gasoil balances. It is likely to compound the normal seasonal gasoil rise triggered by the lifting of the annual fishing ban. In fact, gasoil shortages have been already signalled in several large cities since late September, particularly in Beijing, Shanghai, Chongqing and Nanjing, with many independent service stations reportedly shutting down or resorting to rationing measures. This

tightening supply situation may have been aggravated by hoarding in anticipation of a long-overdue price hike. In late October, indeed, the National Development and Reform Commission (NDRC) increased gasoline and gasoil 'guidance' prices, which had remained unchanged since June, by roughly 3% on average. This is hardly enough to dent demand; the NDRC itself has actually stated that the adjustment will have little impact on end-user prices.

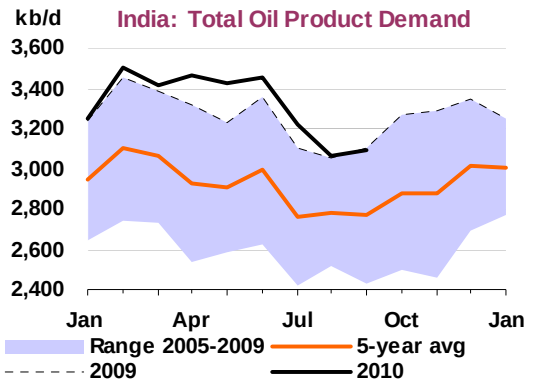
Attempting to anticipate a potential gasoil spike, we have raised our monthly outlook for this product by roughly 70 kb/d on average from October until next February, when the new Chinese year begins. We assume that the current power restrictions will end then as the new five-year plan (2011-15) kicks in. On this basis, total Chinese oil demand is now projected at 9.2 mb/d in 2010 (+9.8% year-on-year and 40 kb/d versus our last report) and 9.6 mb/d in 2011 (+4.2%), virtually unchanged.

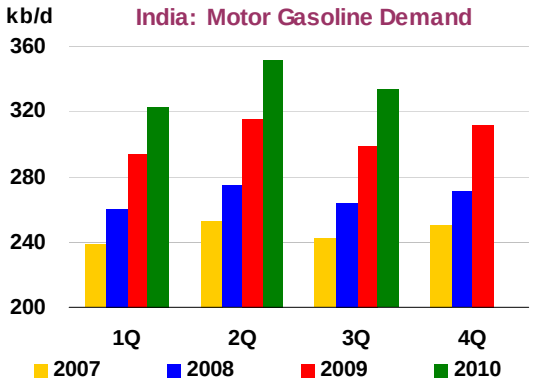
China: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	733	724	-6	-9	-0.8	-1.2
Naphtha	952	1,213	1,284	261	71	27.4	5.9
Motor Gasoline	1,507	1,555	1,644	48	89	3.2	5.7
Jet Fuel & Kerosene	335	371	400	36	29	10.8	7.9
Gas/Diesel Oil	2,699	2,982	3,117	284	135	10.5	4.5
Residual Fuel Oil	580	507	447	-73	-60	-12.6	-11.8
Other Products	1,559	1,827	1,954	267	127	17.1	7.0
Total Products	**8,369**	**9,186**	**9,570**	**818**	**384**	**9.8**	**4.2**

Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – fell by 0.5% year-on-year in September. Floods in some areas reportedly curbed industrial and farming gasoil demand, which rose by only 1.7% (compared with almost 8% on average from January to August). In addition, naphtha, residual fuel oil and 'other products' sales contracted. Only gasoline demand continued to grow unperturbed (+9.0%), in tandem with vigorous car sales (+30% in September).





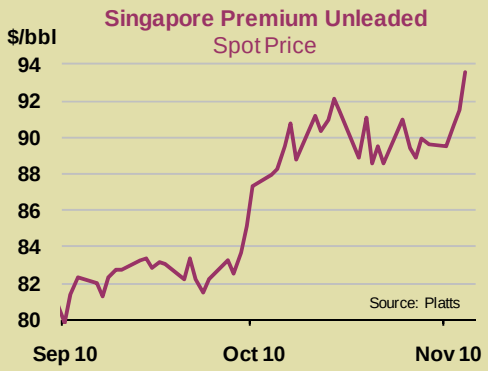
India: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	442	471	35	28	8.6	6.4
Naphtha	319	289	254	-31	-35	-9.6	-12.1
Motor Gasoline	305	338	372	33	34	10.8	10.0
Jet Fuel & Kerosene	294	296	298	3	2	0.9	0.7
Gas/Diesel Oil	1,167	1,248	1,332	81	84	6.9	6.7
Residual Fuel Oil	407	390	375	-17	-15	-4.3	-3.8
Other Products	361	336	348	-25	12	-6.9	3.4
Total Products	**3,261**	**3,339**	**3,450**	**78**	**110**	**2.4**	**3.3**

Plus Ça Change: Price Reform in India

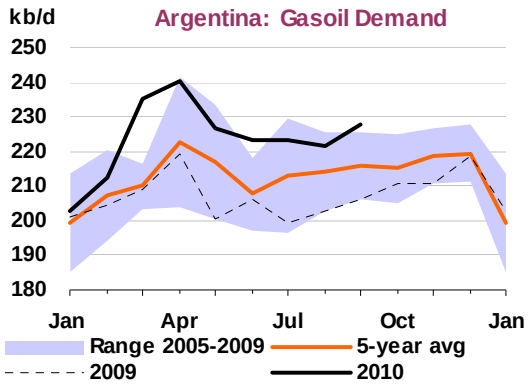
In late June, the Indian government removed price controls on gasoline, while maintaining its purview over LPG and kerosene prices and promising to free diesel prices eventually, albeit gradually. Yet the market environment is evolving at a remarkably leisurely pace when compared to international trends. Following an initial rise after controls were lifted, domestic gasoline prices have been adjusted four times to date to $1.18/l on average, roughly 3% higher versus end-June – yet prices in Singapore, India's reference market, have soared by almost 17% over the same period.

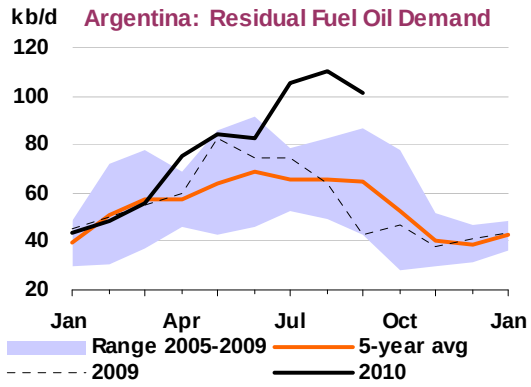
This is largely due to the country's state-owned oil marketing companies – Indian Oil (IOC), Bharat Petroleum (BPCL) and Hindustan Petroleum (HPCL) – which have explicitly refused to periodically adjust domestic gasoline prices in line with international trends, despite the huge losses incurred prior to the price reform (collectively some $1.5 billion in 2Q10). Instead, the state companies will 'consult' each other once a month in order to decide whether to revise prices. In addition, they have agreed to maintain a uniform gasoline price in their 35 000 service stations.



Thus, in practice, there is no competition among state-owned firms. In fact, it would almost seem that the price 'decontrol' never took place, since any market-driven price change will *de facto* continue to be vetted by the government. Moreover, this lack of competition is detrimental to private retailers – Reliance, Essar and Shell. The latter will reportedly lodge a formal complaint with the Petroleum and Natural Gas Regulatory Board (PNGRB) on the grounds of price-setting collusion, even though the regulator has no legal say over pricing matters.

In **Argentina**, both gasoil and residual fuel oil demand remained strong in September. The former expanded by 10.7% year-on-year – the average pace registered over the previous six months – in tandem with soaring industrial production. Meanwhile, persistent natural gas shortages have forced industrial users to switch to residual fuel oil since last June. As such, fuel oil demand surged by almost 140% in September. State energy company Enarsa is reportedly contracting eight LNG cargoes (versus five previously) over the looming austral summer in order to fill the gap. Nevertheless, we expect Argentine oil demand to rise by 11.0% in 4Q10 – admittedly less than the +16.7% pace recorded in 3Q10 but still quite strong.





SUPPLY

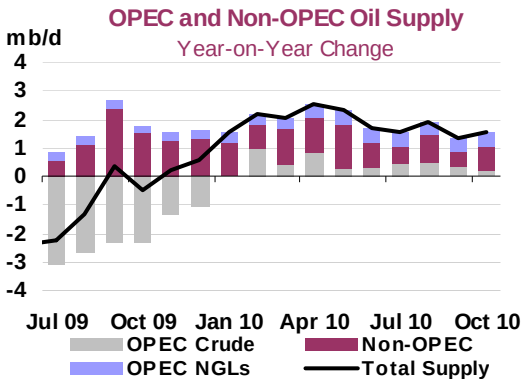
Summary

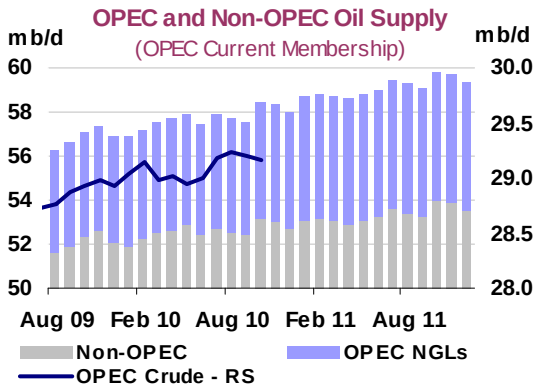
- **Global oil supply in October increased by 830 kb/d, to 87.6 mb/d,** with non-OPEC output accounting for the lion's share of the increase. Year-on-year, global oil production was up by 1.54 mb/d, with non-OPEC providing just over 50% of increased volumes, followed by OPEC NGLs at around 30% and OPEC crude production at 15%.

- **Non-OPEC supply rose by 750 kb/d to 53.2 mb/d in October,** as Caspian states and Norway completed seasonal maintenance work and in the absence of storm-related production shut-ins in the US Gulf of Mexico. Year-on-year, supply was 0.8 mb/d higher in October as output rose in China, Russia, the US and Canada, only partly offset by a 0.4 mb/d decline in the North Sea. 2010 supply estimates are unchanged at 52.6 mb/d. But the 2011 forecast was boosted by 250 kb/d to 53.4 mb/d on an improved outlook for North American and Chinese supplies, partly counteracted by expectations of slightly lower output in Brazil, Azerbaijan, Yemen and Norway.

- **OPEC crude oil supply in October is assessed at 29.15 mb/d, off by a marginal 40 kb/d** from the previous month. Reduced supplies from Iraq, Saudi Arabia and Venezuela were partially offset by modest increases of 10-30 kb/d in output from a half a dozen other countries. OPEC NGLs rose by 100 kb/d to 5.28 mb/d in October.

- **The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d due to stronger 3Q10 demand.** The 'call' for both 4Q10 and 1Q11 is also increased by 0.2 mb/d on higher demand projections, to 29.2 mb/d and 29.1 mb/d, respectively. All told, next year's call at 29.4 mb/d remains close to the 2010 average.





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

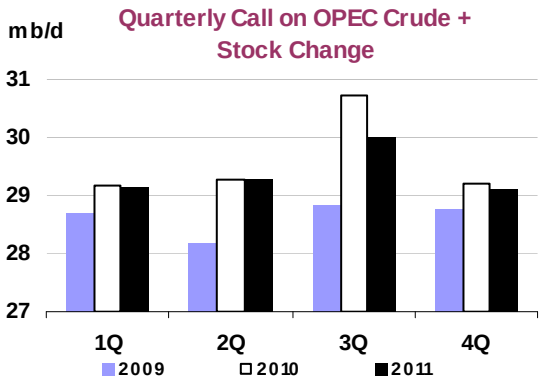
Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC Crude Oil Supply

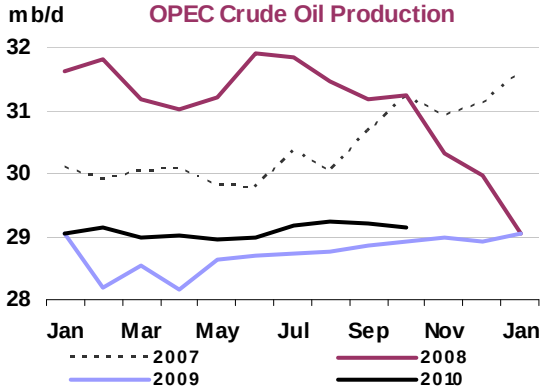
OPEC crude oil supply in October is assessed at 29.15 mb/d, off by 40 kb/d from the previous month. Reduced supplies from Iraq, Saudi Arabia and Venezuela were partially offset by modest increases of 10-30 kb/d in output from half a dozen other countries. OPEC monthly production fluctuations have stayed in a remarkably stable range this year, within a narrow band of under 300 kb/d.

OPEC-11, which excludes Iraq, saw output rise by 40 kb/d, to 26.72 mb/d. As a result, compliance with target levels was pegged at 55% last month compared with 56% in September. Export schedules and announced customer allocations for November and December suggest OPEC supply could remain fairly constant for the remainder of the year.

The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d due to an upward revision in demand. The 'call' for both 4Q10 and 1Q11 is also increased by 0.2 mb/d on higher demand projections, to 29.2 mb/d and 29.1 mb/d, respectively. Despite significant, demand-driven changes in the 3Q call for both years the underlying level for 2011 remains close to this year's average, at 29.4 mb/d.



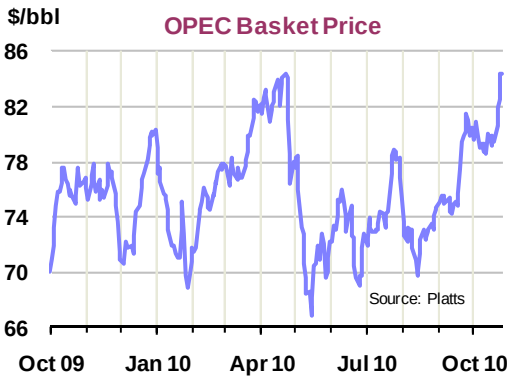
Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC's ministerial meeting in Vienna on 14 October appeared low-key, with quick agreement to roll over existing output targets and little talk of compliance issues. Iran's oil minister was selected to be the next OPEC president for the 2011 calendar year — the first time the country has held the post since before the Iranian revolution in 1979. The group's next scheduled ministerial meeting will take place on 11 December in Quito, Ecuador.

With oil prices hovering around two-year highs, there was no broad consensus on a need to re-examine individual target allocations. However, pre-meeting, Nigeria announced it would seek an increase in its output allocation in line with higher production and on the grounds that the current target was set when the country's production was exceptionally low due to militant attacks.

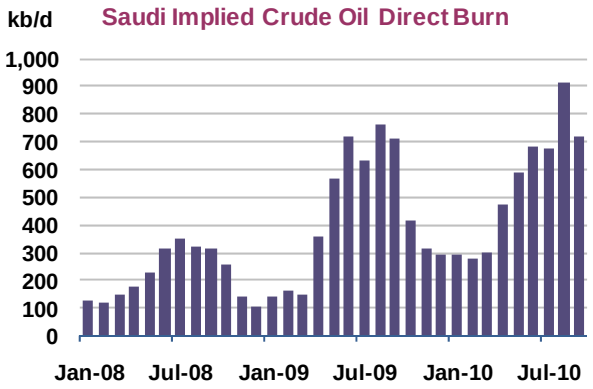


In contrast to OPEC's muted meeting in Vienna, post-meeting confusion emerged over the group's oil price aspirations. A price band of $70-80/bbl has long been flagged as a 'perfect' range by Saudi Arabia but comments made on 1 November by Oil Minister Ali Naimi during a conference in Singapore were interpreted by some as signalling that a higher $70-90/bbl has become the new preferred range.

Saudi representatives refuted in media reports that there has been a shift in policy but, nonetheless, barring clarification, the market has taken the higher level to signify the group's new price aspiration.

The kingdom's endorsement of prices anchored around $75/bbl two years ago has been credited with helping to stabilise volatile markets for both producers and consumers. Moving the goal posts now has raised alarm bells in some quarters that a shift in policy to the higher level could threaten the fragile global economic recovery.

Saudi Arabia's oil production was down marginally, off by 40 kb/d, to 8.24 mb/d, from a downwardly revised September estimate of 8.28 mb/d. Lower Saudi supply reportedly stems from reduced demand for crude as direct burn in power plants now that the peak cooling season has come to an end. Based on data submitted by Saudi Arabia to JODI, we calculated a crude burn rate of just over 720 kb/d in August, off around 200 kb/d from peak levels reached in July.



Crude oil production in **Iraq** posted the largest monthly change, down by 80 kb/d to 2.44 mb/d. October supplies were lower than September's inflated levels, when a backlog of crude was sold out of storage. In October, Iraqi exports edged lower again, down by 75 kb/d, to 1.94 mb/d. A drop in northern Kirkuk crude exports of around 110 kb/d, to 400 kb/d, was only partially offset by higher exports in the south of Basrah crude, which were up 35 kb/d to 1.54 mb/d.

Meanwhile, Iraq's eight-month long political deadlock over forming a new government appeared to come to an end by early November. While final details were still being ironed out, an agreement was reached for the Iraqiya alliance to take part in a new government headed by incumbent Prime Minister Nuri al-Maliki. It is hoped that the new government will lead to a more stable and secure operating environment for the international oil companies working there.

OPEC Crude Production

(million barrels per day)

	Aug 2010 Supply	Sep 2010 Supply	Oct 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Oct 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.26	1.27	1.27	1.38	0.11	0.200	50%
Angola	1.77	1.65	1.68	2.00	0.32	0.244	25%
Ecuador	0.46	0.46	0.47	0.48	0.01	0.067	42%
Iran	3.70	3.68	3.70	3.90	0.20	0.562	20%
Kuwait[2]	2.31	2.30	2.30	2.60	0.30	0.374	83%
Libya	1.56	1.55	1.56	1.75	0.19	0.252	56%
Nigeria[3]	2.14	2.15	2.16	2.25	0.09	0.319	0%
Qatar	0.79	0.80	0.80	1.00	0.20	0.122	49%
Saudi Arabia[2]	8.38	8.28	8.24	12.20	3.96	1.318	92%
UAE	2.32	2.31	2.33	2.70	0.37	0.379	84%
Venezuela[4]	2.23	2.23	2.21	2.45	0.24	0.364	44%
OPEC-11	**26.92**	**26.68**	**26.72**	**32.71**	**5.99**	**4.201**	**55%**
Iraq	2.33	2.52	2.44	2.55	0.12		
Total OPEC	**29.24**	**29.20**	**29.15**	**35.26**	**6.11**		
(excluding Iraq, Nigeria, Venezuela					*5.66)*		

1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 450 kb/d in October.

Venezuela was the only other country that saw production decline in October, off 20 kb/d to 2.21 mb/d. The country's 130 kb/d Petroanzoategui heavy crude oil upgrader has been operating at reduced rates since late September due to boiler problems.

Angolan output edged higher after completion of some maintenance work, up by 30 kb/d to 1.68 mb/d. Production resumed from the Dalia FPSO following scheduled maintenance. However, part of the Plutonio complex is still down for maintenance work and ongoing repairs to its water injection system.

Iranian crude oil output in October rose by 20 kb/d, to 3.7 mb/d. Notably, tanker experts report that there was a significant drawdown of Iranian crude oil supplies held in floating storage in October, in large part due to stronger Asian demand for medium and heavy crudes. By end October, approximately 23.6 mb of Iranian crude was afloat, less than half of May volumes.

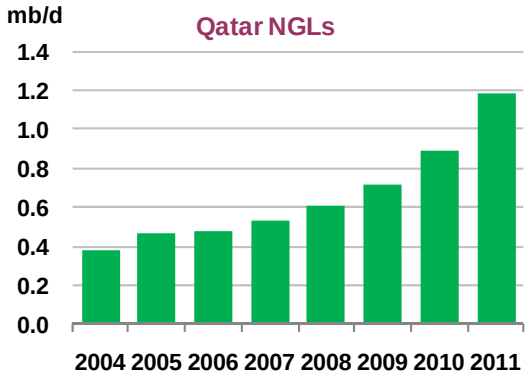
Nigerian output also inched up marginally in October, by 10 kb/d to 2.16 mb/d, mostly from Qua Iboe supplies. Following further repair work, Bonny Light output is forecast to reach two-year highs in December. However, a resurgence in militant attacks in recent weeks threatens the country's near-term production outlook. An attack on an offshore oil rig in the Afren-operated shallow-water Okoro field led to the kidnapping of five-crew members. In early November, the Movement for the Emancipation of the Niger Delta (MEND) announced it planned to step up attacks on oil infrastructure in retaliation for government failure to fulfil promises made to former rebels as part of the historic ceasefire agreement reached a year ago. Fresh violence ahead of the next presidential elections, which have been postponed to next April from January to allow enough time to improve the voting arrangements, would be a setback for President Goodluck Jonathan, who hails from the volatile Niger Delta region.

OPEC NGLs

OPEC NGLs supplies are forecast to average 5.2 mb/d in 4Q10, a downward revision of 100 kb/d due to slower-than-expected ramp-up in new projects in Qatar. For full-year 2010, OPEC NGLs are forecast to average 5.1 mb/d, up 500 kb/d over 2009 levels.

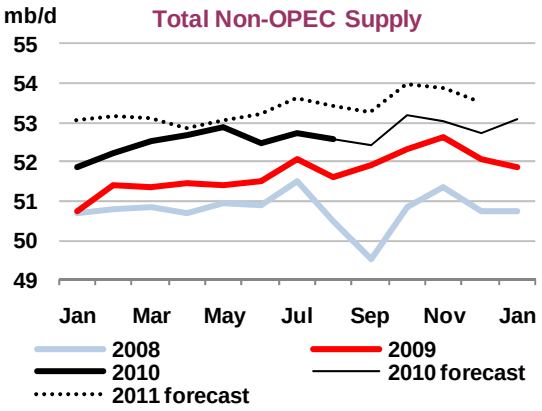
Commissioning of the Qatargas 3, train 6 was underway by end-October, slightly later than we initially assumed. When train 6 is operational, condensate production is projected at 70 kb/d and NGLs at just under 10 kb/d.

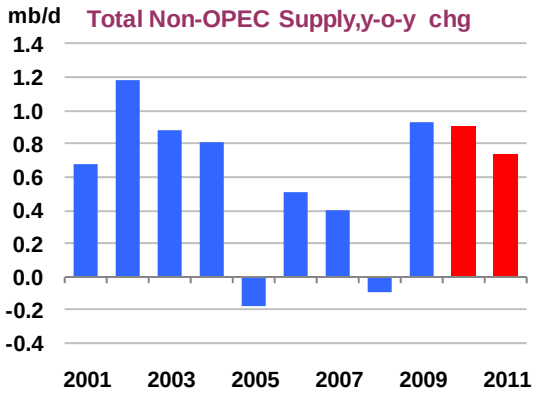
Start-up of train 7, scheduled for February now, will add a further 100 kb/d of condensate and around 45 kb/d of NGLs. Total Qatari NGLs are now forecast to rise to just over 930 kb/d by 4Q10 and 1.19 mb/d by 4Q11.



Non-OPEC Overview

Non-OPEC supply rose by 750 kb/d to 53.2 mb/d in October, as the Caspian states and Norway completed seasonal maintenance and in the absence of any storm-related production shut-ins in the US Gulf of Mexico. Year-on-year, supply was 0.8 mb/d higher in October as output rose in China, Russia, the US and Canada, only partly offset by a 0.4 mb/d decline in the North Sea. 2010 oil supply as a whole is assessed at an unchanged 52.6 mb/d, while the 2011 forecast is hiked by 250 kb/d to 53.4 mb/d on a stronger prognosis for North America and China, balanced by expectations of slightly lower output in Brazil, Azerbaijan, Yemen and Norway.





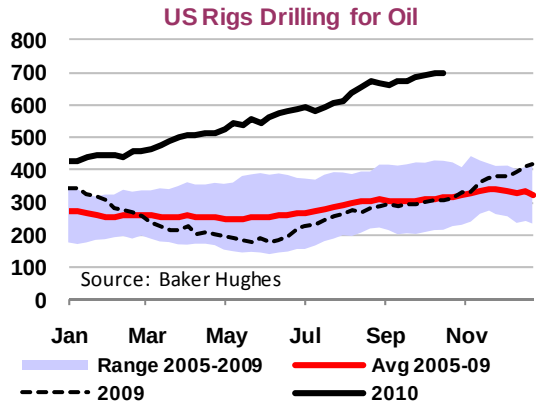
The US saw some of the most pronounced revisions, with the third month in a row without hurricane shut-ins in the Gulf of Mexico, despite several named storms in the Atlantic. Following the lifting of the deepwater moratorium on 12 October, it remains to be seen how quickly companies will resume drilling, but currently, we see no reason to adjust our assessment that crude output will be 60 kb/d and 100 kb/d lower in 2010 and 2011 respectively, on presumed delays (with potentially 300 kb/d downside to pre-*Macondo* US GoM 2015 projections if delays persist). Elsewhere in the US, there is renewed evidence of stronger-than-expected performance in onshore areas and for NGLs, boosting our forecast. Expectations for Mexico are also raised, with the pace of decline slowed on evidence that Pemex is increasingly successful in its attempt to stabilise output at key mature fields.

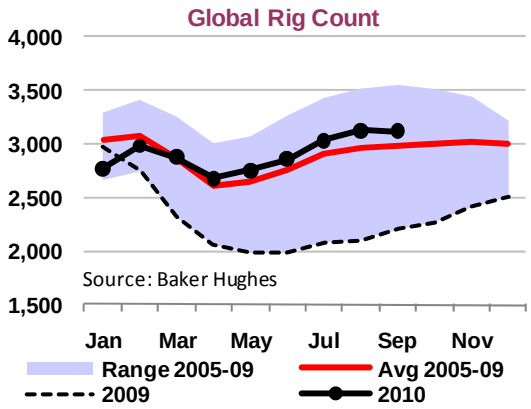
Non-OPEC Supply

(million barrels per day)

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.8	4.0	4.0
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.5**	**18.8**	**18.8**	**19.0**	**18.5**	**18.5**	**18.8**	**18.7**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.7**	**29.8**	**30.1**	**29.8**	**30.4**	**30.4**	**30.4**	**30.6**	**30.4**
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC	**51.1**	**51.5**	**51.9**	**52.3**	**51.7**	**52.2**	**52.7**	**52.6**	**53.0**	**52.6**	**53.1**	**53.1**	**53.4**	**53.8**	**53.4**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.1	1.2	0.7	0.6	0.9	0.9	0.4	0.9	0.8	0.7
Changes from last OMR (mb/d)	1.1	1.3	1.2	1.4	0.0	-0.1	-0.1	0.0	0.2	0.0	0.1	0.2	0.3	0.4	0.3

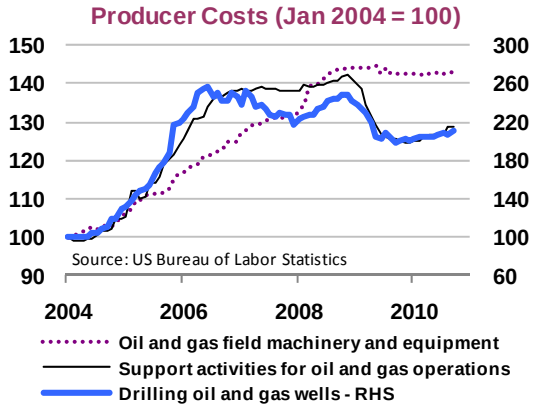
Revised annual production data through 2008 for China lead to a downward adjustment of 0.1 mb/d in 2008 and smaller amounts historically, after preliminary annual data had originally led to upward revisions. 2009 in contrast is revised slightly higher, to average 3.9 mb/d. Downward-revised 1H10 production is offset by stronger-than-expected performance in July-September, largely in offshore areas, leaving 2010 average production unchanged at 4.1 mb/d. The more robust recent output levels are however carried through into 2011, which is adjusted up by 0.1 mb/d, to average a record 4.2 mb/d.

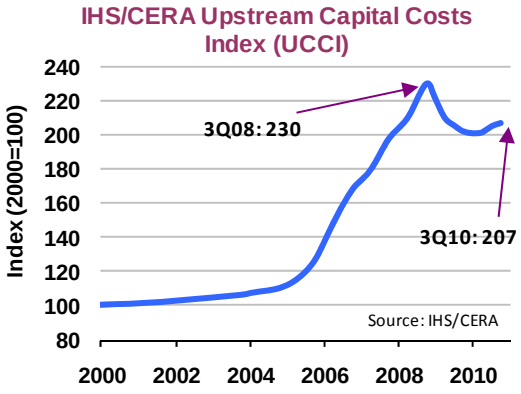




Even as uncertainties remain over the extent and duration of delays in the US Gulf of Mexico, rig counts in the country as a whole keep rising, and have been tracking higher on a global basis for several months. With prices having risen to their highest in two years and, perhaps more importantly, having remained relatively steady in a $70-85/bbl band for around 18 months, non-OPEC producers have had every incentive to maximise activity. Current non-OPEC supply estimates indicate two consecutive years of 0.9 mb/d growth (in 2009 and 2010) and now a 0.7 mb/d increment in 2011, the strongest three-year run since 2002-2004, when Russia was driving non-OPEC growth.

At the same time, upstream development costs show clear signs of having bottomed out. Widely considered to have contributed to the record price levels seen in 2008, they subsequently plummeted, but have been rising again since a low-point in late 2009.

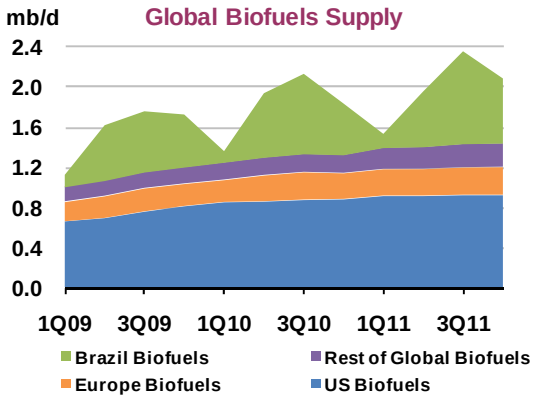




On a regional basis, non-OPEC 2010 increments are seen from North America, the FSU, global biofuels, Latin America and China, partly offset by continued steep decline in the North Sea and, to a lesser extent, in Africa, the OECD Pacific, and in global refinery processing gains. In 2011, Latin America (Brazil and Colombia) takes the lead over the FSU, global biofuels and China, while output in North America remains broadly flat and decline in Europe slows.

Global Biofuels

Global biofuels production is revised up by 0.3 mb/d for September with the incorporation of stronger Brazil and US ethanol data, but October is seen 0.1 mb/d lower with rising sugar prices and changing weather patterns in the former. Brazilian ethanol production, which is subject to large seasonal swings, was 720 kb/d in September. However, reporting from sugarcane industry association Unica suggests falling October production with heavy rainfall in the Centre-South and early harvest completion by some mills. Brazilian ethanol production is seen averaging 480 kb/d in 2010, rising to 525 kb/d in 2011.



In October, the US Environmental Protection Agency (EPA) approved the use of a 15% ethanol blend in the US for vehicles made in 2007 or later. The EPA is expected to rule on E15 for 2001-2006 vehicles by year-end. However, increased ethanol absorption is likely to be minimal in the short-term, due to other supply chain barriers. US ethanol production reached 865 kb/d in September and should average 900 kb/d in 2011, 10% by volume of expected gasoline demand. Still, producers face uncertainty over the renewal of a blenders' tax credit and import tariff, both due to expire at year-end. The absence of a tax credit renewal for biodiesel has cut our 2011 production expectations there by 10 kb/d, to 30 kb/d. Meanwhile, US government estimates reportedly see lower 2011 cellulosic biofuel production, 3.9 mgal (<1 kb/d) versus 5.3 mgal previously, due to chronic output problems at several producers.

OECD

North America

US – October Alaska actual, others estimated: US oil supply dipped marginally to 7.9 mb/d in October, as once again there were no production volumes shut-in due to storms in the Gulf of Mexico. Previously, our forecast had assumed an outage of 340 kb/d based on the five-year average for that month. But elsewhere too production was stronger than expected, with reported output coming in higher in Alaska, and in other Lower-48 states. NGLs and 'other hydrocarbons' (essentially refinery additives) were also higher. Based upon this performance, notably for NGLs and onshore crude, with drilling continuing to rise apace, total 2010 output is raised by 75 kb/d to 7.7 mb/d. This is carried through into 2011 in addition to a slightly stronger increment for onshore crude, resulting in an upward adjustment of 125 kb/d. 2011 production is now estimated to average 7.8 mb/d.

Gulf of Mexico Drilling Moratorium Lifted but Uncertainty Remains

The moratorium on drilling new offshore wells, in place since shortly after the *Macondo* disaster in April, was lifted on 12 October, after authorities had determined that new regulations and safety requirements have been sufficiently tightened. Some findings of the ongoing National Oil Spill Commission's investigations into causes of the incident are emerging, notably that there is lack of any evidence of cost savings being put above safety concerns. Still, it remains premature to draw any firm conclusions at this stage.

Meanwhile, oil companies are queuing up to submit requests to recommence drilling, including many of those previously active in the area. The new regulator, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) has said it hopes that first permits will be approved at the end of the year. The regulator and oil companies acknowledge that this will mean further delays in drilling programmes, as well as planned field start-ups, but the question remains what this will mean for production volumes.

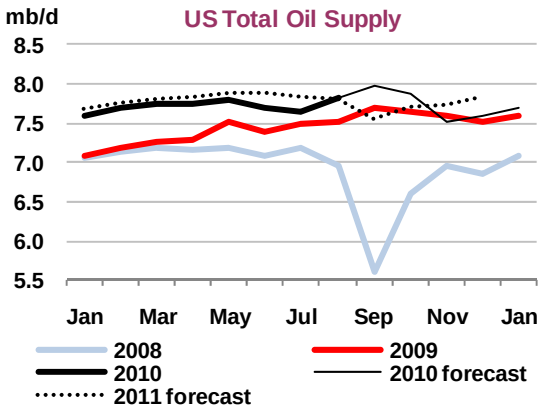
Shell reported that it had 'lost' 10 kboe/d of oil and gas output in the January-September period, and estimates a further 40 kboe/d shortfall in 2011 due to postponed drilling at its Perdido, Glider, Brutus and Auger prospects. Specifically, it reported that output levels at Perdido, which it had brought onstream in April 2010, has been kept at a low 10 kb/d due to the moratorium. BP estimates that new drilling will only commence in early 2011. Chevron reported an estimated shortfall of 10 kb/d in 2H2010. And, as widely reported, operators in shallow water have complained that despite no official cap on drilling, *de facto* there have also been delays in permitting.

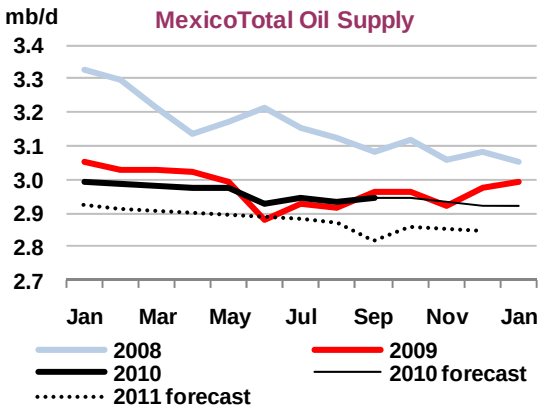
Companies are nonetheless pushing ahead with new developments. Chevron recently sanctioned the large Jack/St Malo project, now expected to start-up in 2014, with a peak capacity of 150 kb/d. And in October, the redeveloped Phoenix field (formerly Typhoon) came onstream, with an estimated peak capacity of 30 kb/d. It had been close to start-up when the Deepwater Horizon rig exploded and sank, and the Helix

Gulf of Mexico Drilling Moratorium Lifted but Uncertainty Remains (continued)

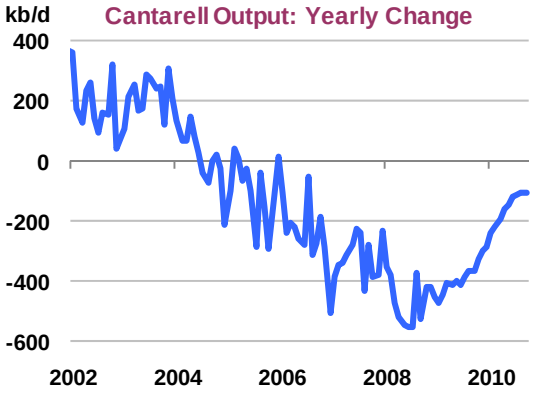
Producer floating production unit was moved to the *Macondo* well for relief work, and was thus only partly affected by the moratorium. The Phoenix field was one of those put out of action by Hurricane Rita in 2005.

Companies remain keen to work in the Gulf of Mexico, seeing it as one of the more profitable regions accessible to them. For now we retain our assessment that 2010 and 2011 oil production levels will be 60 kb/d and 100 kb/d respectively lower than earlier forecasts. However, a more complete assessment of potential project delays will be included in December's interim update of our medium-term projections.





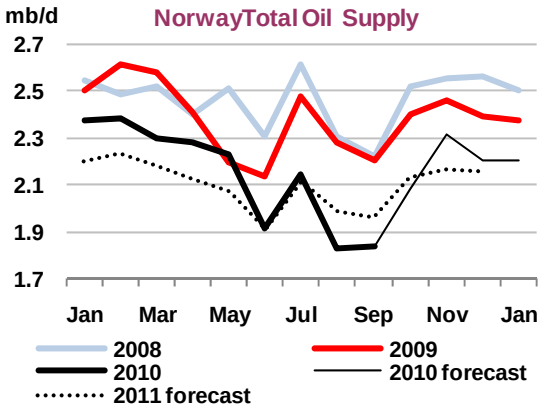
Mexico – September actual: Mexican oil production rose marginally in September, to 2.9 mb/d, after completion of seasonal maintenance at the Ku-Maloob-Zaap (KMZ) cluster of fields. Also, production volumes shut-in due to Hurricane Karl proved to be negligible, while a later storm, Hurricane Richard, despite also crossing the Campeche Sound oilfields, had no impact on output at all. Pemex's long-standing efforts to stabilise production at the key Cantarell field are increasingly proving successful. Helped by aggressive gas re-injection and horizontal well drilling, Pemex now reckons it will be able to keep total Mexican crude production steady at 2.5 mb/d through 2012. We remain more pessimistic in the medium-term, but on the basis of sustained better-than-expected performance at Cantarell, we have slowed assumed decline rates for 2011. In addition to other minor adjustments, we raise estimated 2011 crude output by 0.1 mb/d, now forecasting a dip from 2.6 mb/d in 2010 to 2.5 mb/d in 2011. Mexican NGLs remain steady at around 375 kb/d in both years.

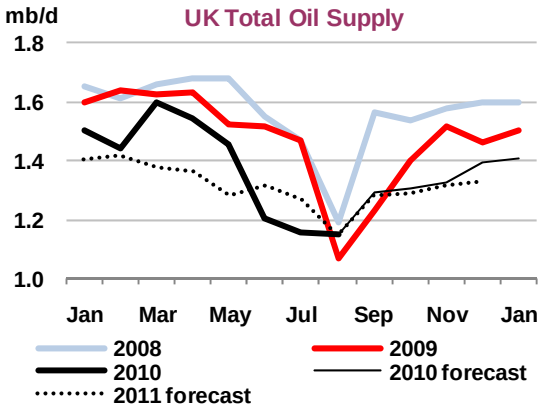


North Sea

Norway – August actual, September provisional: August and September production levels in Norway averaged 180 kb/d lower than expected, indicating that seasonal maintenance was both heavier and longer than anticipated. In addition, Oseberg South was shut for repairs in late September, while there were ongoing problems at the Kårstø gas processing plant, trimming NGL production. At just over 1.8 mb/d, September oil production was the lowest since 1991. Production is expected to have risen to 2.1 mb/d in October, as maintenance ends, though there were also problems reported at the Heimdal, Troll and Visund platforms, only the last of which is expected to have had any significant impact on output. In sum, the lower output led to a downward revision of 125 kb/d in 3Q10. This, and a lower 2011

guidance volume by Statoil, reduces our projection for next year by 20 kb/d. Total 2010 oil supply has been adjusted 45 kb/d lower to 2.2 mb/d, while new start-ups at Yme, Oselvar and Skarv moderate next year's decline to 2.1 mb/d.





UK – July actual: July oil production in the UK was reported at 1.16 mb/d, as seasonal maintenance curbed output, in line with expectations. By the tail-end of October, output was expected to rise to 1.3 mb/d again, as maintenance ended. Late October saw the award of 144 new licences in the country's 26th licensing round. This compares with 192 licences awarded in 2009. ConocoPhillips has been given the go-ahead to develop the Jasmine field, part of J Block, with an expected 50 kb/d capacity, set to come onstream from 4Q2012. Looking further ahead, Shell announced that it will likely decommission the Brent Delta platform in 2014/15, followed by the other Brent platforms. Delta production is expected to cease around end-2011. The total Brent stream, which adds a number of other fields to the actual Brent fields themselves, is expected to average 100 kb/d in 2010. In total, it is estimated that around 250 platforms in UK waters will have to be decommissioned in the next 30 years, in line with the UK's already heavily-mature production base. UK supply estimates for 2010 and 2011 are left unrevised, with output expected to decline from 1.37 mb/d to 1.32 mb/d.

Pacific

Australia – August actual: Australian oil production was 50 kb/d lower than expected in August at 525 kb/d. This and problems at the Van Gogh field in October trim 2010 output to an estimated 540 kb/d. 2011 is expected to see a rise in total output to 585 kb/d, as the Pyrenees field, which started output earlier this year, ramps up production and Kipper/Turrum comes onstream at mid-year.

Former Soviet Union (FSU)

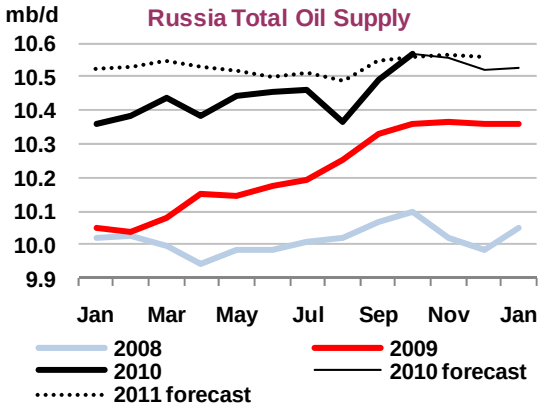
Russia – September actual, October provisional: October oil production in Russia rose 75 kb/d to a new high of 10.57 mb/d, largely due to the end of maintenance at the Sakhalin fields. September and October are each adjusted up by 25 kb/d on average, resulting in marginally higher estimated 2010 and 2011 average production of 10.45 mb/d and 10.53 mb/d respectively.

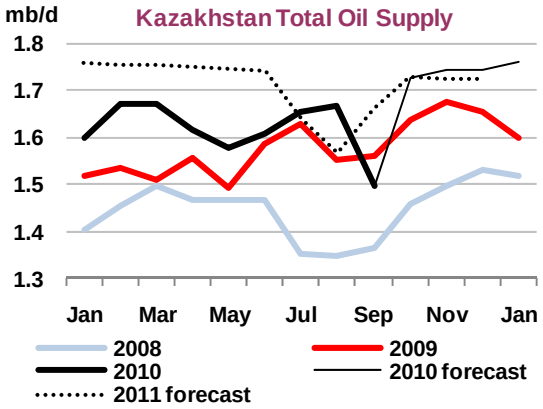
At a high-level government gathering to review Russian oil and gas prospects in late October, Prime Minister Putin asserted that oil production would remain around current levels until 2020, assuming some $280 billion can be invested in upstream infrastructure and field development. Putin spoke of the need for changes to the fiscal regime in order to encourage and sustain this investment, saying he expected government approval thereof by mid-2011.

Despite the 2009/10 surge in output, encouraged by tax breaks for key new fields, operators remain hesitant to invest further until they have greater clarity on the future tax regime and profitability. Russia faces the dilemma that it urgently needs to boost revenues to help balance its budget, but also wants to

sustain oil production. In the short-term, Rosneft's Vankor and Lukoil's newly-started Yuri Korchagin fields received partial export duty breaks for the coming four months. Yuri Korchagin, which came onstream in April this year and is expected to have a capacity of 50 kb/d at peak, reportedly was only producing at marginal levels in September, in anticipation of the tax breaks.

At the same time, other issues raise concern over the stability of any investment framework in Russia's upstream sector. Officials were widely reported to have threatened a forced change in operatorship at the Sakhalin 1 development, expressing displeasure at rising costs – although the government subsequently denied this. And in the imminent auction for the Trebs/Titov fields – one of the largest undeveloped field clusters – Bashneft now appears to have become the sole bidder, after most others dropped out following apparently minor infringements of the bidding requirements.





Kazakhstan – September actual: Oil supply in Kazakhstan fell sharply in September to 1.5 mb/d, as maintenance on the Karachaganak condensate field proved heavier than expected, while production at the Tengiz field was also lower than in August. 2010 and 2011 prospects remain unchanged, however, at 1.65 mb/d and 1.71 mb/d respectively as output at both above-mentioned fields expands slightly year-on-year.

Azerbaijan – August actual: Revised May levels, and the receipt of finalised June-August production data for Azerbaijan reveal total oil supply to be steady at around 1.07 mb/d – around 30 kb/d lower than expected. This downward adjustment is partly fed through into the forecast, resulting in lower estimated 2010 output of 1.06 mb/d, expected to rise to 1.12 mb/d in 2011.

FSU net oil exports fell in September by a steep 640 kb/d to 9.0 mb/d, their biggest month-on-month drop and lowest level since February 2010. In contrast to the strong yearly growth reported over the summer, exports were 450 kb/d below a year ago. Crude shipments fell by 400 kb/d, largely as a result of a 280 kb/d drop in volumes exported through the Transneft network. At 3.7 mb/d, these reached their lowest level since November 2008 as Black Sea shipments fell by 400 kb/d following lower loadings at Novorossiysk and Pivdenne. The recent recovery at the latter port was curtailed as Kazakh exporters once again shunned the outlet in response to deteriorating economics. Cargoes sent via the Baltic Sea fell by 150 kb/d after pipeline maintenance cut supplies to the Russian flagship port of Primorsk. These falls were partially offset by elevated volumes through the Druzhba pipeline and higher loadings of ESPO crude at Kozmino. A future obstacle to increasing exports through Ukrainian ports is the proposed long-term crude supply deal between Venezuela and Belarus, which would entail the reversal of the Odessa-Brody pipeline currently used to send Kazakh crude to the Black Sea coast. In the unlikely event of 200 kb/d of Venezuelan crude actually arriving on a regular basis, Kazakh exporters would be forced to use alternative non-Ukrainian outlets such as Novorossiysk or Gdansk.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2008	2009	4Q2009	1Q2010	2Q2010	3Q2010	Jul 10	Aug 10	Sep 10	Latest month vs. Aug 10	Latest month vs. Sep 09
Crude											
Black Sea	2.06	2.21	2.15	1.79	1.99	2.05	2.15	2.21	1.80	-0.41	-0.41
Baltic	1.46	1.62	1.64	1.60	1.61	1.57	1.59	1.64	1.48	-0.15	-0.11
Arctic/FarEast	0.29	0.46	0.48	0.71	0.76	0.67	0.71	0.59	0.69	0.09	0.22
BTC	0.67	0.78	0.76	0.69	0.79	0.81	0.81	0.81	0.82	0.01	0.04
Crude Seaborne	**4.48**	**5.07**	**5.04**	**4.78**	**5.16**	**5.10**	**5.26**	**5.25**	**4.79**	**-0.46**	**-0.26**
Druzhba Pipeline	1.08	1.12	1.14	1.13	1.10	1.16	1.20	1.10	1.20	0.10	0.06
Other Routes	0.42	0.37	0.30	0.44	0.37	0.36	0.40	0.35	0.31	-0.04	-0.06
Total Crude Exports	**5.98**	**6.56**	**6.48**	**6.36**	**6.63**	**6.62**	**6.86**	**6.70**	**6.29**	**-0.40**	**-0.26**
Of Which: Transneft	3.98	4.14	4.13	3.94	3.88	3.95	4.13	4.00	3.72	-0.28	-0.44
Products											
Fuel oil	1.14	1.15	1.19	1.13	1.28	1.28	1.30	1.34	1.21	-0.12	0.02
Gasoil	1.03	1.15	1.12	1.20	1.14	1.08	1.17	1.11	0.97	-0.13	-0.20
Other Products	0.60	0.69	0.59	0.73	0.63	0.63	0.69	0.59	0.61	0.02	0.00
Total Product	**2.77**	**2.99**	**2.90**	**3.06**	**3.06**	**3.00**	**3.15**	**3.03**	**2.80**	**-0.23**	**-0.18**
Total Exports	**8.74**	**9.55**	**9.38**	**9.42**	**9.69**	**9.62**	**10.02**	**9.73**	**9.09**	**-0.64**	**-0.44**
Imports	0.04	0.04	0.05	0.05	0.04	0.05	0.06	0.05	0.05	0.01	0.01
Net Exports	**8.70**	**9.51**	**9.33**	**9.37**	**9.65**	**9.56**	**9.95**	**9.68**	**9.04**	**-0.64**	**-0.45**

Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

Following high domestic agricultural demand (+50 kb/d m-o-m) and an increase in duties, FSU exports of total products fell by 230 kb/d to 2.8 mb/d in September, their lowest level since October 2009. Russian export taxes were set at $105.90/tonne and $196.50/tonne for heavy and light products respectively in September, but were expected to decrease by 2.6% in October. Therefore, as in previous months exporters held over shipments to take advantage of improving economics. Fuel oil and gasoil bore the brunt of the decrease, falling by 120 kb/d and 130 kb/d respectively. Exports of the 'other products' category rose, led by a 25% hike in gasoline shipments. Port loading schedules suggest that exports are expected to recover slightly in the coming months, although will likely not reach the record levels attained over the summer.

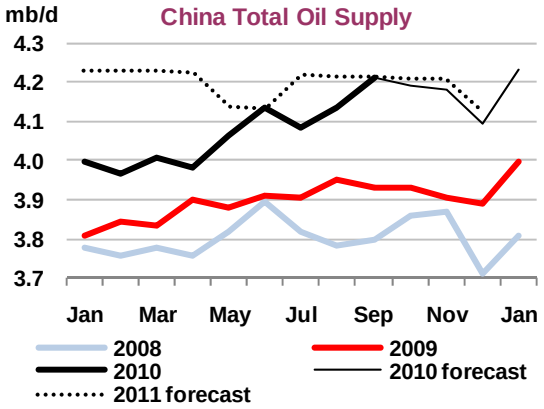
Russia: Re-drawing the Fiscal Map

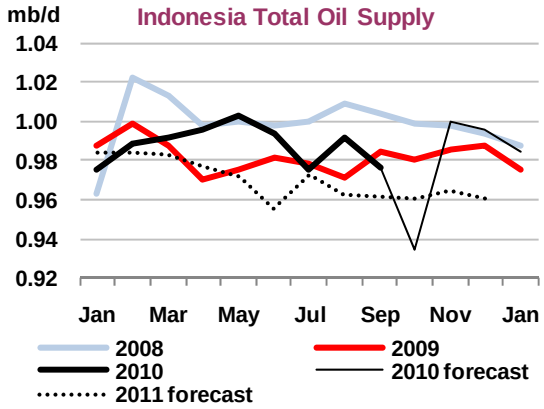
Russia's energy ministry recently signalled an effort to re-orientate its booming oil exports in favour of crude oil, by announcing that it intends to narrow the gap between crude and product export duties. Current excise duties make the export of oil products more profitable than shipping crude, since heavy and light refined products are taxed at a discount to crude of 61% and 28%, respectively. The ministry has proposed raising the taxes on products while reducing the maximum duty on crude oil from as early as 2011. Such a move is intended to help the Russian state maximise its oil industry revenues by increasing the incentive for producers to develop new fields, thus replacing falling production from aging fields. Growth in the upstream sector is expected to outpace that of the downstream, and therefore it is thought that if Russia can sustain its production at close to 10 mb/d then such a move could earn the state a potential extra 8.55 trillion roubles ($286 billion) in revenues.

It is currently unclear what level the product export duty would be set at, but initial reports suggest that the duties for heavy and light products would be equalised at 85-90% of the crude export tax. In addition to helping to maintain production levels and therefore, total exports, the proposals would likely increase shipments of crude at the expense of products by reducing the incentive of refiners to sell abroad. Critics of the plan have suggested that it could hinder downstream expansion plans. However, with refinery capacity additions largely taking place as a result of the adoption of stringent complexity regulations, this seems unlikely in the medium term. Indirect consequences of this strategy could include helping Russia fulfil its domestic requirements, where oil demand is expected to continue its post-recession rebound, increasing by an approximate 220 kb/d between 2010 and 2015. Finally, it would also likely indirectly support the beleaguered European refining sector since a large portion of Russia's products, notably fuel oil, are currently shipped to Europe in direct competition with European refiners.

Other Non-OPEC

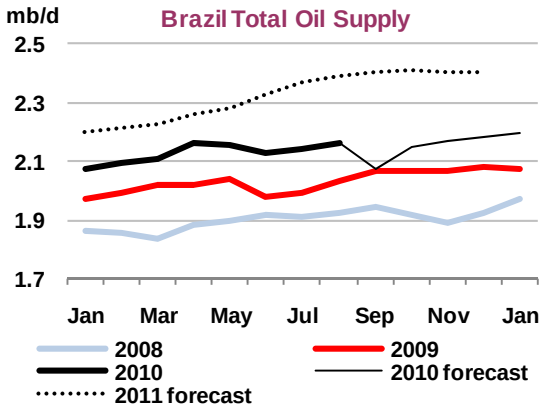
China – September actual: Historical and forecast Chinese data were revised substantially. Finalised annual data through 2008 prompted a downward adjustment of 100 kb/d in 2008, to 3.8 mb/d, and mostly smaller revisions for earlier years. 2009 was nudged up 20 kb/d to 3.9 mb/d, while a bout of stronger-than-expected monthly data for July-September, particularly from offshore producing areas, was carried through the forecast, resulting in an upward revision to 2011 of 110 kb/d. 2010 oil production is now expected to average 4.1 mb/d, rising to 4.2 mb/d in 2011.





Indonesia – September actual: Indonesian oil production in September averaged 975 kb/d and is expected to dip by around 40 kb/d in October on several outages. Notably, the large, Chevron-operated Duri and Minas fields onshore Sumatra, were partly shut-in at the end of September due to a gas leak. The shortfall was briefly as much as 150 kb/d, but was expected to have reached normal levels again by 20 October. Total Indonesian supply is forecast to average 985 kb/d in 2010 and to slip slightly to 970 kb/d in 2011.

Brazil – August actual: August oil production in Brazil averaged 2.17 mb/d, a new record level. In part supported by preliminary data, September and October are expected to see a small dip in output, as Petrobras was forced to shut-in production at the P-33 and P-35 offshore platforms on safety concerns (see report dated 10 September 2010).



From October however, the start-up of commercial volumes at the Tupi field should boost output. This marks the first significant production of deepwater pre-salt crude oil from the Santos Basin. Tupi is expected to reach capacity of 100 kb/d by end-2011/early-2012 in a first stage of development, using the *Cidade de Angra dos Reis* Floating Production, Storage and Offloading (FPSO) vessel in waters 250 km south of Rio de Janeiro. Pre-salt crude oil should contribute around half of Brazilian oil production growth by mid-decade, with total production expected to rise to just under 3 mb/d, thus providing a large chunk of incremental non-OPEC supply. Hopes for even more pre-salt oil were given a boost by the recent upgrade of reserves estimates for the Libra oil field, now thought to contain as much as 15 billion barrels of oil equivalent of recoverable reserves, more than Tupi. Lastly, Dilma Rousseff of the incumbent Workers' Party won the presidential election on 31 October, making it likely that a previously-proposed new legislative framework to develop the pre-salt reserves will be passed into law. Total Brazilian oil production is forecast to rise from 2.14 mb/d in 2010 to a downward-adjusted 2.33 mb/d in 2011.

OECD STOCKS

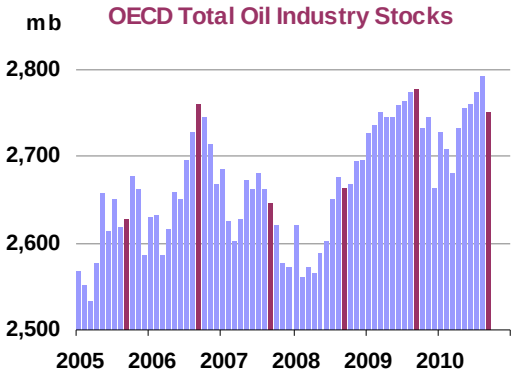
Summary

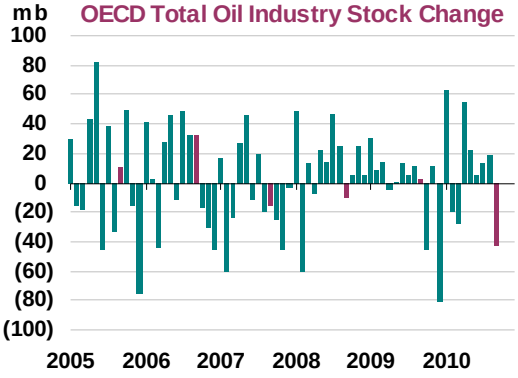
- **OECD industry stocks plummeted by 42.8 mb** to 2 750 mb in September, in a strong contrast with the five-year average monthly build of 3.8 mb. European crude drove the sharp decline with draws in European middle distillates, Pacific crude and North American gasoline also contributing.

- **September OECD forward demand cover dropped to 59.9 days** from 60.9 days in August. Pacific distillate cover fell by 1.7 days on rising forward demand and despite building September stocks. An offsetting increase came from European gasoline (up by 1.8 days), as demand is expected to decline over the next three months.

- **Preliminary data indicate October OECD industry oil stocks rose by 1.8 mb** (compared to a five-year average draw of 6.7 mb) driven by a crude stockbuild. Crude inventories rose by 19.4 mb, led by sharp gains in Europe and in the US. Products dropped by 17.6 mb on US gasoline draws and lower European and US distillate levels. Japanese product builds provided some offset.

- **Short-term oil floating storage decreased to 59 mb at end-October**, from 76 mb in September. Crude declined by 10 mb due to offloading in the Middle East, while products held in floating storage near Europe and Africa fell by a combined 8 mb.





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

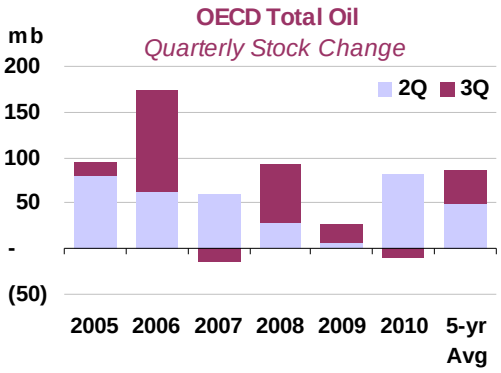
Industry OECD inventories declined by 42.8 mb to 2 750 mb in September. Crude oil stocks fell sharply in Europe and in the Pacific, but rose modestly in North America. Consumer restocking of heating oil ahead of winter and diesel draws related to industrial and agricultural demand drove the distillate decline in Europe and North America, respectively. Gasoline stocks in North America fell counter-seasonally.

Preliminary Industry Stock Change in September 2010 and Third Quarter 2010

	September (preliminary) *(million barrels)*				September (preliminary) *(million barrels per day)*				Third Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**0.6**	**-22.1**	**-7.9**	**-29.4**	**0.02**	**-0.74**	**-0.26**	**-0.98**	**-0.07**	**-0.20**	**-0.13**	**-0.40**
Gasoline	-6.3	0.8	0.2	-5.4	-0.21	0.03	0.01	-0.18	0.00	0.00	-0.02	-0.01
Middle Distillates	-4.0	-8.5	1.5	-11.0	-0.13	-0.28	0.05	-0.37	0.14	-0.05	0.08	0.18
Residual Fuel Oil	0.3	1.9	1.6	3.8	0.01	0.06	0.05	0.13	-0.04	-0.03	0.01	-0.05
Other Products	2.7	-0.1	-2.6	0.0	0.09	0.00	-0.09	0.00	0.10	0.01	0.03	0.14
Total Products	**-7.3**	**-5.9**	**0.6**	**-12.6**	**-0.24**	**-0.20**	**0.02**	**-0.42**	**0.20**	**-0.06**	**0.10**	**0.24**
Other Oils[1]	0.5	-0.2	-1.2	-0.9	0.02	-0.01	-0.04	-0.03	0.05	-0.01	-0.02	0.03
Total Oil	**-6.1**	**-28.2**	**-8.4**	**-42.8**	**-0.20**	**-0.94**	**-0.28**	**-1.43**	**0.19**	**-0.27**	**-0.05**	**-0.12**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

Total oil inventories built for five consecutive months through August, yet the September decline resulted in an 11.5 mb stock-draw over 3Q10 and thus balanced stronger-than-average 2Q stock-build (82.6 mb). During the past five years, 3Q stock levels rose by 38.6 mb on average, largely driven by seasonal distillate restocking. In 3Q10, distillates gained 'only' 16.1 mb, less than the 35.0 mb five-year average build, and thus were offset by a stronger, albeit seasonal, crude oil draw. In absolute terms, this leaves the OECD total industry stock overhang versus the five-year average largely concentrated in North America, with Europe and the Pacific at or below five year norms.



More complete data for major OECD countries indicate total oil inventories were 3.7 mb higher in August than originally thought, bringing total monthly holdings to only 3.3 mb below the record 1998 levels. The stock build in North American 'other products', highlighted last month as being unusually large, was revised lower by 11.0 mb, implying a modest 0.9 mb gain. Upward revisions to European crude oil holdings showed a stronger 11.4 mb build, versus the slight 0.8 mb increase reported last month.

Revisions versus 13 October 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Jul 10	Aug 10	Jul 10	Aug 10	Jul 10	Aug 10	Jul 10	Aug 10
Crude Oil	**0.1**	**-4.0**	**0.0**	**10.6**	**0.1**	**3.8**	**0.1**	**10.4**
Gasoline	0.0	-1.5	0.0	0.5	0.0	-0.4	0.0	-1.4
Middle Distillates	-0.2	0.1	0.8	3.1	0.1	0.1	0.6	3.3
Residual Fuel Oil	0.0	-2.0	0.0	0.0	0.0	-0.1	0.0	-2.0
Other Products	-0.1	-11.0	0.0	-0.1	0.0	-0.1	-0.1	-11.2
Total Products	**-0.3**	**-14.4**	**0.8**	**3.5**	**0.1**	**-0.4**	**0.6**	**-11.3**
Other Oils[1]	0.4	5.2	0.0	-1.1	0.0	0.4	0.4	4.5
Total Oil	**0.1**	**-13.1**	**0.8**	**13.0**	**0.1**	**3.8**	**1.0**	**3.7**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

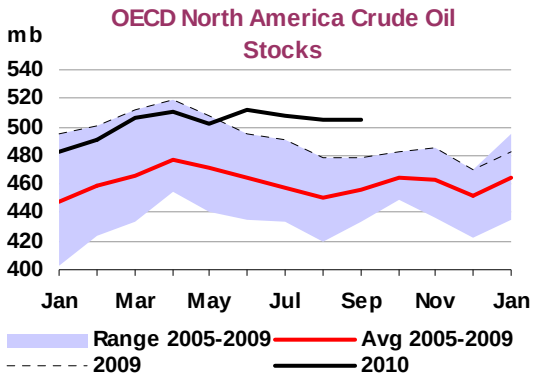
Preliminary October data indicate OECD industry oil stocks rose by 1.8 mb. Crude inventories built sharply by 19.4 mb, led by gains in Europe (where refinery operations were stunted by French refinery strikes) and in the US. On the product side, middle distillate stocks declined, led by decreases in the US and France. Meanwhile, gasoline inventories in the US declined strongly, but were partially offset by builds in Europe and Japan.

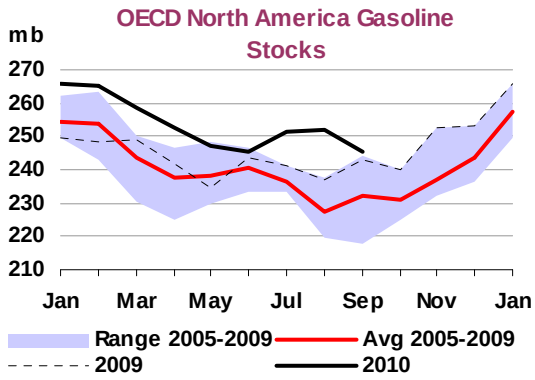
Short-term oil floating storage decreased to 59 mb at end-October, from 76 mb in September. Crude oil declined by 10 mb to 32 mb, as more than 9 mb offloaded in the Middle East. Meanwhile, product floating storage in the Mediterranean and Northwest Europe fell by 6 mb to cover for product shortages in France and neighbouring countries. This, combined with offloading in Africa and the US Gulf, reduced product floating storage to 27 mb.

Analysis of Recent OECD Industry Stock Changes

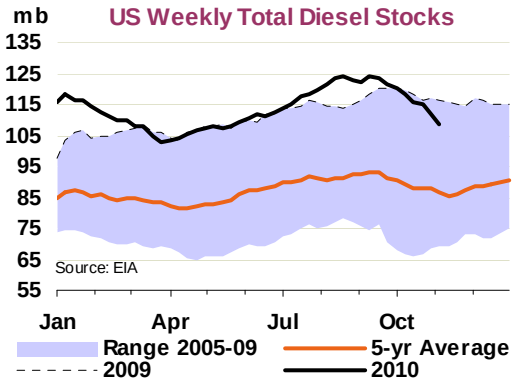
OECD North America

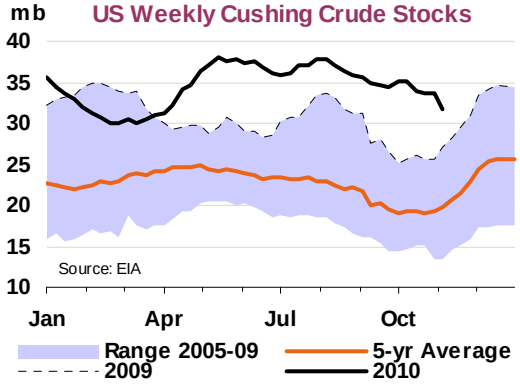
Industry oil stocks in North America fell by 6.1 mb to 1 395 mb in September. Gasoline and middle distillate inventories drove the decline, while builds in fuel oil and 'other products' provided some offset. Gasoline stocks drew by 6.3 mb, in contrast with the five-year average 4.3 mb build, following counter-seasonal gains in the previous months. In the US, falling refinery throughputs on the US East Coast weighed on product inventories in the region, where especially gasoline stocks decreased sharply. Overall, North American products fell by 7.3 mb, while crude inventories rose by a slight 0.6 mb.





Preliminary weekly data from the US Energy Information Administration (EIA) point to an 11.6 mb draw in US industry stocks in October. Product inventories fell by 19.2 mb, while a build in crude stocks provided some offset. Middle distillates declined by 7.8 mb, the majority of which was in ultra-low sulphur diesel, while gasoline fell by 8.1 mb, led by a further drawdown on the East Coast.

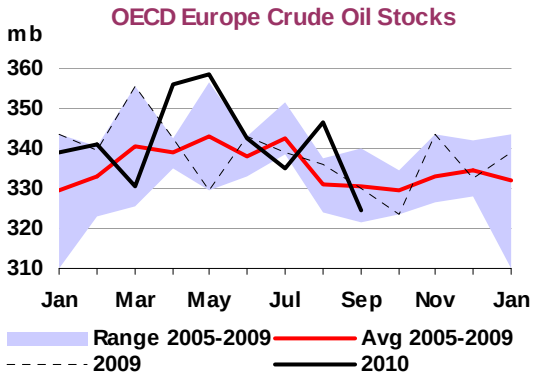


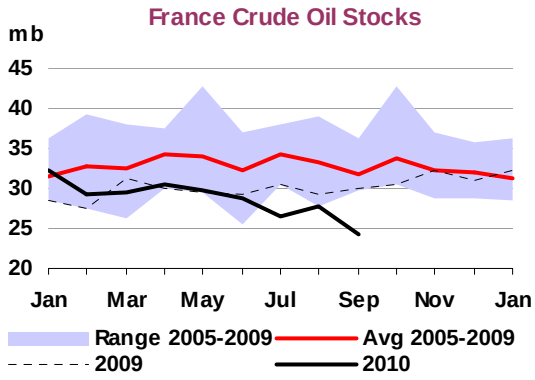


Crude oil stocks rose by 7.6 mb in October on lower imports and depressed refinery runs. Inventories held in Cushing, Oklahoma, fell for the third consecutive month to 33.5 mb. Stocks reached 37.8 mb in July, a level on the edge of estimated operable storage capacity at Cushing, the delivery point of NYMEX WTI. In response, Plains, the second largest storage tank operator, announced an expansion of its storage capacity by 4.3 mb. The first phase envisages construction of two storage tanks and a connecting line to the Keystone pipeline in 1Q11. A further 14 storage tanks will be added by end-2011.

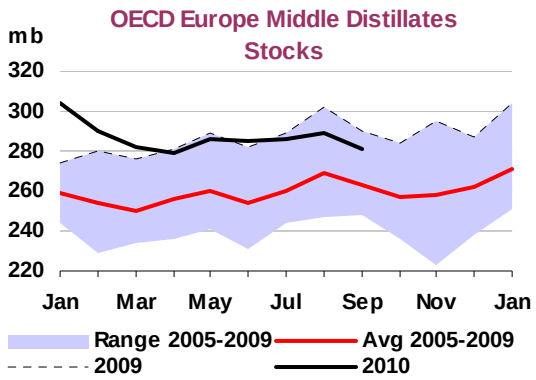
OECD Europe

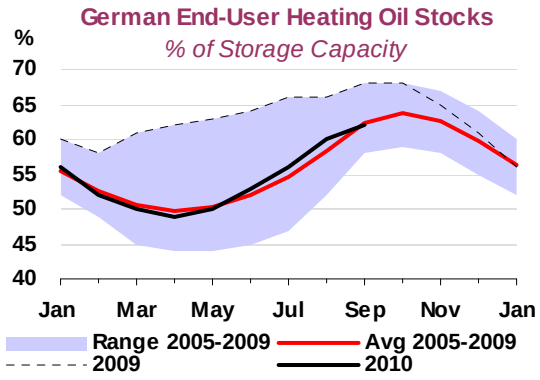
Commercial oil inventories in Europe fell by 28.2 mb to 954 mb in September. The decline was led by crude oil plummeting 22.1 mb in major European countries and came after an upward revision to European crude holdings in August, implying an 11.4 mb build (versus a previously reported 0.8 mb gain). Spain led September's draw, followed by the Netherlands, France and Germany.





Product inventories drew in line with the five-year average by 5.9 mb. Middle distillates declined by 8.5 mb, while a 1.9 mb build in fuel oil provided a partial offset. The sharper-than-average draw in distillates points to consumer restocking ahead of the winter heating season. French commercial distillate holdings fell by 5.4 mb and German end-user heating oil stocks increased from 60% to 62% of the capacity in September.

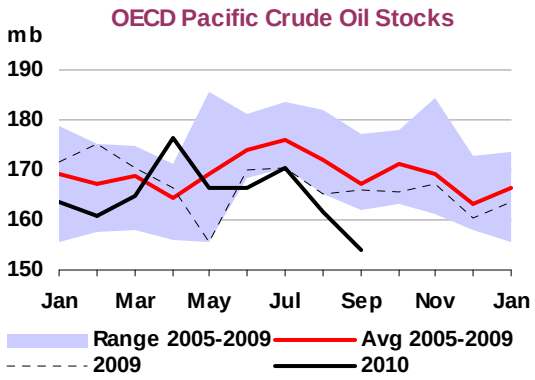


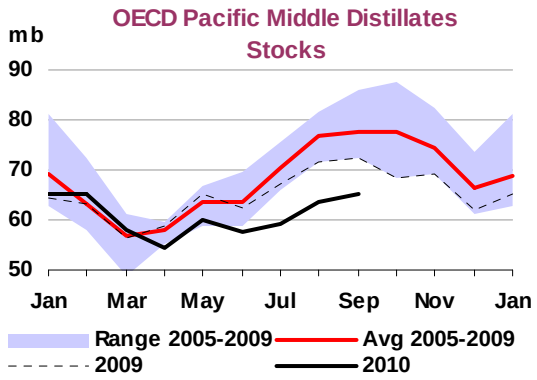


The European oil network experienced a stress test in October resulting from a port closure and refinery slowdowns due to industrial action in France. Although the Euroilstock report indicated a surprising 8.5 mb total oil stock-build in the EU-15 plus Norway in October, much of it stemmed from a 10.7 mb increase in crude oil inventories. Yet, French crude stocks showed no change, and elevated levels of crude oil were stored at sea as an armada of tankers anchored near the Mediterranean port Fos-sur-Lavera awaited offloading. Product inventories fell by 2.2 mb, driven by a 2.3 mb drop in French middle distillates. In a response to events in France, products held in independent storage in Northwest Europe declined in October, with the largest draw in gasoline. A further 6 mb of products, mostly distillates, held in floating storage in the Mediterranean and Northwest Europe were brought ashore.

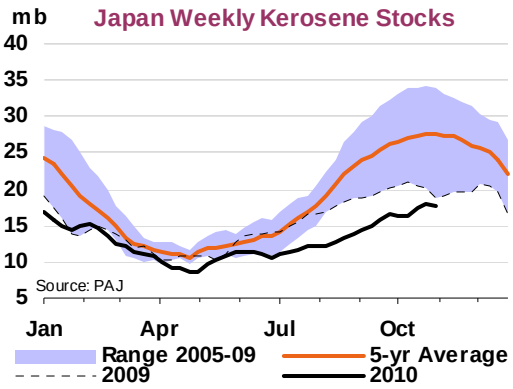
OECD Pacific

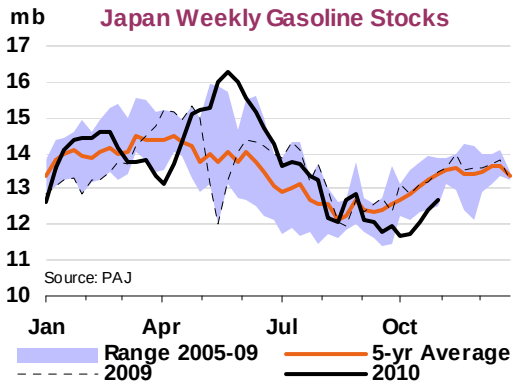
Industry oil inventories in the OECD Pacific region fell by 8.4 mb to 401 mb in September. Crude oil stocks declined sharply (-7.9 mb) after a draw of similar extent reported the previous month. However, Japan drove the entire September's drop as crude holdings fell on lower imports ahead of refinery turnarounds. Products rose slightly as gains in fuel oil, middle distillates and gasoline offset a counter-seasonal 2.6 mb drop in 'other products'. Middle distillates rose by 1.5 mb, in line with seasonal norms, driven by builds in Korea, and fuel oil added a further 1.6 mb.





Preliminary weekly data from the Petroleum Association of Japan (PAJ) point to a 4.9 mb build in Japanese industry stocks in October. On the back of seasonal refinery maintenance, crude oil stocks rose slightly by 1.0 mb while, surprisingly, product inventories increased by 3.9 mb, suggesting some demand weakness. Kerosene holdings grew by 1.2 mb over the month to only 1.3 mb below the previous year levels forming the bottom of the five-year average range. Gasoil reversed September's decline, rising by 1.2 mb in October, while gasoline added a further 0.9 mb.

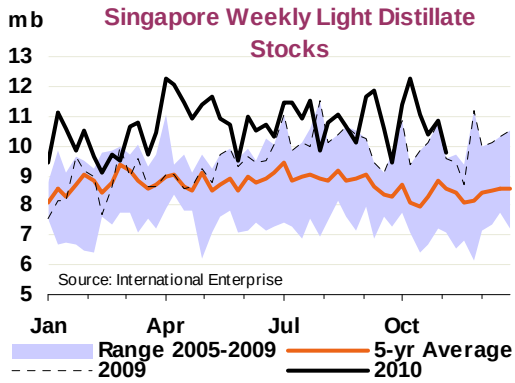


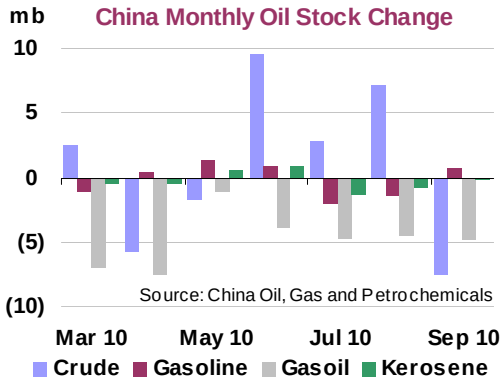


Recent Developments in Singapore and China Stocks

According to *China Oil, Gas & Petrochemicals (China OGP)*, Chinese commercial crude oil inventories dropped by 7.5 mb (3.4%) in September, yet other fundamentals point to a strong monthly stock-build. Record high net imports, combined with an uptick in domestic production, exceeded refinery runs (estimated at 8.5 mb/d) by approximately 1.3 mb/d. Just where this portion of imported crude oil went remains unclear. Some reports suggest that for several months China has been importing crude for strategic storage. But initial facilities in the second phase of China's Strategic Petroleum Reserve (SPR) are yet to be completed. The SPR's second phase envisages eight storage sites with combined capacity of 170 mb by 2012. The first phase of the Chinese SPR with capacity of 102 mb was completed and filled by March 2009. So it is possible that latest official inventory data may understate the extent of refiner crude stockpiling in response to the recent surge in diesel demand.

Despite an uptick in refinery runs, product inventories declined in September, outweighed by higher exports and stronger demand ahead of a hike in product prices. Gasoil inventories shed 4.9 mb (8.6%), kerosene fell by 0.2 mb (1.3%), while gasoline rose by 0.7 mb (1.3%). Reportedly experiencing diesel shortages, the country has scaled back diesel exports and gasoil stocks drew for seven consecutive months, bringing stocks down from 86 mb in February to an estimated 52 mb in September.



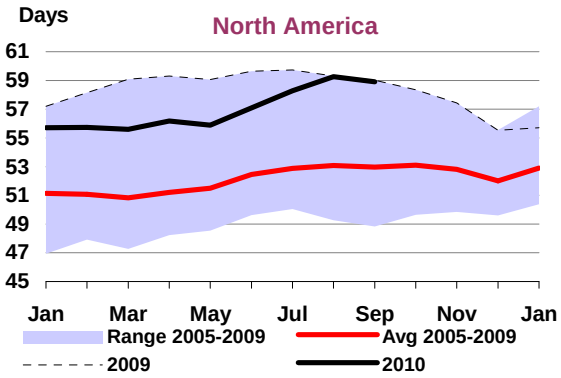


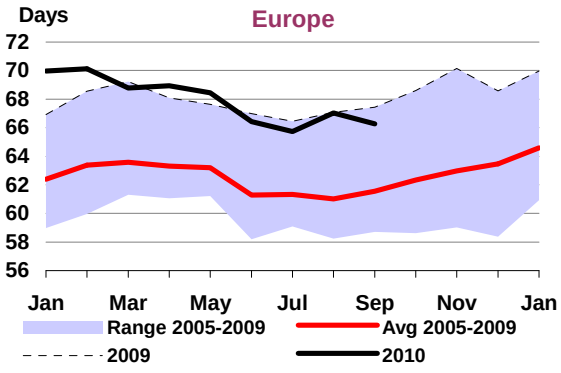
Singapore onshore inventories fell by 0.8 mb in October. Light distillates drew by 1.3 mb on lower imports and stronger regional demand. The arbitrage window for incoming fuel oil remained closed over the month and stocks fell by 1.3 mb. Middle distillates built by 1.8 mb, despite lower imports from China, providing some offset.

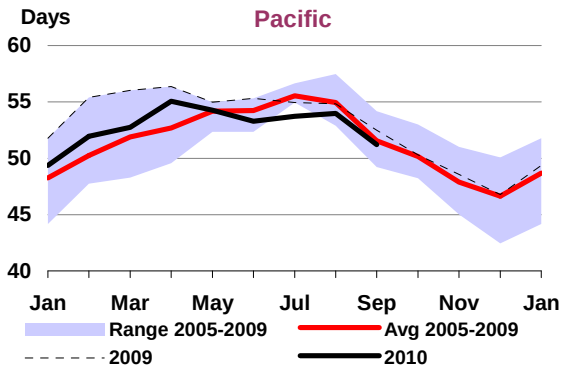
Regional OECD End-of-Month Industry Stocks

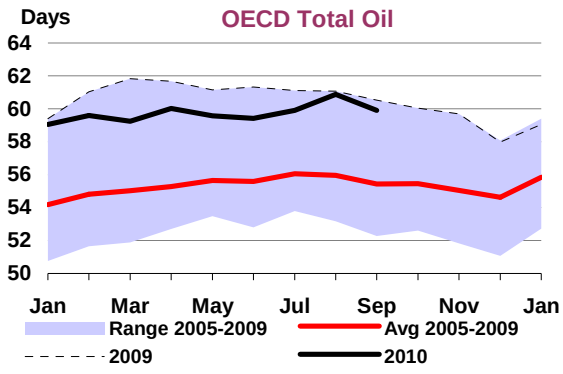
(in days of forward demand and millions barrels of total oil)

Days[1]

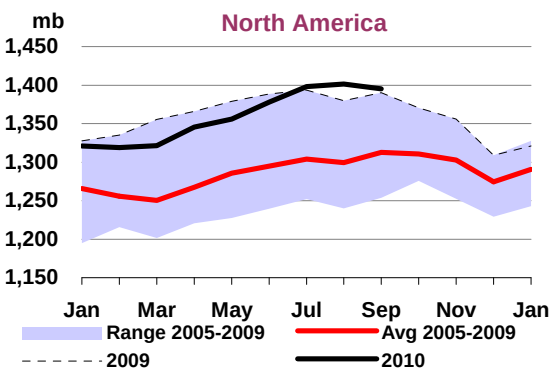


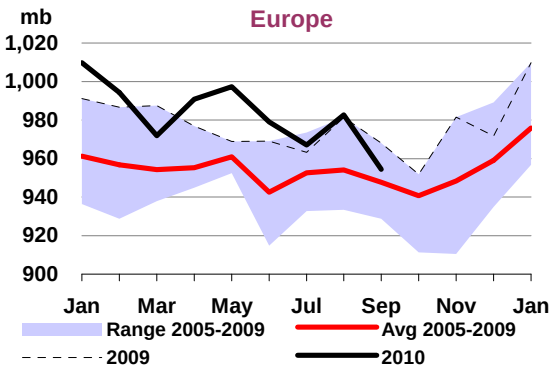


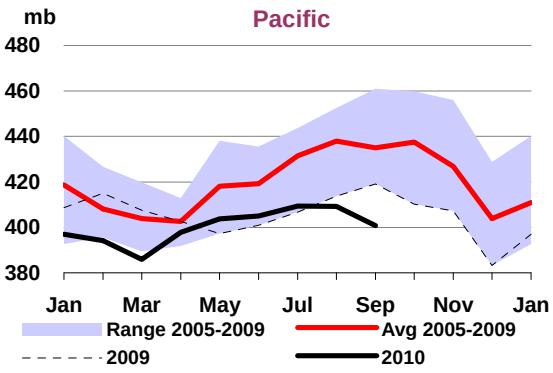


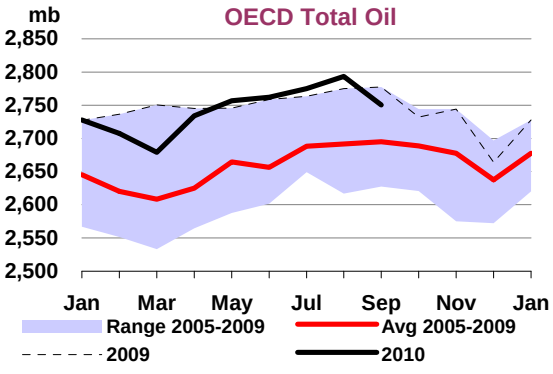


Million Barrels









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

PRICES

Summary

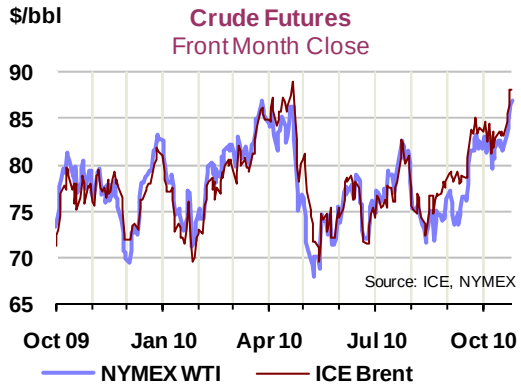
- **Oil markets turned markedly stronger in October and, by early November, benchmark crude prices were perched around two-year highs.** Crude oil futures broke out of the $75-78/bbl average trading range posted in the third quarter and headed to a loftier $82-83.50/bbl level in October. At writing, benchmark crudes had strengthened further and were oscillating around $89/bbl.

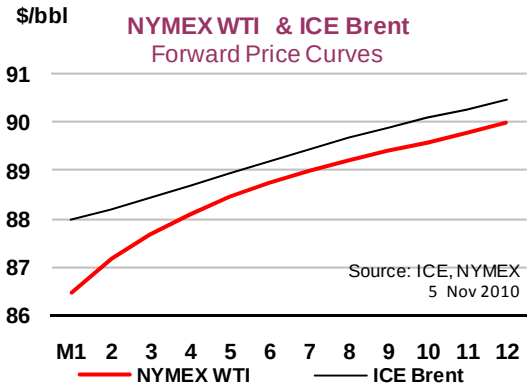
- **Stronger-than-expected global oil demand growth heading into the peak winter season and lower OECD inventories helped underpin oil prices in October.** Equally, robust financial markets, a depreciating dollar and the US Federal Reserve's decision to inject more money into the economy as part of its second round of quantitative easing, or QE2, added further upward momentum.

- **Crude oil markets moved higher on demand from refiners in the US** with the maintenance turnaround season ending while buying by China was brisk against a backdrop of anticipated record throughput rates and strong gasoil demand. However, France's month-long industrial action depressed regional crude prices mid-month and distorted price differentials of crudes pegged to benchmark Dated Brent.

- **Refinery margins rose in Europe and Asia in October, while the picture remained mixed for the US.** Both Northwest European and Mediterranean margins improved strongly, in part due to the French refinery workers strike action.

- **In contrast to the malaise reported in recent months, the crude tanker market saw a slight upturn in October,** in part due to some indirect supply tightness as vessels were delayed by the French port strikes. Clean product tanker rates, however, weakened with only one benchmark route holding steady over the month as the oversupply in the market continued to weigh heavy.



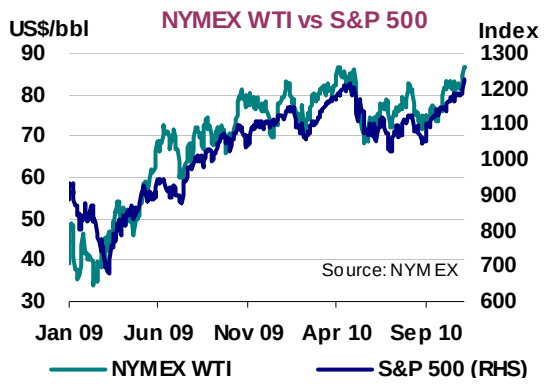


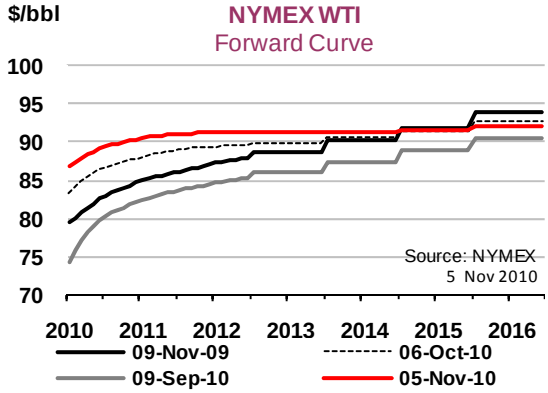
Market Overview

Oil markets turned markedly higher in October and were flirting near two-year peaks by early November. Crude oil futures broke out of the average $75-78/bbl trading range posted in the third quarter and strengthened to a loftier $82-83.50/bbl level in October. Prices for benchmark crudes WTI and Brent in October rose by around $5-6/bbl, to $81.97/bbl and $83.54/bbl, respectively. In early November, crude oil futures moved higher still, up by around $6/bbl. At writing, benchmark crudes were oscillating around $89/bbl.

Stronger financial markets, a depreciating dollar against other currencies and the US Federal Reserve's decision to inject more money into the economy as part of its quantitative easing programme combined to lift oil prices higher (see '*The Joys of Easing*'). Market analysts believe the upward price pressure from

anticipation of the QE2 announcement was already partly factored into price levels. While economists and policy makers continued to debate the likely effects of QE2 on oil markets, traders appear to have already cast their bets on an expected increase of capital flows into emerging markets and/or commodities that would lead to stronger demand and higher prices.





Grabbing less headlines but at least as important, stronger-than-expected global oil demand growth in the third quarter and expectations of accelerating consumption levels during the peak winter season underpinned higher price levels in October. Latest data for both the OECD and non-OECD countries show global demand growth gaining traction on a quarter-by-quarter basis, with 3Q10 demand up by 3.1 mb/d year-on-year compared with 2.8 mb/d growth in 2Q10 and 2.0 mb/d in 1Q10.

China, as expected, provided considerable strength to both crude and product markets in October, with reports of anticipated record November run rates supporting the former and stronger diesel demand the latter.

The weight of surplus global inventories on markets was partially lightened in October as oil held in floating storage contracted sharply. In October, floating stocks fell to 59 mb, less than half the 127 mb seen six months ago. Moreover, in the US, the flattening of the forward curve prompted companies to draw down crude held at onshore storage tanks in Cushing, Oklahoma for the third month in a row.

Prompt Month Oil Futures Prices

(monthly and weekly averages, $/bbl)

	Aug	Sep	Oct	Oct-Sep Avg Chg	% Chg	Week Commencing: 04 Oct	11 Oct	18 Oct	25 Oct	01 Nov
NYMEX										
Light Sweet Crude Oil	76.67	75.55	81.97	6.43	7.8	82.37	82.17	81.32	82.12	84.98
RBOB	83.76	81.68	88.61	6.93	7.8	89.41	89.84	87.25	88.13	89.86
No.2 Heating Oil	86.27	88.73	94.95	6.22	6.5	96.00	95.40	93.96	94.14	97.92
No.2 Heating Oil ($/mmbtu)	14.81	15.23	16.30	1.07	6.5	16.48	16.38	16.13	16.16	16.81
Henry Hub Natural Gas ($/mmbtu)	4.22	3.90	3.60	-0.30	-8.3	3.72	3.62	3.44	3.58	3.87
ICE										
Brent	77.12	78.42	83.54	5.12	6.1	84.13	83.77	82.77	83.43	86.50
Gasoil	88.52	90.15	96.35	6.19	6.4	97.51	97.01	95.41	95.40	98.21
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-0.45	-2.87	-1.56	1.31		-1.76	-1.60	-1.45	-1.31	-1.53
NYMEX No.2 Heating Oil - WTI	9.60	13.18	12.97	-0.21		13.63	13.23	12.65	12.01	12.94
NYMEX RBOB - WTI	7.10	6.13	6.63	0.51		7.04	7.68	5.93	6.01	4.88
NYMEX 3-2-1 Crack (RBOB)	7.93	8.48	8.75	0.27		9.24	9.53	8.17	8.01	7.57
NYMEX No.2 - Natural Gas ($/mmbtu)	10.59	11.34	12.70	1.36		12.76	12.75	12.69	12.58	12.94
ICE Gasoil - ICE Brent	11.40	11.74	12.81	1.07		13.38	13.24	12.64	11.96	11.71

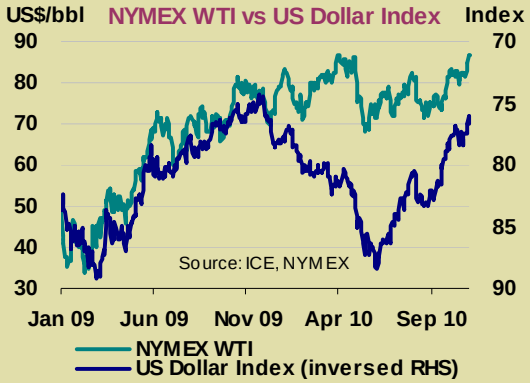
Source: ICE, NYMEX

The Joys of Easing

In early November, the US Federal Reserve announced a second round of asset purchases, dubbed 'Quantitative Easing 2' or QE2. The move was prompted by the relative weakness of the US economic recovery – with persistently high unemployment, hovering at around 10%, and perceived risks of a deflationary spiral raising fears of prolonged stagnation in line with the Japanese experience. The Fed decided to resort to such a measure as 'conventional' alternatives have been exhausted. The current US domestic political climate arguably precludes further fiscal stimulus, while short-term interest rates fell effectively to zero following the monetary loosening and the first round of asset purchases (the $1.7 trillion QE1) triggered by the onset of the Great Recession.

QE2 is grounded in monetary theory, which establishes a link between money supply, velocity (the number of times a dollar turns over in a given period), price levels (effectively the inflation rate) and final expenditures (the value of aggregate final transactions, or GDP). Simply stated, if inflation and velocity are low (as currently), the only way to boost GDP is to increase the money supply. This raises inflationary expectations and eventually curbs long-term interest rates, thus boosting investment and spending in the short-term. In practice, this means that the Fed will print dollars to buy long-term US Treasury bonds, hoping to 'crowd in' investors to buy riskier assets – i.e., corporate bonds, equities and physical assets such as real estate or industrial assets. The Fed is set to buy $600 billion-worth of bonds until end 2Q11, and to re-invest the proceeds of the previous asset purchase programme. All in all, QE2 will amount to around $900 billion, equivalent to $110 billion per month.

However, consensus on the domestic benefits of QE2 is elusive, both within the US – with dissenting voices within the Fed, for example – and abroad. The key criticism is that the policy fails to address the main choke point of the US economy: its housing market. As long as housing prices do not recover, consumer spending – which accounts for almost two-thirds of GDP – is unlikely to pick up significantly. Some pundits argue that this has a structural effect on employment: workers are unable to relocate if they are stranded with negative equity, and that cannot be solved by monetary policy, however unconventional (contrary to QE1, QE2 will not buy mortgage-based securities). Moreover, interest rates – both short- and long-term – are already at historical lows, yet loan demand remains in the doldrums, suggesting that households and companies are focusing on rebuilding their debt-laden balance sheets, rather than borrowing to consume and invest. The risks and impacts from ultimately higher interest rates and inflation, plus the possible dangers of a renewed asset bubble, are also being hotly debated.



Meanwhile, the question remains as to the likely effects of QE2 on oil demand and prices. One possibility is that QE2 works as intended and that the US recovery is vigorous, supporting the global economy and therefore oil demand and prices. Another outcome is that risk aversion persists or that investors focus on returns, in which case QE2 would then simply encourage capital flows into emerging markets and/or commodities. If so, this would have several consequences.

First, it would oblige emerging countries to choose the lesser of two evils – currency appreciation or inflation, particularly for those with a dollar peg. Some economists contend that QE2 will in the end force such an appreciation upon recalcitrant 'currency manipulators' as inflation would be a worse alternative. This would boost oil demand in due course, since energy-intensive emerging countries – most of whom are net oil importers – would face lower energy costs (although the impact might be countered if governments took the opportunity to reduce domestic price subsidies). Yet this supposes that the deterioration of the terms of trade implicit in such an appreciation would not derail economic growth, especially in export-oriented countries. Actually, several large economies have already objected to the US move, raising the spectre of potential protectionism and capital controls, which could ultimately curb global economic growth.

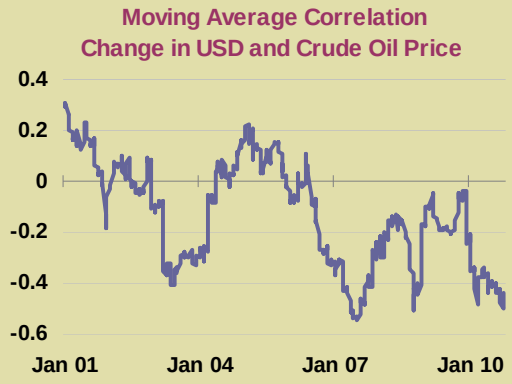
Second, a renewed shift into commodities could foster a price bubble – defined as a price increase not commensurate with either the depreciation of the dollar or with global economic growth. Indeed, commodities have become an asset class in themselves, and prices could well increase in real terms, at least

The Joys of Easing (continued)

until market fundamentals (demand and supply) reassert themselves. Moreover, a rapid rise in oil prices – and soft commodities – would curb the purchasing power of US consumers, potentially subtracting, rather than adding, to the country's economic growth, at least in the short-term. The currency depreciation would have positive, counterbalancing trade effects, but these typically tend to lag.

There have been previous episodes of capital flowing into commodities – notably from the mid 2000s, culminating in oil prices surging to almost $150/bbl by mid 2008. A number of physical market factors underpinned the rise, including strong demand growth, constrained supply, tight spare capacity and dislocations between available refinery feedstock, upgrading capacity and product specifications. Expectation of inexorably tightening oil markets in the future also played a role. However, falling US interest rates, the ensuing search for yield and the emergence of commodities as an asset class arguably contributed to sustain price strength. The bubble duly burst when fundamentals worsened with the recession-induced collapse in oil demand.

Yet financial transmission mechanisms between monetary policy and commodity prices are complex. Empirically, there is clearly an inverse correlation between oil prices and exchange rates – that is, other things being equal, oil prices rise if the dollar falls. An assessment of the dynamic conditional correlation and of the 52-week rolling average correlation between the change in the oil price and the change in the nominal effective exchange rate shows that this relationship has been relatively strong in recent months. What is less clear, though, is the direction of causality. Several econometric techniques suggest that causality may run from the oil price to the exchange rate, rather than the opposite. However, this somewhat counter-intuitive finding might be explained by the fact that both variables react to a common factor – US monetary expansion – which depreciates the dollar but boosts demand elsewhere as oil become cheaper in other currencies (although limited price elasticity dilutes direct feed-through from dollar depreciation to non-US demand).



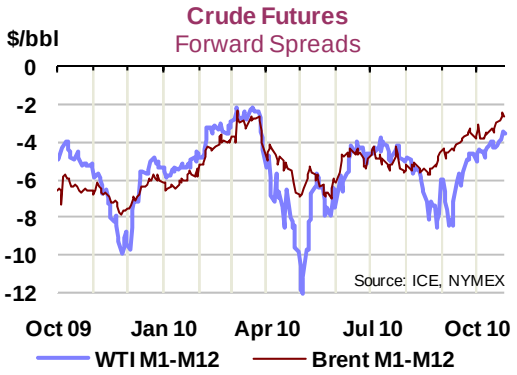
Given these uncertainties, perhaps the key question is whether oil market fundamentals are strong enough to support another bubble, however briefly. As discussed elsewhere in this report, 3Q10 demand has indeed surprised on the upside. However, we have also argued that the reasons behind the current demand strength are largely transient, with growth expected to recede in the quarters ahead. And given that the supply outlook remains comfortable and that stocks are plentiful, the recent rise in oil prices may prove to be temporary. Interestingly, albeit oil prices soared to around $89/bbl over the past month, they have remained broadly stable since QE2 was announced – suggesting that the move has been already fully priced in and that comfortable global fundamentals may be exerting a constraining influence.

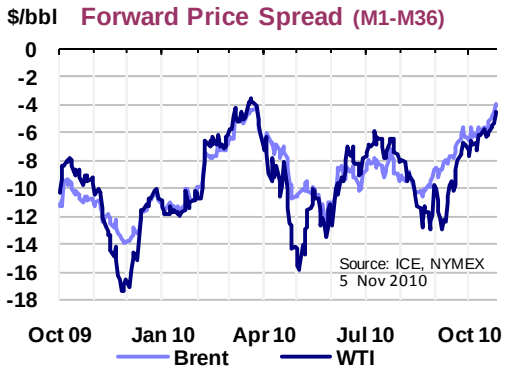
Futures Markets

A flattening of the forward price curve characterised futures markets in recent weeks. The jump in prompt month WTI futures prices, combined with significant selling by producers at the back end of the curve, led to a flattening all along the forward price curve. The WTI M1-M12 narrowed to $4.55/bbl in October from around $7.10/bbl in September. By the first week of November, the spread was running about $3.75/bbl. Longer dated futures contracts followed a similar pattern. The M1-M78 spread has been more than halved since September at around $6.55/bbl in early November. That compares with $9.36/bbl in October and $15.52/bbl in September.

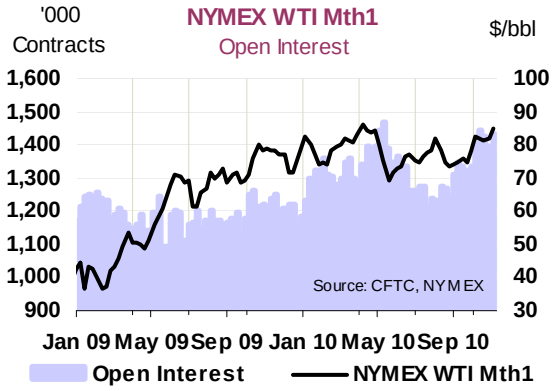
Higher futures prices proved a magnate for investment funds in recent months. The influx of commodity index money in futures and over-the-counter (OTC) markets increased in September 2010 to a notional value of $241.5 billion in the long side and $181.7 billion in net notional value. Index investment activity

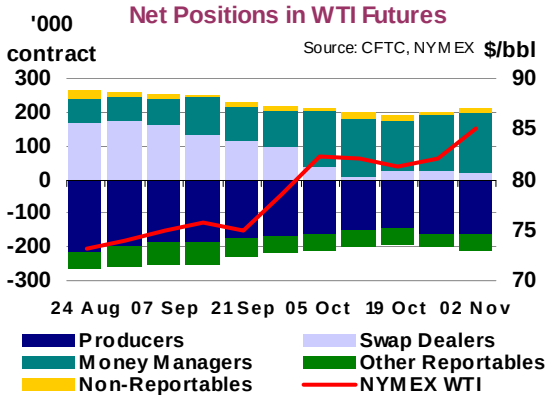
in the WTI Light Sweet Crude Oil market reached an all time high of 642 000 futures equivalent contracts in September 2010, or $52.4 billion in notional value.





Open interest in NYMEX WTI futures has continued to increase since July 2010, adding another 1.8% in October to reach 1.433 million contracts. Producers raised their net long position slightly during the month of October by 1.4% to 164 600 contracts, holding at the end of the month 25.5% of the short and 14% of the long contracts in WTI futures. Swap dealers, who often serve as a bridge between the OTC market and futures market, increased both their long and short exposures, but the rise in their short holdings surpassed that in their long holdings, thereby reducing their net long position by close to 100%, at just under 20 000 contracts.





Managed money traders, so-called hedge funds, raised their overall exposures in the market. The increase in their long position is much higher than the increase in their short position, thereby resulting in an increase in their net long exposure by more than 7.1% to 177 800 contracts. Other non-commercials, which include floor brokers/traders and non-registered participants, remained net short in the market, although they reduced both their long and short holdings. However, the decline in their long position is smaller than that in their short position, resulting in a reduction in their net short holdings by 3% to 47 600 contracts.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

02 November 2010	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	200.4	365.0	-164.6	*Short*	↓ -4.2	↓ -2.3
Swap Dealers' Positions	253.7	233.7	20.0	*Long*	↓ -5.5	↓ -19.3
Money Managers' Positions	249.6	71.9	177.8	*Long*	↑ 11.7	↑ 12.6
Others' Positions	87.0	134.7	-47.6	*Short*	↓ -6.9	↑ 1.4
Non-Reportable Positions	85.5	71.0	14.5	*Long*	↑ 4.8	↑ 7.6
Open Interest			**1433.3**		↑ 38.7	↑ 25.4

Source: CFTC

Meanwhile, open interest in the NYMEX RBOB futures market increased by 6.57% to 277 800 contracts. Producers continued to hold the largest long and short positions in the market, controlling 71.8% and 37.6% of open interest on the short side and long side, respectively. Contrary to September, open interest in the NYMEX heating oil market declined by 5.82% to 318 500 contracts.

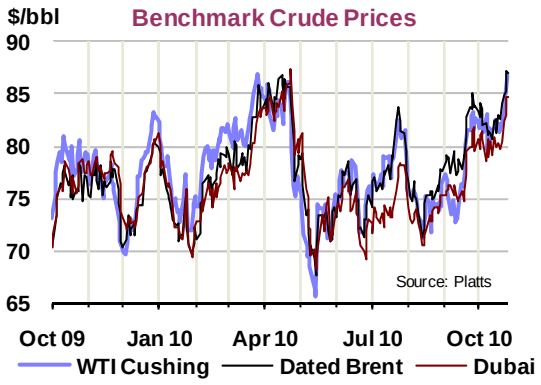
Market Regulation

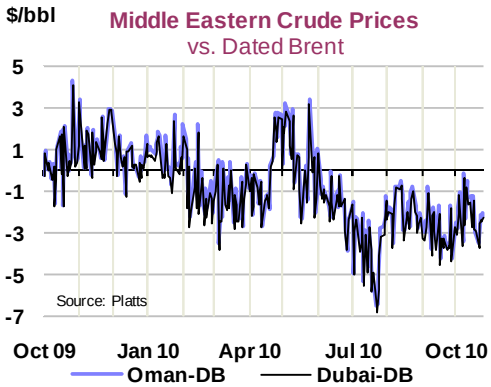
Ahead of the G20 meeting in South Korea on 11-12 November, a survey of OTC derivatives regulations commissioned by the group revealed unregulated trading activity might not be as prevalent as generally perceived. The International Organization of Securities Commissions (IOSCO) reported that around two-thirds of oil (both crude and product) OTC derivatives are already either traded on exchanges or centrally cleared. It appears that, even without new government mandates, clearing of OTC trades has significantly increased since the global financial crisis sparked concern over the creditworthiness of their counterparties. The IOSCO report also singled out the need for the IEA, the International Energy Forum (IEF) and OPEC to improve data reporting on physical oil fundamentals by their members.

Meanwhile, the US Commodities Futures Trading Commission (CFTC) progressed on mandates set out in the Wall Street Reform and Consumer Protection Act. However, the Republican Party victory in the mid-term congressional elections may ultimately undermine the implementation of the Dodd-Frank bill and new regulations being drafted by the CFTC and Securities and Exchange Commission (SEC). The leading contender to take over as chairman of the House's Financial Services Committee has already said that Dodd-Frank is 'overly expansive' and that he plans to rewrite provisions that regulate oil swaps and other OTC derivatives.

Spot Crude Oil Prices

Spot crude oil prices strengthened on average in October following renewed demand from refiners, with maintenance turnarounds ending in the key US market while buying by China was especially brisk to meet higher throughput rates. However, France's four-week long strike action, which blocked ports from unloading crude and sharply reduced refinery operations, depressed regional crude prices by mid-October and distorted Atlantic Basin crudes pegged to Dated Brent.

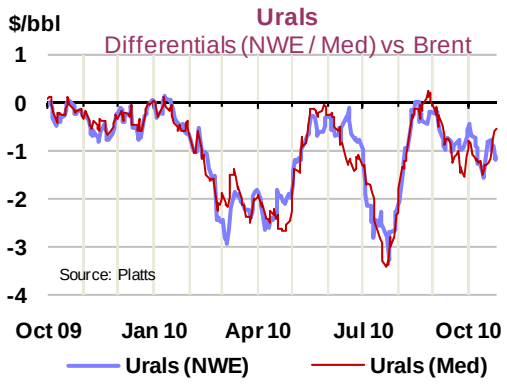


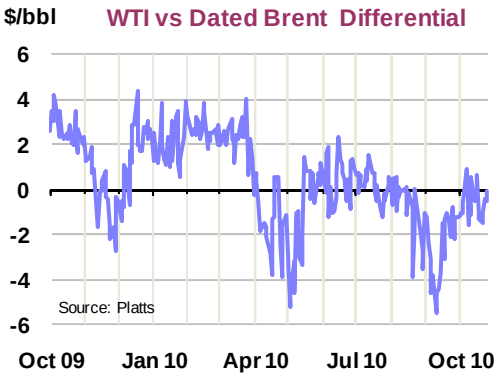


Reversing last month's declines, average spot prices for WTI saw the highest monthly increase, up by $6.72/bbl to $81.89/bbl. After posting modest increases in September, North Sea Dated Brent increased by $4.95/bbl to $82.74/bbl. Spot prices for Dubai saw similar gains, up by $5.10/bbl, to an average $80.22/bbl. By early November, spot prices for benchmark crudes were up a further $2-3/bbl.

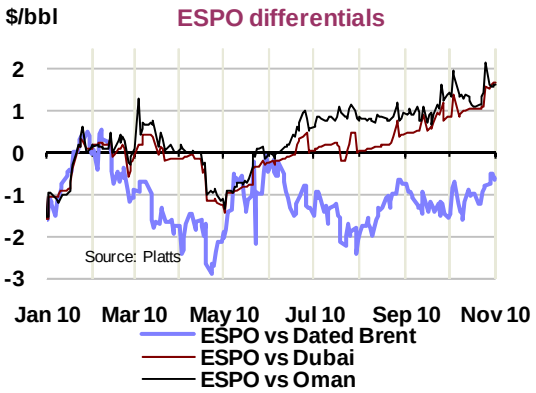
WTI's relative strength was due in part to a drawdown of crude oil inventories at the key Cushing, Oklahoma storage terminals. Cushing stocks fell for the third month in a row in October, but at 33.5 mb, stocks are only 4.3 mb below July levels. The narrowing of the contango has made the storage play

uneconomic in recent months. The forward WTI Cushing price differential for M1-M2 has narrowed to $0.68/bbl versus $1.35/bbl in September.





Meanwhile, Brent's relative weakness stemmed from the 30 mb of crude oil supplies sitting offshore France because of the month-long strikes at the country's ports and refineries, the latter cutting crude supplies by an estimated 950 kb/d. As a result, WTI's discount to Dated Brent narrowed to $0.85/bbl in October versus $2.62/bbl in September. For several days in mid-October WTI even managed to regain a premium to Brent.



In the Mediterranean, Urals' discount to Dated Brent widened to $1.21/bbl on average in October compared to an unusually narrow $0.41/bbl in September, when reduced supplies tightened the differential. Russia's ESPO crude saw its price differential to Dubai crude hit an all-time high on the back of brisk demand for light sour crudes, and as refiner acceptance of the new grade increased. ESPO Blend traded at a premium to Dubai of $1.65/bbl in early November compared with $1.05/bbl on average in October, $0.64/bbl in September and $0.19/bbl in August.

Spot Crude Oil Prices and Differentials

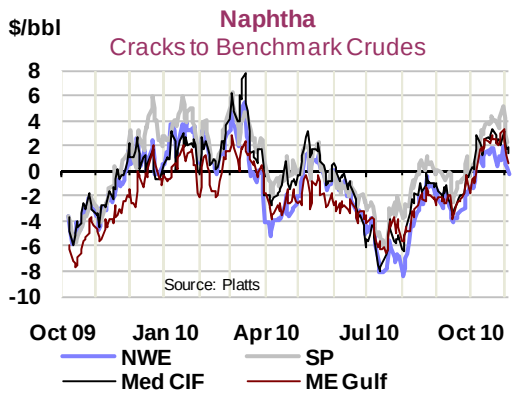
(monthly and weekly averages, $/bbl)

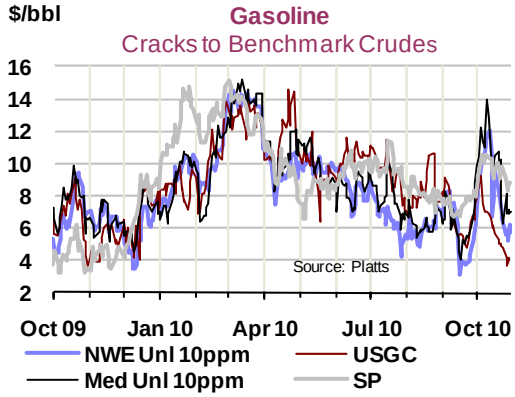
	Aug	Sep	Oct	Oct-Sep Avg Chg	%	Week Commencing: 04 Oct	11 Oct	18 Oct	25 Oct	01 Nov
Crudes										
Dated Brent	77.15	77.79	82.74	4.95	6.4	84.02	83.17	81.37	82.41	85.69
Brent (Asia) Mth1 adjusted	76.72	77.77	83.12	5.35	6.9	83.86	83.99	82.04	82.67	85.37
WTI (Cushing) Mth1 adjusted	76.62	75.17	81.89	6.72	8.9	82.36	82.14	81.17	81.96	84.99
Urals (Mediterranean)	75.45	77.38	81.53	4.15	5.4	82.65	82.20	80.16	81.06	84.88
Dubai Mth1 adjusted	74.09	75.12	80.22	5.10	6.8	80.56	80.74	79.56	80.13	82.62
Tapis (Dated)	78.90	80.65	86.48	5.83	7.2	87.58	87.27	85.09	85.97	88.97
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-0.53	-2.62	-0.85	1.77		-1.66	-1.03	-0.20	-0.44	-0.70
Urals (Mediterranean)	-1.69	-0.41	-1.21	-0.80		-1.37	-0.97	-1.20	-1.34	-0.81
Dubai Mth1 adjusted - Dated Brent	-3.06	-2.67	-2.53	0.15		-3.46	-2.42	-1.81	-2.28	-3.07
Tapis (Dated)	1.76	2.86	3.73	0.88		3.56	4.11	3.73	3.56	3.28
Prompt Month Differential										
Forw ard Cash Brent Mth1-Mth2 adj.	-0.43	-0.16	-0.41	-0.24		-0.14	-0.39	-0.58	-0.53	-0.17
Forw ard WTI Cushing Mth1-Mth2 adj.	-0.56	-1.35	-0.68	0.67		-0.72	-0.71	-0.58	-0.67	-0.66

Source: Platts

Spot Product Prices

Spot product prices rose in all major regions in October, with crack spreads for naphtha and middle distillates especially robust in Europe and Asia. By contrast, differentials for fuel oil —barring the Med— weakened across all markets as demand from utilities waned.





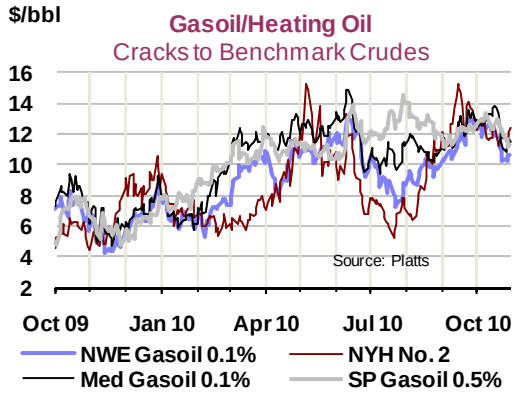
In Europe, reduced product supplies due to the shut-in of French refineries and increased buying of heating fuels by German consumers ahead of the peak winter season boosted crack spreads for gasoil. In the Mediterranean, differentials to Urals increased to $13.17/bbl in October compared with $11.54/bbl in September. Gasoil cracks for Brent in Rotterdam rose to $12.09/bbl versus $11/bbl in September.

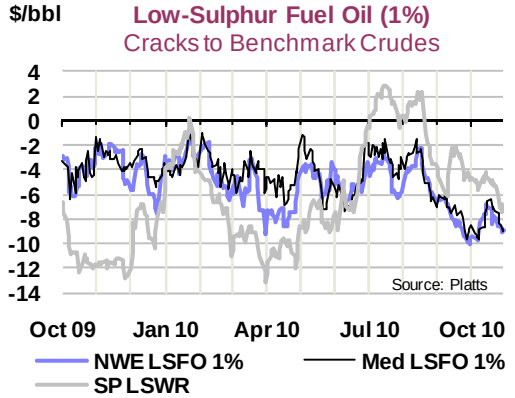
In the US, stronger crude markets largely outstripped product price increases, with only gasoline cracks in New York Harbor rising month-on-month. Unleaded gasoline differentials rose counter-seasonally, in part due to reduced yields of gasoline as refiners switched to a higher heating oil slate, to a monthly average of $8.18/bbl versus $7.44/bbl in September and $5.12/bbl in August. By contrast, heating oil cracks declined slightly, to $12.32/bbl from an average $12.73/bbl the previous month.

In Asia, crack spreads were mixed in October, with naphtha, gasoline and middle distillates showing strong increases while fuel oil remained weak. The focus of market attention has been on China's surging end-year demand for diesel and gasoil. Chinese government mandates to meet emissions reductions and energy efficiency targets have seen a surge in diesel and gasoil demand. As part of the conservation efforts, power rationing has forced companies to burn diesel to generate electricity.

Meanwhile, increased petrochemical demand pushed naphtha crack spreads in Singapore into positive territory in October, to $2.75/bbl last month compared -$0.60/bbl in September. Premium unleaded gasoline differentials to Dubai increased to $9.49/bbl last month compared with $7.43/bbl in September. Gasoil firmed to $12.64/bbl on average in October compared to $11.92/bbl the previous month.

Fuel oil cracks continued their downward trend in October, with LSWR differentials to Dubai at -$4.85/bbl, as the end of seasonally strong demand for power unwound.





Spot Product Prices

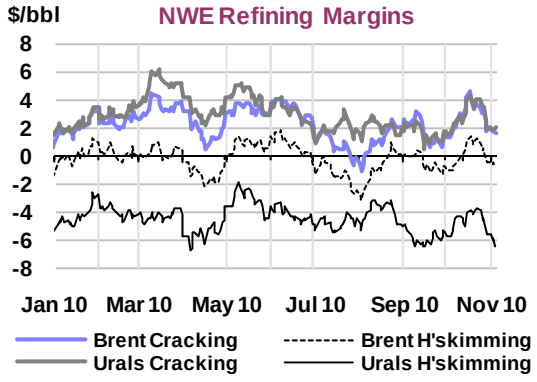
(monthly and weekly averages, $/bbl)

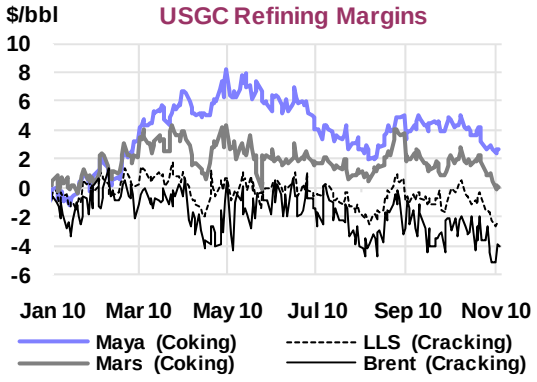
	Aug	Sep	Oct	Oct-Sep Chg	Oct-Sep %	Week Commencing: 04 Oct	11 Oct	18 Oct	25 Oct	01 Nov	Aug	Sep	Oct
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	84.39	84.39	91.20	6.81	8.1	91.10	92.50	91.01	90.79	92.03	7.24	6.59	8.45
Naphtha	73.24	75.07	83.41	8.34	11.1	83.67	84.09	82.98	83.29	86.44	-3.91	-2.72	0.67
Jet/Kerosene	88.56	89.73	95.86	6.13	6.8	96.35	96.60	95.28	95.31	97.66	11.41	11.94	13.12
ULSD 10ppm	89.05	91.25	97.55	6.30	6.9	98.26	98.18	96.97	96.80	99.44	11.90	13.46	14.81
Gasoil 0.1%	86.35	88.80	94.83	6.03	6.8	96.48	95.53	93.61	93.54	96.21	9.20	11.00	12.09
LSFO 1%	72.86	70.58	74.15	3.57	5.1	74.31	73.89	74.01	74.52	76.94	-4.29	-7.22	-8.59
HSFO 3.5%	68.08	67.28	71.37	4.09	6.1	72.54	71.70	70.52	70.82	74.01	-9.07	-10.51	-11.37
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	81.79	83.56	91.36	7.81	9.3	91.26	94.25	90.72	89.94	92.09	6.33	6.17	9.83
Naphtha	73.02	75.37	83.78	8.41	11.2	84.22	84.47	83.22	83.56	86.86	-2.44	-2.02	2.24
Jet Aviation fuel	86.80	88.19	94.20	6.01	6.8	94.77	95.02	93.53	93.56	95.93	11.35	10.80	12.67
ULSD 10ppm	88.98	90.91	97.43	6.52	7.2	98.12	97.95	96.75	96.96	99.40	13.53	13.52	15.90
Gasoil 0.1%	86.64	88.92	94.70	5.78	6.5	96.03	95.28	93.82	93.60	96.05	11.19	11.54	13.17
LSFO 1%	72.16	70.56	73.27	2.71	3.8	73.72	72.90	72.53	74.01	76.46	-3.29	-6.83	-8.26
HSFO 3.5%	68.33	66.25	71.20	4.95	7.5	72.61	72.06	70.18	70.08	72.80	-7.12	-11.13	-10.33
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	85.73	86.38	95.46	9.08	10.5	96.20	97.30	93.85	94.83	98.40	9.11	11.21	13.57
Unleaded	81.74	82.61	90.07	7.46	9.0	91.01	92.02	88.74	88.53	90.91	5.12	7.44	8.18
Jet/Kerosene	88.71	90.51	95.46	4.95	5.5	96.76	95.68	94.19	94.99	98.38	12.09	15.34	13.57
No. 2 (Heating Oil)	84.83	87.90	94.21	6.31	7.2	95.19	94.66	93.13	93.64	96.88	8.22	12.73	12.32
LSFO 1%†	71.55	71.71	73.55	1.84	2.6	74.34	72.87	72.82	73.95	76.08	-5.06	-3.46	-8.35
No. 6 3%†	68.55	69.51	72.01	2.50	3.6	73.21	72.23	71.12	71.36	74.11	-8.07	-5.66	-9.89
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	82.52	82.55	89.71	7.15	8.7	89.05	91.18	89.32	89.74	91.31	8.43	7.43	9.49
Naphtha	73.31	74.52	82.97	8.44	11.3	81.18	83.91	83.49	84.06	86.27	-0.78	-0.60	2.75
Jet/Kerosene	87.15	87.81	94.30	6.49	7.4	94.25	95.41	93.85	93.98	95.84	13.07	12.69	14.08
Gasoil 0.5%	87.14	87.04	92.86	5.82	6.7	93.10	93.86	92.03	92.65	94.06	13.05	11.92	12.64
LSWR Cracked	74.75	71.33	75.37	4.04	5.7	76.05	75.56	74.98	75.01	75.80	0.66	-3.79	-4.85
HSFO 180 CST	69.89	68.71	73.23	4.51	6.6	73.43	73.25	72.60	73.87	75.17	-4.20	-6.40	-6.99
HSFO 380 CST 4%	70.49	69.83	74.01	4.18	6.0	74.32	74.29	73.29	74.36	75.35	-3.60	-5.29	-6.21

Source: Platts * CIF † Cargoes

Refining Margins

Refinery margins rose in Europe and Asia in October, while the picture remained mixed in the US. Both Northwest European and Mediterranean margins improved strongly, in part due to the French refinery strike. In Asia, Singapore and China margins all strengthened in October. In the US, Gulf Coast margins moved sideways whereas on the West Coast they weakened, except for the Oman cracking margin.





In Northwest Europe, margins all improved due to increasing product cracks as supply tightened with the strike at French ports and refineries. The shortfall was particularly evident for the light and middle distillates, with prices rising sharply. Reduced demand for feedstock from French refiners pressured

crude prices lower by mid-October, and both weaker crude oil prices and higher prices for light products led to improved margins, especially at cracking units. Urals cracking margins rose the most, as there was a relatively larger drop in the Urals price compared to Brent. In the Mediterranean, margins gained even more than in Northwest Europe, helped by a larger increase in product prices as supply was additionally tightened due to regional refinery maintenance.

In the US Gulf, margins moved sideways in October with Bonny light and Brent cracking margins decreasing slightly. LLS and Mars cracking margins improved a little, although remained negative. Generally, crude and product prices moved in parallel throughout the month. Gasoline prices were to some extent supported by limited arbitrage from Europe but in the second half of the month prices shifted down and moved sideways as refiners came back from maintenance work and increased throughout rates. On the other hand, crude prices improved towards the end of the month and this led to weaker margins. West Coast margins all declined except the Oman cracking margin. Margins fell more on the West Coast than in the Gulf as gasoline prices dropped sharply around mid-month and crude prices were relatively higher.

Singapore margins strengthened slightly in October. In the first half of the month, increased product prices in Europe opened the westward arbitrage, which pushed regional product prices higher. In addition, the naphtha crack was lifted by strong regional petrochemical demand. Margins in China strengthened on improving gasoline and to some extent gasoil cracks.

Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Aug 10	Sep 10	Oct 10		Oct 10-Sep 10	08 Oct	15 Oct	22 Oct	29 Oct	05 Nov
NW Europe	Brent (Cracking)	1.06	1.73	2.82	↑	1.09	1.81	3.19	3.81	2.77	1.68
	Urals (Cracking)	2.06	1.63	2.95	↑	1.33	2.09	2.98	3.94	3.09	1.90
	Brent (Hydroskimming)	-0.89	-0.45	0.12	↑	0.57	-0.81	0.23	1.09	0.22	-0.65
	Urals (Hydroskimming)	-2.28	-3.12	-2.44	↑	0.68	-3.09	-2.70	-1.55	-2.24	-3.12
Mediterranean	Es Sider (Cracking)	0.61	0.14	1.80	↑	1.66	0.83	2.14	2.61	1.95	0.54
	Urals (Cracking)	0.95	0.04	2.16	↑	2.12	1.49	2.74	2.87	1.89	0.46
	Es Sider (Hydroskimming)	-3.04	-4.09	-3.74	↑	0.34	-4.72	-4.14	-2.90	-3.01	-4.42
	Urals (Hydroskimming)	-4.00	-5.82	-4.61	↑	1.21	-5.03	-4.53	-3.95	-4.72	-6.08
US Gulf Coast	Bonny (Cracking)	-1.48	-1.34	-1.58	↓	-0.23	-1.14	-1.66	-1.61	-2.14	-2.94
	Brent (Cracking)	-2.72	-2.79	-2.99	↓	-0.20	-2.76	-2.80	-2.87	-3.69	-4.36
	LLS (Cracking)	-0.97	-0.85	-0.64	↑	0.21	0.01	-0.39	-0.78	-1.45	-2.35
	Mars (Cracking)	0.27	-0.17	-0.14	↑	0.02	0.11	0.05	-0.06	-0.62	-1.75
	Mars (Coking)	2.04	1.71	1.79	↑	0.08	2.00	2.01	1.99	1.13	0.18
	Maya (Coking)	3.34	4.26	3.90	↓	-0.36	4.30	4.25	3.93	2.89	2.68
US West Coast	ANS (Cracking)	0.90	0.01	-1.15	↓	-1.17	-0.80	-0.15	-1.99	-1.65	-2.50
	Kern (Cracking)	3.13	4.10	1.25	↓	-2.85	2.11	1.55	0.53	0.48	0.86
	Oman (Cracking)	1.09	-0.83	0.22	↑	1.05	0.94	1.18	-0.68	-0.69	-2.21
	Kern (Coking)	11.18	9.83	9.66	↓	-0.17	11.63	11.75	7.76	7.03	7.14
Singapore	Dubai (Hydroskimming)	-1.27	-2.23	-1.96	↑	0.27	-2.32	-1.79	-1.82	-1.77	-3.36
	Tapis (Hydroskimming)	-2.93	-4.89	-4.74	↑	0.15	-6.04	-4.70	-3.71	-4.18	-5.91
	Dubai (Hydrocracking)	0.54	-0.15	0.77	↑	0.92	0.25	1.10	0.97	0.94	-0.46
	Tapis (Hydrocracking)	-2.25	-3.47	-2.75	↑	0.71	-4.25	-2.61	-1.72	-2.07	-3.57
China	Cabinda (Hydroskimming)	-2.76	-4.72	-4.28	↑	0.44	-4.93	-4.19	-3.49	-4.32	-6.17
	Daqing (Hydroskimming)	-0.28	-3.94	-3.72	↑	0.22	-4.57	-4.03	-2.75	-3.33	-4.55
	Dubai (Hydroskimming)	-1.08	-2.01	-1.74	↑	0.27	-2.08	-1.56	-1.61	-1.56	-3.16
	Daqing (Hydrocracking)	1.40	-1.07	0.24	↑	1.31	-1.01	0.12	1.28	0.90	0.05
	Dubai (Hydrocracking)	0.80	0.14	1.08	↑	0.94	0.56	1.42	1.27	1.25	-0.16

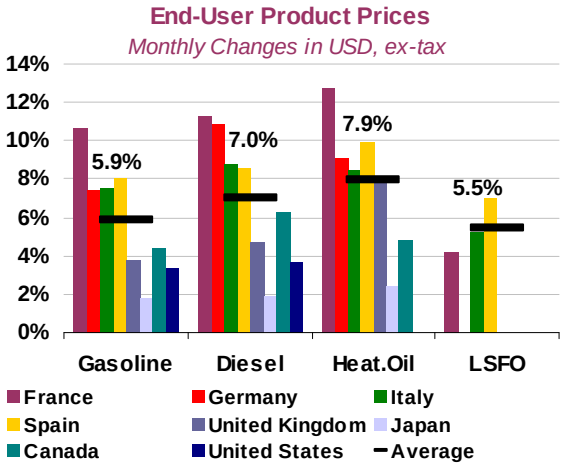
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

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

Sources: IEA, Purvin & Gertz Inc.

End-User Product Prices in October

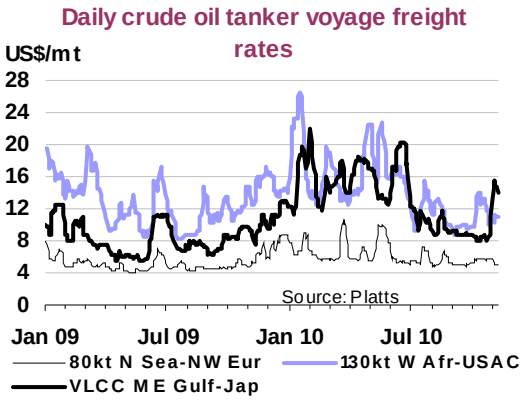
Average IEA end-user prices in US dollars, ex-tax climbed by a notable 7.1% in October. On this basis, price rises were reported across all surveyed products and countries, with the Eurozone reporting the steepest increases. Prices strengthened by an average 9.71% in strike-hit France, with notable climbs reported for heating oil (+12.7%), automotive diesel (+11.3%) and gasoline (+10.6%). In other Eurozone countries, price rises were weaker, with Germany, Spain and Italy up on average by 9.12%, 8.40% and 7.49%, respectively.

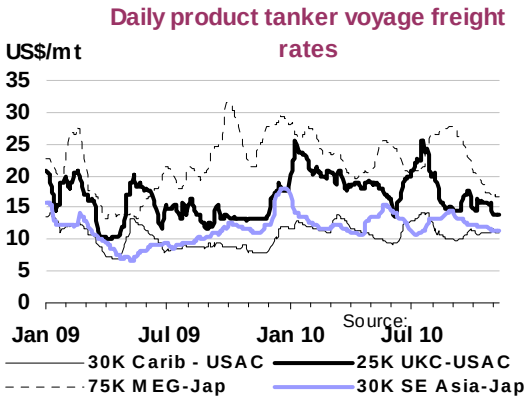


The lagged effect of the weakening US dollar, which muted price gains, is evident when converting prices in national currencies. Transport fuel prices remained relatively stable, with average IEA region gasoline and diesel prices rising by 0.8% and 1.4%, respectively. In October, gasoline prices averaged $2.80/gallon in the US, ¥132/litre in Japan and £1.17/litre in the UK. In the Eurozone prices ranged from €1.37/litre in Germany to €1.17/litre in Spain. Diesel prices at the pump increased across all surveyed countries except Japan. Forecourt prices averaged $3.05/gallon in the US, ¥112/litre in Japan and £1.20/litre in the UK whilst in continental Europe prices ranged from €1.09 in Spain to €1.22 in Italy.

Freight

In contrast to the malaise reported in recent months, the dirty tanker market experienced a slight upturn in October. Rates on the benchmark Suezmax West Africa – US Atlantic Coast route firmed at the start of the month following some indirect supply tightness as vessels were delayed by the French port strikes combined with the fixing of some date-specific cargoes. Rates surged from approximately $10/mt to $13/mt by mid-month but then slid back to $11/mt as exporters took advantage of comparatively cheaper VLCCS. In turn, VLCC rates surged by $5/mt in early November so that by the 3rd of the month, rates on the benchmark Middle East Gulf – Japan route stood at $16/mt. In contrast, rates on the Aframax North Sea – North West Europe stagnated at $5/mt, close to break-even levels.

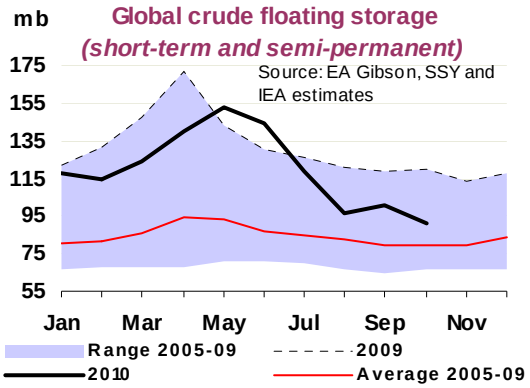




Clean product tanker rates weakened with only one benchmark route holding steady over the month as the oversupply in the market continued to weigh heavy. Rates on the benchmark Middle East Gulf – Japan route softened by $4/mt so that by month-end they stood below $17/mt. Asian market sentiment remained soft, and rates on the Handymax Singapore – Japan route fell from approximately $12/mt to $11/mt by early November. Atlantic basin rates fared little better, and a mid-month recovery on the UK –

US Atlantic coast petered out with rates falling back to below early month levels of $14/mt. The benchmark Caribbean – US Atlantic coast route remained torpid at close to $11/mt.

During the past month, the spectre of piracy has once again cast a shadow over the tanker industry. Following the end of the monsoon season, Somalian pirates have become more audacious in their hijacking attempts with a recent attack on a VLCC en-route to Japan reported 340 nautical miles west from the Indian port of Mangalore. Such attacks, if they persist are likely to intensify calls for the international military fleet to step up their presence in the region since there is no alternative route on lucrative eastwards trades. Additionally, the South Korean supertanker Samho Dream was recently released after a record ransom of $9.5 million was paid to its Somali captors. Such developments are likely to encourage the pirates to continue their activities in their region for the near future.



Latest data suggest that crude and products in short-term floating storage fell by 17.4 mb to 58.6 mb by end-October, leaving crude and products accounting for 32.1 mb and 26.5 mb, respectively. 9.1 mb of the 9.8 mb fall in crude came from Iran offloading some of its previously unsold cargoes. Product floating storage fell by 7.6 mb with notable drops in the Mediterranean (-3 mb) and NW Europe (-2.6 mb). VLCCs in the storage fleet reflected the fall in crude as they fell to 16, their lowest level on record.

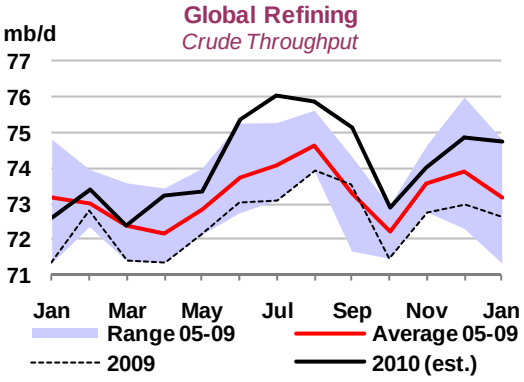
REFINING

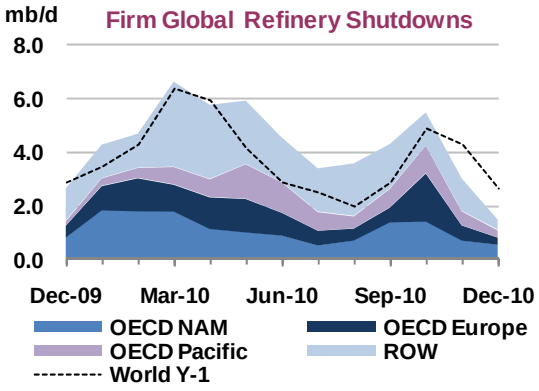
Summary

- **3Q10 global refinery crude throughputs have been revised up by 350 kb/d to 75.7 mb/d**, following stronger final US data for August and higher-than-expected runs in both the OECD and non-OECD in September. Russian refiners sustained near-record high runs, despite announcements of heavy maintenance, while Chinese runs have been supported by strong diesel demand. 4Q10 throughputs have been lifted by 155 kb/d, to 73.9 mb/d on average. Annual growth in throughput now stands at 2.2 mb/d in 3Q10 and 1.5 mb/d in 4Q10.

- **OECD crude runs fell by 770 kb/d in September to average 37.0 mb/d,** with declines in all regions, as the autumn maintenance season got underway. A total of 2.6 mb/d of capacity was taken offline for maintenance in September compared with 1.6 mb/d in August. OECD throughputs fell further in October, to only 34.6 mb/d. Peak maintenance, poor margins and industrial action in France all coincided to drag OECD crude runs to their lowest level since June 1993.

- **OECD refinery yields increased for gasoline, gasoil and jet fuel/kerosene in August**, and fell for all other products. OECD gross refinery output in August was around the same level as in July, due to refinery run cuts in Europe and the start of the maintenance season in North America.





Global Refinery Throughput

Global refinery crude runs have again been revised up for 3Q10, to 75.7 mb/d, following stronger throughputs in both OECD and non-OECD countries. Final OECD data for August and preliminary data for September both came in higher than expected, lifting OECD runs to 37.5 mb/d for the quarter, some 1.1 mb/d above a year earlier. In the non-OECD, higher Russian and Chinese runs in September were the main contributors to a 195 kb/d quarterly adjustment. Non-OECD runs are now assessed at 38.2 mb/d, adding a further 1.0 mb/d to global growth.

Preliminary indications are that global crude throughputs fell sharply in October, potentially by as much as 2.3 mb/d, as peak autumn maintenance, low margins and industrial action in France all contributed. The entire decline came in the OECD, where runs were at their lowest since June 1993, while non-OECD runs are thought to have held up around September levels. OECD runs will likely rebound in November and December as maintenance winds down and refiners in France ramp up operations again, though global 4Q10 runs are about 1.8 mb/d below the 3Q10 peak. Annual growth now stands at 2.2 mb/d in 3Q10 and 1.5 mb/d in 4Q10.

Global Refinery Crude Throughput[1]

(million barrels per day)

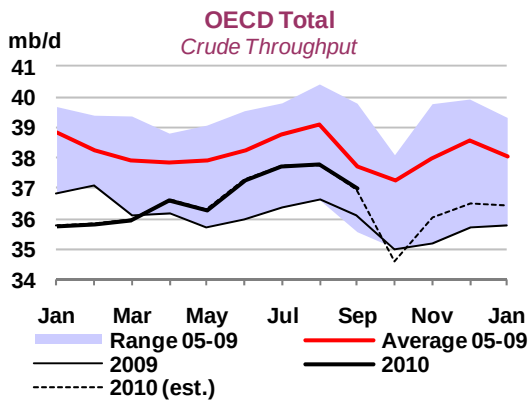
	2Q2010	Jul 10	Aug 10	Sep 10	3Q2010	Oct 10	Nov 10	Dec 10	4Q2010	Jan 11	Feb 11
North America	18.2	18.6	18.1	17.7	18.1	16.7	17.2	17.3	17.1	17.1	16.9
Europe	12.3	13.0	12.9	12.6	12.8	11.5	12.2	12.3	12.0	12.3	12.4
Pacific	6.2	6.2	6.8	6.7	6.5	6.3	6.6	6.9	6.6	7.0	7.1
Total OECD	**36.7**	**37.7**	**37.8**	**37.0**	**37.5**	**34.6**	**36.0**	**36.5**	**35.7**	**36.5**	**36.5**
FSU	6.2	6.5	6.7	6.6	6.6	6.4	6.5	6.6	6.5	6.5	6.5
Non-OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.5	8.3	8.2	8.5	8.4	8.7	8.8	8.7	8.7	8.6	8.7
Other Asia	8.8	8.9	8.6	8.6	8.7	8.9	8.7	8.9	8.8	8.9	9.0
Latin America	4.9	5.3	5.2	5.3	5.3	5.2	5.2	5.2	5.2	5.1	5.1
Middle East	5.9	6.2	6.2	6.2	6.2	6.0	5.7	5.9	5.9	6.1	6.1
Africa	2.3	2.5	2.5	2.3	2.5	2.3	2.3	2.4	2.3	2.4	2.3
Total Non-OECD	**37.3**	**38.3**	**38.1**	**38.2**	**38.2**	**38.3**	**38.0**	**38.4**	**38.2**	**38.3**	**38.3**
Total	**74.0**	**76.1**	**75.9**	**75.2**	**75.7**	**72.9**	**74.0**	**74.9**	**73.9**	**74.7**	**74.8**

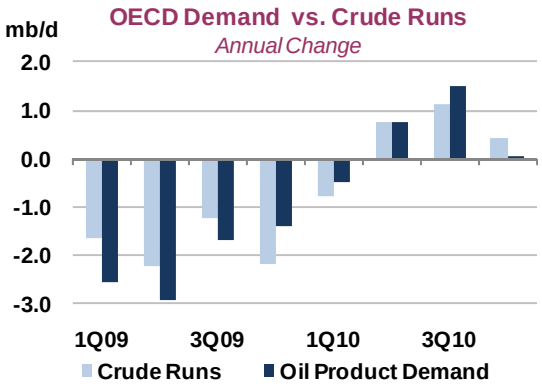
1 Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

OECD Refinery Throughput

September **OECD crude runs** averaged 37.0 mb/d, 770 kb/d below August's high, but 860 kb/d above a year earlier. Throughputs fell in all OECD regions, as peak summer demand ebbed and autumn maintenance got underway. North American throughputs declined by 440 kb/d in the month, to an average of 17.7 mb/d, equivalent to 82.9% utilisation. While maintenance activity picked up sharply and some capacity was permanently shut, high stocks and poor margins also contributed to lower run rates at US refineries. On the other side of the Atlantic, economics were better and refiners in the largest European countries sustained runs at relatively healthy rates. The closure of Norway's Mongstad refinery from end-August and slightly lower runs in the Netherlands contributed to drag the regional total down by 270 kb/d from a month earlier however. In the Pacific, runs were similarly lower in September, as the autumn turnaround season picked up. Lower Japanese runs, however, were partly offset by higher throughputs in South Korea, limiting the monthly decline to only 60 kb/d.

The slide in OECD crude throughputs accelerated in October, with preliminary data pointing to steep declines. US, Canadian and Japanese runs were down by 750 kb/d, 200 kb/d and 240 kb/d respectively, while European refining activity was severely disrupted by industrial action in France. OECD October runs could have fallen by as much as 2.4 mb/d from September, to average only 34.6 mb/d, 415 kb/d below an already depressed level in 2009, and 370 kb/d lower than our previous assessment.





Refinery Crude Throughput and Utilisation in OECD Countries

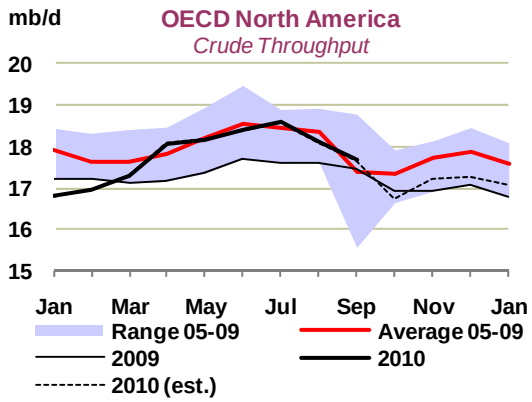
(million barrels per day)

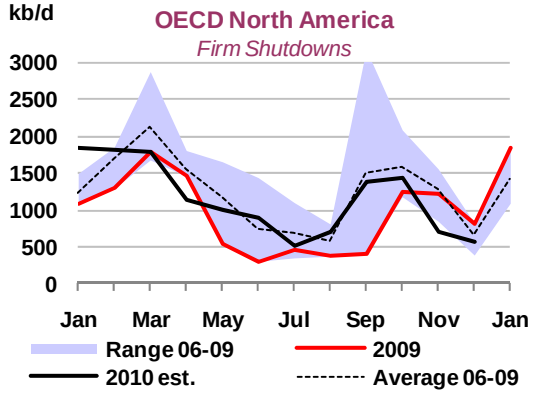
	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Change from Aug 10	Change from Sep 09	Utilisation rate[1] Sep 10	Utilisation rate[1] Sep 09
US[2]	15.12	15.22	15.39	15.52	15.11	14.73	-0.38	0.05	83.5%	83.3%
Canada	1.69	1.73	1.81	1.84	1.84	1.73	-0.11	0.22	88.4%	77.1%
Mexico	1.26	1.23	1.20	1.21	1.15	1.20	0.05	-0.05	70.8%	81.1%
OECD North America	**18.07**	**18.18**	**18.40**	**18.57**	**18.10**	**17.66**	**-0.44**	**0.21**	**82.9%**	**82.6%**
France	1.46	1.35	1.34	1.45	1.50	1.51	0.01	0.10	81.6%	70.6%
Germany	1.89	1.93	2.02	1.99	2.04	2.05	0.00	0.00	85.8%	85.8%
Italy	1.60	1.58	1.81	1.76	1.69	1.73	0.03	0.08	75.9%	72.3%
Netherlands	1.05	1.03	1.11	1.08	1.08	1.02	-0.06	-0.06	84.3%	89.4%
Spain	1.08	0.90	1.20	1.14	1.11	1.11	0.00	0.09	78.9%	79.5%
United Kingdom	1.38	1.45	1.49	1.47	1.45	1.43	-0.02	-0.09	79.2%	80.8%
Other OECD Europe	3.51	3.70	3.99	4.07	4.02	3.79	-0.24	0.17	77.6%	75.8%
OECD Europe	**11.97**	**11.93**	**12.97**	**12.96**	**12.90**	**12.63**	**-0.27**	**0.29**	**79.9%**	**78.1%**
Japan	3.50	3.22	2.83	3.25	3.53	3.41	-0.12	-0.04	74.0%	73.2%
South Korea	2.31	2.29	2.41	2.27	2.46	2.53	0.07	0.27	92.4%	82.4%
Other OECD Pacific	0.75	0.66	0.68	0.68	0.77	0.76	-0.01	0.12	90.3%	79.4%
OECD Pacific	**6.56**	**6.17**	**5.92**	**6.20**	**6.76**	**6.69**	**-0.06**	**0.35**	**81.8%**	**76.9%**
OECD Total	**36.60**	**36.28**	**37.29**	**37.73**	**37.75**	**36.99**	**-0.77**	**0.86**	**81.7%**	**80.0%**

1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

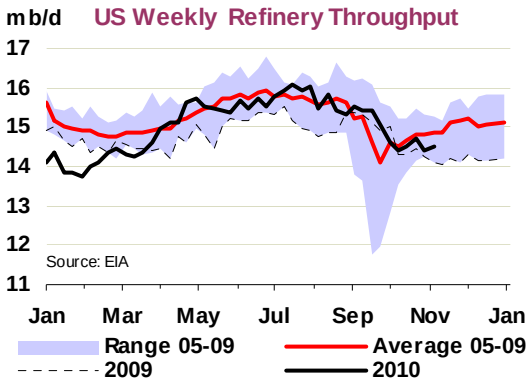
North American crude runs fell by 440 kb/d in September to average 17.7 mb/d, or +215 kb/d year-on-year. Although the September reading is largely unchanged from last month's report, the monthly decline is steeper than indicated a month ago, as final August values came in almost 170 kb/d higher than shown in weekly data. US runs were 380 kb/d lower than in August, as a slowdown in demand with the end of the driving season coincided with an increase in maintenance work and continued weak margins. An estimated 1.4 mb/d of capacity is thought to have been shut in September (compared to 700 kb/d a month earlier).

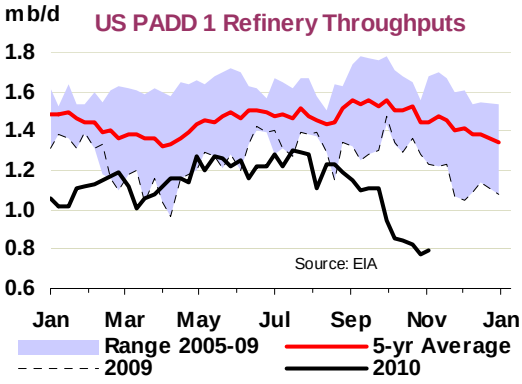




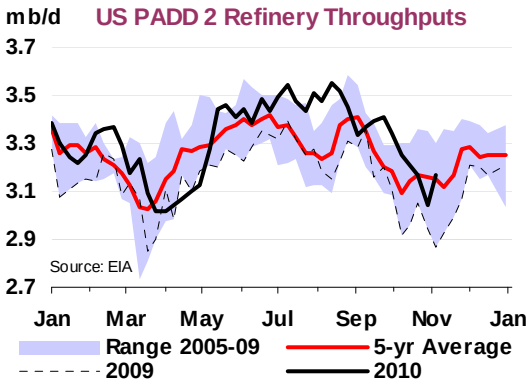
US crude runs dipped below 14 mb/d in early October for the first time in seven months, cutting capacity utilisation to just 79%, and trended sideways throughout the month. High product stocks (of both gasoline and diesel) capped refinery margins, while US maintenance remained significant, around 1.2 mb/d. The monthly decline of some 750 kb/d was almost evenly split between PADDs 1, 2 and 3, which each seeing runs curtailed by 200-250 kb/d from September. Runs on the East Coast continued their steep declines and were only 765 kb/d at the end of October (and 520 kb/d lower than July highs).

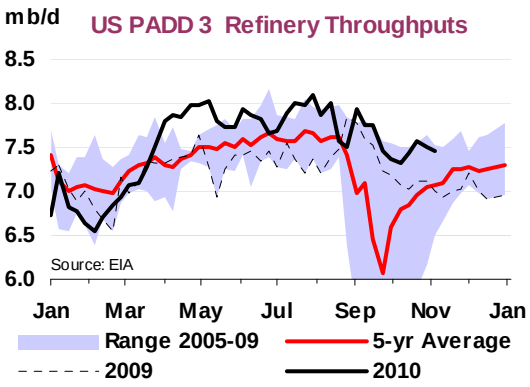
Maintenance at ConocoPhillips' Trainer and Bayway refineries and United Refining's Warren refinery added to already-shuttered capacity at Eagle Point, Delaware and Yorktown.





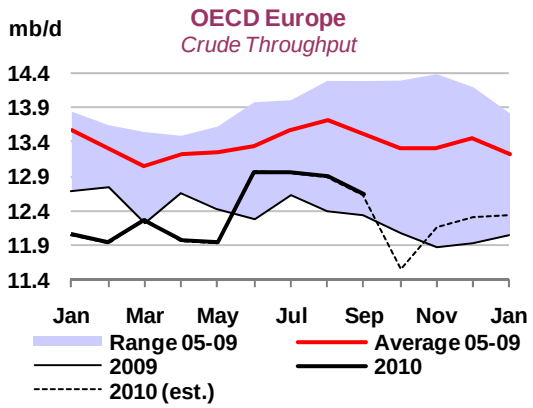
Crude throughputs also fell sharply in the US Midwest in October (by 200 kb/d on a monthly basis) to a low of 3.0 mb/d in the week ending 29 October, and the weakest run rates since November 2009. Increased maintenance explains most of the draw, as deliveries from Enbridge's previously shuttered 6A and 6B pipelines both resumed flow at the end of September. The 6A line, which carries heavy Canadian crude from Superior, Wisconsin, to Griffith, Indiana, was shut on 9 September following the discovery of a leak, but restarted gradually on 17 September. Line 6B, which runs from Sarnia, Ontario, to Griffith, Indiana, also resumed flow at the end of September. The 290 kb/d pipeline had been shut since 26 July following an oil spill, disrupting crude deliveries to refineries in Ohio, Michigan, Pennsylvania and southern Ontario. Crude runs on the US Gulf Coast were down by 240 kb/d month-on-month. Gulf Coast cracking margins remained negative (and declined further for Bonny and Brent).

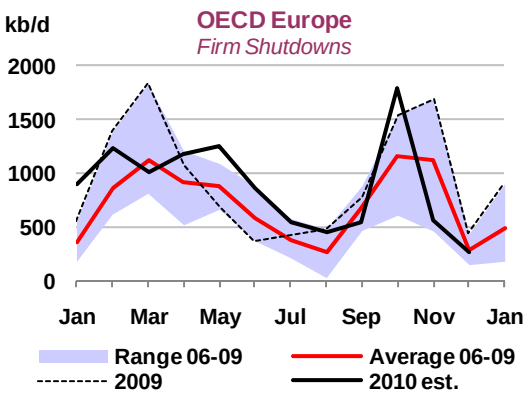




Canadian crude throughputs fell by 110 kb/d in September, to 1.73 mb/d on average on increased shutdowns. Shell's Montreal refinery closed permanently mid-month, taking 130 kb/d of capacity off the market. Preliminary data show runs falling by a further 200 kb/d in October. Irving's 300 kb/d New Brunswick refinery started a six-week turnaround in early October, reportedly pulling in cargoes of gasoline from the US Northeast.

European crude runs fell by 270 kb/d in September but, at 12.6 mb/d, were nevertheless 105 kb/d higher than expected. The bulk of the decline came from Norway, as Statoil's 200 kb/d Mongstad refinery was shut from the end of August for a five-week turnaround period. Runs in the Netherlands also slipped (by 55 kb/d from a month earlier) as did Belgian runs, while throughputs in France, Germany, Spain and the UK were virtually unchanged. Runs in the main refining centres were supported by relatively healthy cracking margins, underpinned by strong heating oil deliveries in Germany as well as high gasoline export demand from Nigeria and the eastern Mediterranean.

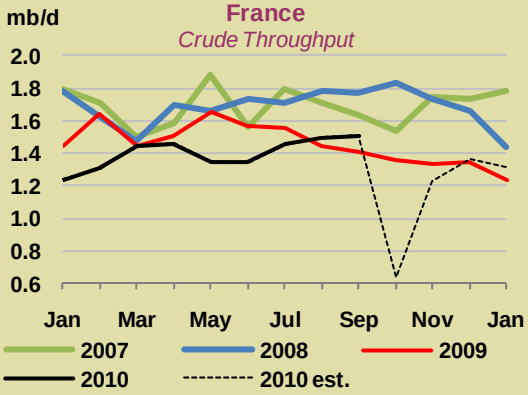




In October, European crude and product markets were dominated by the refinery and port strikes in France which severely disrupted regional refining and product supplies (*see French Refiners Return*). An average of 1.8 mb/d of capacity is assumed to have been shut in OECD Europe in the month, (1.2 mb/d more than in September and 950 kb/d due to the French strikes) dragging the regional throughputs to only 11.5 mb/d, the lowest since October 1991. Although runs likely picked up slightly in neighbouring countries to fill the product supply shortfall and on the back of the significant increase in product cracks and refining margins, maintenance in the Netherlands, Denmark and Spain further depressed runs. Greece's Hellenic reportedly raised throughputs to full capacity at its three refineries. Spain's Repsol has raised runs where possible, although its 220 kb/d Bilbao and 110 kb/d Cartagena refineries were running at lower rates due to maintenance, dragging overall Spanish throughputs down.

The French Refineries are Back...

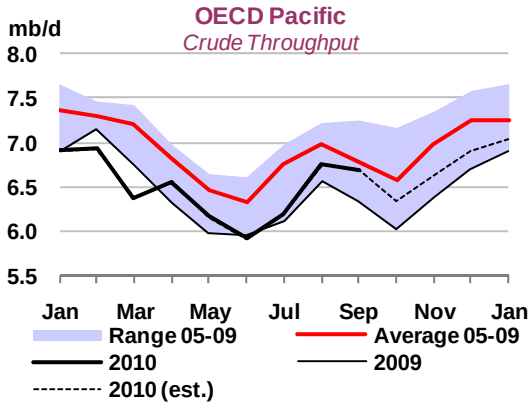
The industrial action in protest against pension reforms and port-restructuring that crippled France's fuel supplies from the end of September came to an end on 29 October. The strike, which started on 27 September at the Fos and Lavera oil terminals had prevented oil shipments in and out of the port and tightened product and crude feedstock supply to regional refineries. Already running at reduced capacity from the start of the strike due to reduced feedstock supply, the four refineries located in the Fos region, with a combined capacity of 600 kb/d started shutting down from 10 October. From 15 October to the end of the strike, the La Mede, Lavera and Berre l'Etaing refineries were completely shut due to a lack of feedstock supply. ESSO's 120 kb/d Fos sur Mer refinery managed to run at minimum rates throughout the period.

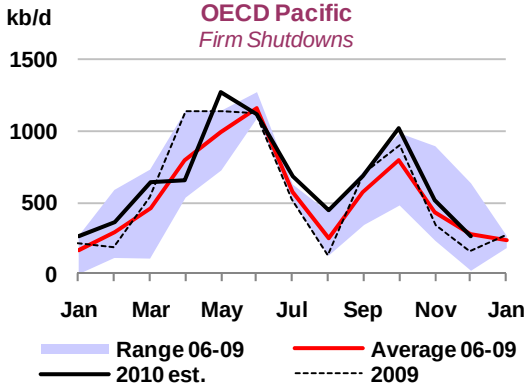


On 12 October, the strike was extended as eight out of France's 12 refineries (including Total's Dunkirk refinery which has been shut since the end of 2009) joined the protest against the pension reforms. As a consequence, the remaining French refineries not already affected by the strike at the Fos and Lavera oil terminals started shutting down, and from 15 October the bulk of the country's 1.85 mb/d refinery capacity was shut down.

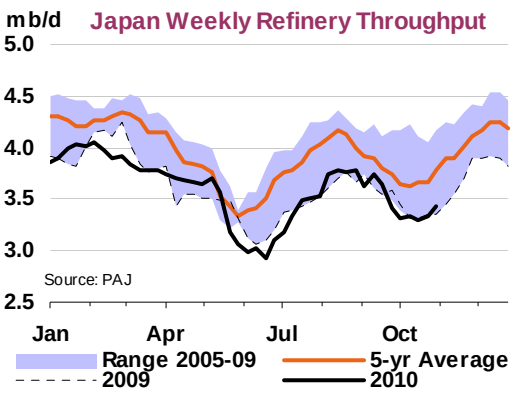
When the strike ended on 29 October, a large backlog of ships were waiting to unload cargoes at the Fos and Lavera ports, and it will probably take several weeks to bring all the oil ashore. The ramp up of refinery production is also expected to take some time, so the strike will affect November crude runs as well, despite ending in October. Preliminary calculations show that French throughputs were reduced by almost 950 kb/d in October as a result of the strike and that the impact in November could amount to around 170 kb/d. The extensive level of French outages pulled middle distillates eastwards from the US to Europe, led to a draw in European onshore and floating product inventory and supported European refining margins in October.

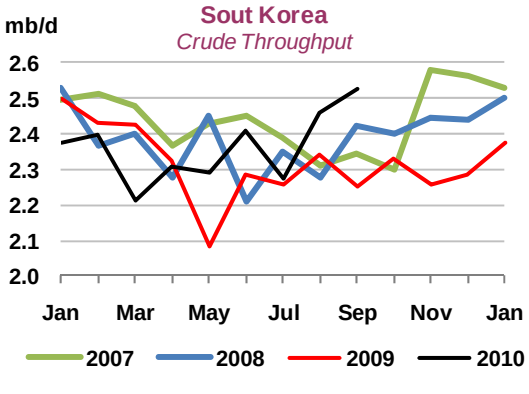
OECD Pacific crude runs declined by 60 kb/d in September to 6.7 mb/d on average. A seasonal uptick in maintenance, predominantly in Japan, caused the declines. Japanese throughputs peaked at 81.7% utilisation at the end of August, though output outstripped demand leading to increased exports. Japan's product exports averaged 515 kb/d in August (of which 75% were middle distillates), a level only surpassed once before (in August 2008). Turnarounds cut crude runs by 120 kb/d in September to just 74% utilisation at the end of that month. Weekly data from the Petroleum Association of Japan (PAJ) show that maintenance dented Japanese runs by a further 240 kb/d in October. Autumn turnarounds are expected to have peaked in October and runs will likely rise in line with seasonal trends from November onwards to meet winter demand, not least given low regional middle distillate stocks.





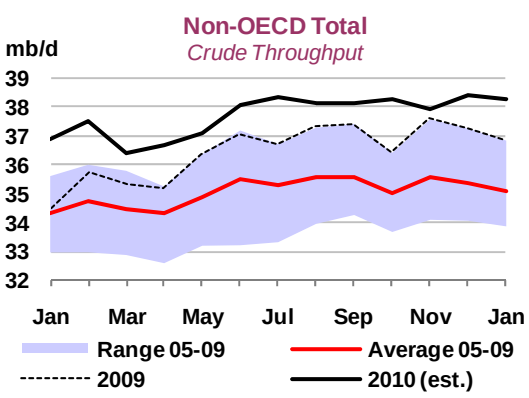
Regional September throughputs were nevertheless supported by stronger-than-expected runs in South Korea and Australia. Korean throughputs reached 2.53 mb/d, their highest since January 2008, and 110 kb/d higher than forecasted. As in Japan, the high runs were accompanied by strong product exports, these averaging some 990 kb/d (of which 63% were middle distillates).

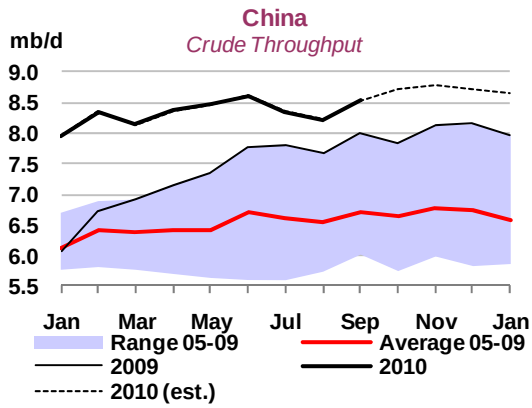




Non-OECD Refinery Throughput

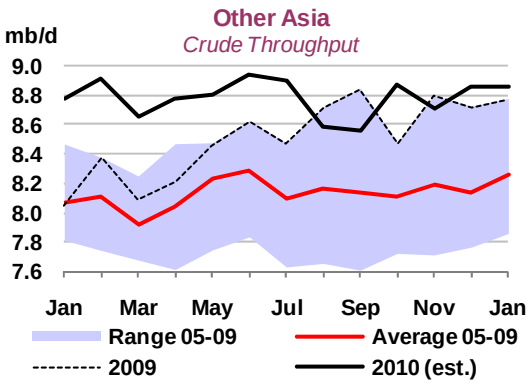
Non-OECD throughputs have been revised up by 200 kb/d for 3Q10 to 38.2 mb/d on average. Significantly stronger crude runs in Russia in September, despite reports of heavy maintenance, and upwardly revised runs in China underpin the higher estimate. Robust Middle Eastern and African runs in August and September also contributed. In all, 3Q10 non-OECD annual throughput growth is now 1.05 mb/d. Total non-OECD runs are expected to remain relatively stable in 4Q10, as rising runs from China and Other Asia will be offset by lower runs in the Middle East, Africa and Latin America. Both Chinese state-owned refiners, CNPC and Sinopec, have announced they are planning higher runs in October and November to meet strong domestic diesel demand. Some new capacity is also being commissioned, further supporting throughputs. Meanwhile, Middle Eastern runs will likely be cut by maintenance in November, while African runs are expected to ease back from recent highs.





Chinese crude runs rose by 6.4% y-o-y in September to 8.53 mb/d, according to the National Bureau of Statistics. This is 3.9% higher than in August (+320 kb/d) and 140 kb/d more than expected. According to industry surveys, China's state-owned refiners plan to increase operating rates at their plants to 91% in October (from 88% a month earlier) as refineries return from maintenance. We have also raised our forecast for November as both PetroChina and Sinopec have reported they intend to process record high throughputs in order to increase fuel supplies amid surging domestic diesel demand. Sinopec reportedly even cancelled scheduled maintenance at its Gaoqiao and Guangzhou refineries to sustain run rates. Diesel shortages have been reported in several regions as the government mandated power cuts in order to achieve the country's energy efficiency goals. This has led to increased use of stand-alone diesel generators, and demand could remain strong until early in 2011. The commissioning of PetroChina's 200 kb/d Qinzhou refinery and the 60 kb/d CDU at Qingyang Petrochemical will also likely support runs.

In 'Other Asia', **Indian** refinery throughputs were down 10.1% in September from a year earlier, due to maintenance and lower margins. Total runs averaged 3.5 mb/d, 320 kb/d lower than in August and 195 kb/d less than the previous forecast. IOC, the country's largest state-run refinery, processed 20.5% less crude in September due to planned shutdowns at its 240 kb/d Panipat and 120 kb/d Barauni refineries. Crude runs at IOC's Haldia refinery declined by a third during the month due to crude unloading problems at Paradip port.

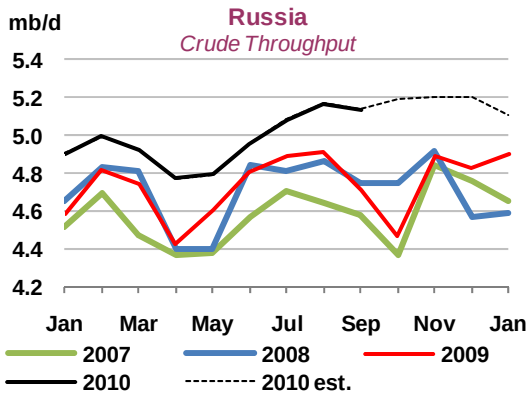


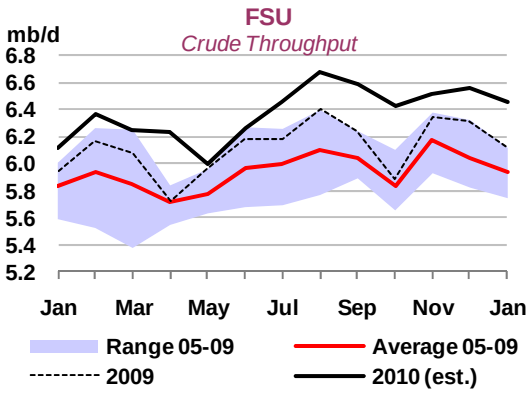
Runs at Reliance's 660 kb/d domestic plant fell by 70 kb/d in September, possibly due to maintenance of one of the refinery's two 330 kb/d crude distillation units (CDU). More recently, reports are that Reliance will shut one CDU for one month starting in November, and it is possible that both CDUs will be overhauled. Separately, we have revised higher Indian runs back to April, based on the latest earnings report from Reliance. In that report, it was stated that the company processed 33.8 mt of crude in the first 6 months of the fiscal year (April to September), representing an average utilisation rate of 109%. Runs at Reliance's export refinery are not included in official ministry statistics, and we had assumed throughputs of 600 kb/d at the new 580 kb/d export refinery. In accordance with the latest statements, we have raised this closer to 640 kb/d on average.

Russian crude runs were sustained near record-high levels in September as crude oil output hit new all-time highs, and despite significant planned maintenance. According to the ministry, throughputs were 5.14 mb/d, compared to 5.17 mb/d in August and 4.71 mb/d a year earlier. Strong domestic oil product demand, higher margins and crude export duties in September could have led refiners to sustain high run rates. Industry news reports had suggested maintenance would peak in September, with some 400 kb/d capacity offline (up from only 200 kb/d in August), though if the maintenance indeed took

place, the event did not seem to translate into lower runs. Next year's proposed tax changes (see: *Russia: Re-drawing the Fiscal Map* in Supply) could mean that some refiners take advantage of advantageous fiscal regime currently in place and defer maintenance to next year.

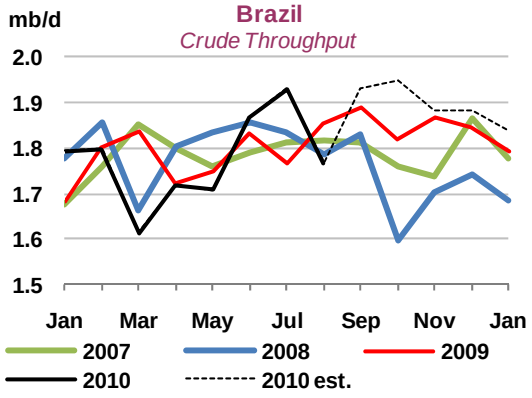
Russian refining margins were higher in September as an increase in export duties and ample supplies dragged Russian spot oil prices for domestic delivery lower by 9-14%. Russian domestic oil prices are based on export netbacks, or the return the oil companies receive on a barrel of oil shipped to international markets. Russia's export duty on crude for October is set to be reduced by $7/tonne to $266.5/tonne from September, potentially leading to an increase in exports at the expense of domestic refinery operations. Russian crude oil production hit another record high in October, at 10.6 mb/d.

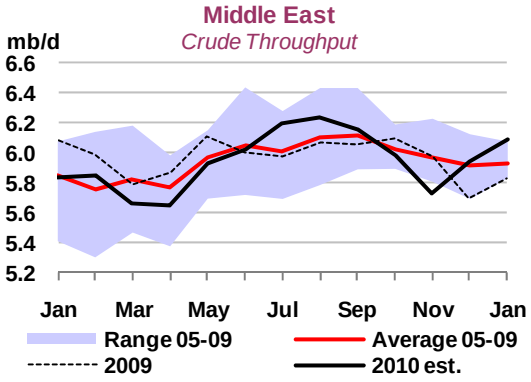




At the end of October, Russian oil producer Tatneft launched the first new large-scale refinery in the country since the dissolution of the Soviet Union. The $5.5 billion Nizhnekamsk plant with a capacity of 140 kb/d has a Nelson complexity index of 15, considerably higher than the country average. In a second stage, the company will add a hydrocracker and double the plant's capacity to 280 kb/d.

Brazilian crude runs fell by 160 kb/d in August, to average 1.77 mb/d. Maintenance at Petrobras' REPAR refinery for the entire month led the decline from July's record high. Runs are expected to have rebounded in September and October as maintenance was limited.

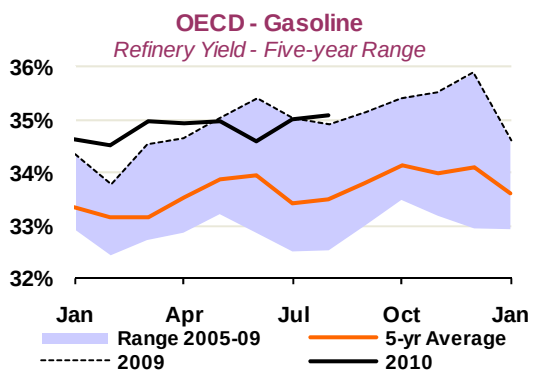


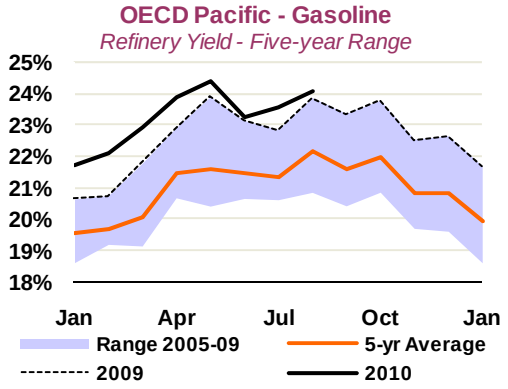


Middle Eastern crude runs were relatively stable over the July-September period, around 6.2 mb/d. Peak summer demand and minimal reported outages and maintenance sustained runs. Refinery shutdowns will likely reduce runs in October and November however, tightening regional product markets and drawing in products from Europe. More than 500 kb/d of refining capacity is expected to be shut in November, including Saudi Aramco's 235 kb/d Yanbu refinery. Kuwait's National Petroleum Company also plans shutdowns at both its 265 kb/d Mina Abdullah and its 445 kb/d Mina Al-Ahmadi refineries beginning in November.

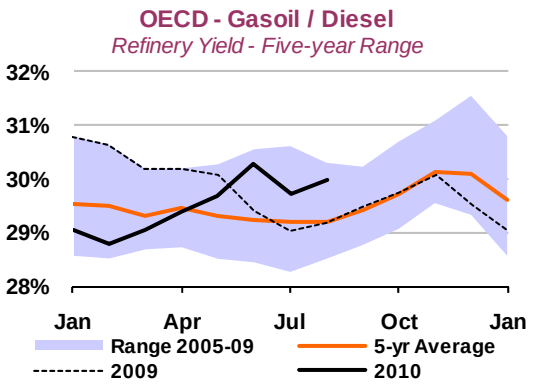
OECD Refinery Yields

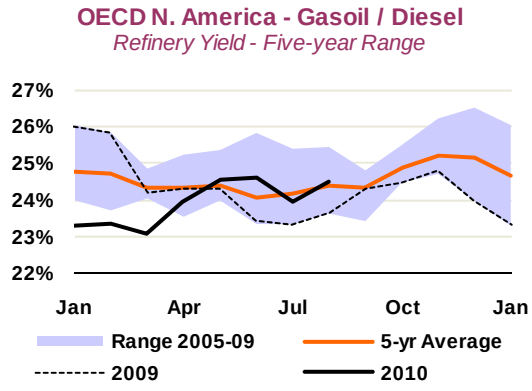
OECD refinery yields increased for gasoline, gasoil and jet fuel/kerosene in August, and decreased for all other products. OECD gross refinery output maintained the same level as in July, due to refinery run cuts in Europe and the start of the maintenance season in North America.





OECD August gasoline yields increased slightly compared to July, standing 0.2 percentage points (pp) above last year's levels. The yields were lifted by another increase in North American gasoline yields, which were up 0.5 pp from July. Refinery gross output of gasoline in North America was still high but flat compared to the previous month as the maintenance season started in August. Gasoline yields in the Pacific region continued to stay at historically high levels, and were 2 pp higher than the five-year average. Refinery gross output increased too, and although in line with seasonal trends, it was still 110 kb/d higher than the five-year average. European yields fell 0.3 pp, reflecting poor margins also highlighted by a fall in the refinery gross output.





After a dip in July, OECD gasoil/diesel yields increased in August. The largest contributor was North America, where gasoil/diesel yields rose 0.6 pp. North American gross output was slightly up as well, in line with higher diesel demand figures for the region. European yields were up 0.2 pp, but gross output continued to fall as refinery margins were poor. Pacific yields fell seasonally by 0.5 pp, but gross output increased by 120 kb/d from the previous month, leaving output at a level above the five-year range.

OECD jet fuel/kerosene yields were also higher in August due to higher yields at European refineries. Naphtha yields continued their downward trend from the heights seen earlier this year and the yields are now in line with those seen last year. European naphtha yields were especially weighed down by weak regional prices. Fuel oil yields decreased in August in all OECD regions.

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

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.1	23.7	23.8	23.6	23.7	24.1	23.7	23.8
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.7	14.4	14.4	14.1	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	7.8	7.7	8.1	7.2	7.3	7.7	7.6
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.5	45.9	45.9	45.8	44.9	45.8	45.8	45.6
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.3	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	9.2	9.2	9.4	9.7	9.6	9.5	9.6
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.2	10.4	10.0	10.4	10.3	10.5	10.7	10.3	10.7	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.1	6.3	6.4	6.4	6.3	6.3	6.5	6.6	6.6	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.4
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.5	40.4	41.7	42.0	41.5	41.4	42.1	43.2	43.5	43.0	42.9
Total Demand[1]	86.7	86.1	84.4	84.2	85.4	85.9	85.0	86.4	87.0	88.5	87.5	87.3	87.9	88.1	89.3	88.7	88.5
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.8	4.0	4.0
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.5	18.8	18.8	19.0	18.5	18.5	18.8	18.7
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.8	30.1	29.8	30.4	30.4	30.4	30.6	30.4
Processing Gains[3]	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.9	50.8	51.1	51.5	51.9	52.3	51.7	52.2	52.7	52.6	53.0	52.6	53.1	53.1	53.4	53.8	53.4
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.5	51.9	52.3	51.7	52.2	52.7	52.6	53.0	52.6	53.1	53.1	53.4	53.8	53.4
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0	29.2							
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.6	5.0	5.0	5.2	5.3	5.1	5.7	5.8	5.8	5.9	5.8
Total OPEC[2]	34.6	35.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.4							
OPEC: Historical Composition[2]	35.1	36.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.4							
Total Supply[6]	85.5	86.4	84.3	84.5	85.3	86.1	85.1	86.3	86.7	86.9							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	0.9	-0.1							
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.1							
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9	-0.2							
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2							
Miscellaneous to balance[7]	-1.0	-0.1	-1.5	-0.1	-0.3	0.9	-0.2	-0.1	-1.2	-1.1							
Total Stock Ch. & Misc	-1.2	0.3	-0.1	0.3	0.0	0.2	0.1	-0.1	-0.3	-1.5							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	30.9	28.7	28.2	28.8	28.8	28.6	29.2	29.3	30.7	29.2	29.6	29.1	29.3	30.0	29.1	29.4
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.7	28.4	29.1	28.1	29.6	28.8	28.9	28.8	28.9	29.6	28.7	29.0

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-	0.2	-	0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.2	-	0.1	-	-	0.1	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.5	-	0.1	-	-	0.3	-	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.3
Total Demand	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.9	0.3	0.4	0.3	0.2	0.6	0.3	0.4
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	0.1	0.3	0.1	0.1	0.2	0.2	0.3	0.2
Europe	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	0.2	-	0.1	0.2	0.2	0.3	0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-0.1	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	0.1	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	-	-	-
Total Non-OPEC	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	0.2	-	0.1	0.2	0.3	0.4	0.3
Non-OPEC: historical composition	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	0.2	-	0.1	0.2	0.3	0.4	0.3
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-							
NGLs	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-0.1							
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.1							
Total Supply	-	-0.1	-	-	-	-	-	-0.1	-0.1	-0.1							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-								
Government	-	-	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-	-	-								
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-0.4								
Miscellaneous to balance	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.1								
Total Stock Ch. & Misc	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-1.0							
Memo items:																	
Call on OPEC crude + Stock ch.	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.9	0.2	0.4	0.2	0.1	0.3	-0.1	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	0.4	-0.1	-0.2	-	-0.1	-0.3	-	-0.5	-0.2

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.14	23.68	23.80	23.61	23.66	24.10	23.73	23.78
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.13	14.74	14.40	14.36	14.14	13.99	14.44	14.32	14.22
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	7.83	7.73	8.09	7.20	7.28	7.72	7.57
Total OECD	47.58	46.44	44.48	44.99	45.89	45.45	45.94	45.22	46.48	45.91	45.89	45.84	44.86	45.81	45.77	45.57
Asia	17.37	17.44	18.57	18.54	18.92	18.37	19.17	19.77	19.25	19.63	19.46	19.95	20.41	19.95	20.26	20.14
Middle East	7.01	6.77	7.28	7.74	7.10	7.23	7.15	7.55	7.97	7.35	7.51	7.48	7.94	8.31	7.68	7.85
Latin America	6.00	5.80	5.99	6.09	6.13	6.00	6.05	6.29	6.41	6.40	6.29	6.28	6.53	6.64	6.63	6.52
FSU	4.23	3.98	3.87	4.11	4.04	4.00	4.19	4.14	4.42	4.22	4.24	4.32	4.23	4.51	4.35	4.35
Africa	3.19	3.25	3.23	3.17	3.11	3.19	3.18	3.28	3.22	3.23	3.23	3.33	3.41	3.32	3.34	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.70	0.71	0.70	0.72	0.73	0.72	0.72	0.72
Total Non-OECD	38.55	37.99	39.69	40.39	40.02	39.53	40.44	41.73	41.97	41.54	41.43	42.07	43.23	43.46	42.98	42.94
World	86.13	84.43	84.17	85.38	85.91	84.98	86.38	86.96	88.45	87.46	87.32	87.91	88.09	89.27	88.75	88.51
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.45	18.96	19.11	18.91	19.00	19.39	18.99	19.08
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.03	8.76	8.81	8.76	8.55	8.77	8.68	8.69
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.24	9.21	9.19	9.41	9.73	9.62	9.52	9.57
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.43	4.40	4.66	3.90	4.02	4.30	4.22
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.13	3.40	3.34	3.53	3.54	3.22	3.51	3.45
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.22	2.99	3.02	3.02	2.99	3.27	3.07	3.09
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.75	2.81	2.71	2.72	2.82	2.87	2.93	2.84
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.02	2.49	2.66	2.49	2.92	3.15	2.63	2.80
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.29	2.24	2.24	2.20	2.19	2.27	2.23	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.25	2.22	2.31	2.18	2.13	2.25	2.22
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.17	2.15	2.17	2.19	2.14	2.20	2.17
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.82	1.85	1.82	1.93	1.88	1.89	1.89	1.90
Total	60.83	59.49	59.07	59.99	60.70	59.82	61.18	61.40	62.55	61.55	61.67	62.13	61.90	62.74	62.21	62.25
% of World	70.6%	70.5%	70.2%	70.3%	70.7%	70.4%	70.8%	70.6%	70.7%	70.4%	70.6%	70.7%	70.3%	70.3%	70.1%	70.3%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	3.7	0.5	2.1	0.1	-0.5	-0.2	0.2	-0.1
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.8	-1.0	1.9	0.3	-0.9	-0.2	-1.0	-2.1	-0.6	-1.0
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.9	-2.0	1.0	-1.2	-1.5	-4.3	-1.4	-2.1
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.7	3.3	0.0	1.0	-0.2	-0.8	-1.4	-0.3	-0.7
Asia	1.7	-0.8	4.8	6.7	12.5	5.8	9.9	6.5	3.8	3.8	5.9	4.0	3.2	3.6	3.2	3.5
Middle East	5.7	1.6	3.2	3.7	3.8	3.1	5.6	3.7	2.9	3.4	3.9	4.7	5.1	4.3	4.5	4.6
Latin America	5.6	0.0	-1.1	-0.6	2.2	0.1	4.4	5.1	5.2	4.3	4.8	3.8	3.8	3.6	3.6	3.7
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.2	7.0	7.5	4.6	6.1	3.0	2.3	2.1	3.0	2.6
Africa	3.9	1.5	1.0	0.9	-3.4	0.0	-2.2	1.6	1.5	3.9	1.2	4.7	3.7	3.2	3.2	3.7
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-6.4	-6.4	-3.7	-0.9	-4.4	2.5	3.2	2.6	2.0	2.6
Total Non-OECD	3.3	-0.6	1.9	3.0	5.8	2.5	6.5	5.2	3.9	3.8	4.8	4.0	3.6	3.5	3.4	3.6
World	-0.6	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.6	1.8	2.8	1.8	1.3	0.9	1.5	1.4
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.86	0.13	0.50	0.03	-0.11	-0.04	0.05	-0.02
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.72	-0.14	0.27	0.05	-0.13	-0.03	-0.14	-0.31	-0.08	-0.14
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.36	-0.16	0.08	-0.10	-0.11	-0.32	-0.11	-0.16
Total OECD	-1.77	-2.56	-2.91	-1.68	-1.38	-2.13	-0.50	0.74	1.49	0.02	0.44	-0.11	-0.36	-0.67	-0.14	-0.32
Asia	0.29	-0.14	0.85	1.17	2.11	1.00	1.73	1.20	0.71	0.72	1.09	0.77	0.64	0.70	0.63	0.69
Middle East	0.38	0.11	0.23	0.28	0.26	0.22	0.38	0.27	0.23	0.24	0.28	0.33	0.39	0.34	0.33	0.35
Latin America	0.32	0.00	-0.07	-0.04	0.13	0.01	0.25	0.31	0.32	0.27	0.29	0.23	0.24	0.23	0.23	0.23
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.31	0.19	0.24	0.13	0.09	0.09	0.13	0.11
Africa	0.12	0.05	0.03	0.03	-0.11	0.00	-0.07	0.05	0.05	0.12	0.04	0.15	0.12	0.10	0.10	0.12
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.03	-0.01	-0.03	0.02	0.02	0.02	0.01	0.02
Total Non-OECD	1.22	-0.23	0.76	1.16	2.18	0.98	2.45	2.05	1.58	1.53	1.90	1.63	1.50	1.49	1.43	1.51
World	-0.55	-2.78	-2.16	-0.52	0.80	-1.15	1.95	2.79	3.08	1.55	2.34	1.52	1.14	0.82	1.29	1.19
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.18	-0.03	0.03	0.04	0.03	0.16	0.05	0.07
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.14	-0.01	0.03	0.00	-0.01	0.01	-0.01	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.20	0.02	0.06	0.00	0.01	0.09	0.01	0.03
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	-0.02	0.13	0.04	0.03	0.26	0.04	0.10
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.07	0.03	0.06	-0.01	0.06	-0.01	0.02
Middle East	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.19	0.18	0.21	0.19	0.18	0.19	0.19
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.01	0.01	0.00	0.00	0.02	0.02	0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.01	0.02	0.00	0.00	0.04	0.01	0.01
Africa	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.04	0.01	0.01	0.01	0.01	0.04	0.01	0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Total Non-OECD	0.18	0.19	0.19	0.19	0.17	0.18	0.18	0.19	0.33	0.29	0.25	0.27	0.20	0.33	0.22	0.26
World	0.18	0.19	0.19	0.19	0.17	0.18	0.18	0.19	0.85	0.27	0.38	0.31	0.23	0.60	0.26	0.35
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.01	0.00	-0.01	0.01	0.00	0.00	0.00	0.00	0.66	0.10	0.19	0.13	0.04	-0.26	-0.01	-0.02

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10 [2]	Jul 10	Aug 09
North America											
LPG&Ethane	2.70	2.79	2.61	3.17	3.18	2.53	2.56	2.68	2.72	0.04	0.07
Naphtha	0.36	0.33	0.33	0.32	0.40	0.42	0.42	0.44	0.42	-0.02	0.10
Motor Gasoline	10.54	10.56	10.75	10.52	10.22	10.81	10.92	10.97	11.01	0.04	0.13
Jet/Kerosene	1.77	1.62	1.67	1.57	1.62	1.66	1.74	1.70	1.72	0.02	0.04
Gasoil/Diesel Oil	5.00	4.61	4.42	4.72	4.80	4.70	4.80	4.55	4.83	0.28	0.46
Residual Fuel Oil	1.07	0.93	0.84	0.93	0.99	0.96	0.96	0.99	0.90	-0.09	-0.06
Other Products	2.73	2.46	2.67	2.31	2.36	2.70	2.81	2.73	2.91	0.18	0.26
Total	24.18	23.30	23.28	23.55	23.58	23.78	24.22	24.06	24.50	0.44	0.99
Europe											
LPG&Ethane	1.02	0.92	0.88	0.89	0.98	0.94	0.89	0.85	0.87	0.02	0.01
Naphtha	1.16	1.11	1.09	1.15	1.27	1.15	1.16	1.23	1.19	-0.04	0.14
Motor Gasoline	2.36	2.29	2.39	2.20	2.06	2.27	2.31	2.38	2.31	-0.08	-0.03
Jet/Kerosene	1.32	1.27	1.35	1.24	1.20	1.24	1.32	1.39	1.36	-0.03	-0.01
Gasoil/Diesel Oil	6.27	6.02	5.78	6.09	6.12	5.87	6.04	6.10	5.85	-0.25	0.56
Residual Fuel Oil	1.66	1.43	1.37	1.40	1.33	1.21	1.23	1.29	1.26	-0.03	-0.05
Other Products	1.57	1.45	1.60	1.38	1.21	1.44	1.60	1.57	1.52	-0.05	-0.01
Total	15.36	14.49	14.47	14.35	14.17	14.13	14.54	14.81	14.36	-0.45	0.61
Pacific											
LPG&Ethane	0.88	0.86	0.85	0.87	0.90	0.83	0.79	0.72	0.81	0.09	0.02
Naphtha	1.60	1.63	1.62	1.71	1.76	1.60	1.62	1.58	1.68	0.10	0.06
Motor Gasoline	1.53	1.55	1.60	1.57	1.52	1.52	1.51	1.65	1.72	0.07	0.05
Jet/Kerosene	0.89	0.85	0.60	0.99	1.15	0.71	0.64	0.61	0.64	0.03	0.01
Gasoil/Diesel Oil	1.69	1.60	1.50	1.68	1.64	1.55	1.56	1.56	1.54	-0.02	0.02
Residual Fuel Oil	0.91	0.75	0.65	0.71	0.77	0.67	0.66	0.74	0.73	-0.01	0.09
Other Products	0.54	0.42	0.44	0.45	0.45	0.42	0.46	0.52	0.57	0.05	0.14
Total	8.04	7.66	7.25	7.99	8.19	7.32	7.24	7.38	7.70	0.32	0.38
OECD											
LPG&Ethane	4.60	4.58	4.33	4.93	5.05	4.30	4.24	4.25	4.40	0.14	0.10
Naphtha	3.12	3.06	3.04	3.18	3.43	3.16	3.21	3.25	3.29	0.04	0.30
Motor Gasoline	14.43	14.39	14.74	14.30	13.79	14.60	14.74	15.00	15.04	0.04	0.15
Jet/Kerosene	3.98	3.73	3.62	3.80	3.98	3.62	3.69	3.70	3.72	0.02	0.04
Gasoil/Diesel Oil	12.95	12.23	11.69	12.49	12.57	12.12	12.40	12.21	12.22	0.01	1.03
Residual Fuel Oil	3.64	3.12	2.86	3.04	3.10	2.85	2.85	3.02	2.89	-0.13	-0.03
Other Products	4.85	4.33	4.71	4.14	4.02	4.56	4.88	4.82	5.00	0.19	0.38
Total	47.58	45.45	44.99	45.89	45.94	45.22	46.00	46.25	46.55	0.31	1.97

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

										Latest month vs.	
	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10 [2]	Jul 10	Aug 09
United States[3]											
LPG	1.95	2.05	1.90	2.41	2.39	1.80	1.83	1.95	2.00	0.05	0.04
Naphtha	0.25	0.25	0.26	0.25	0.27	0.28	0.29	0.31	0.28	-0.02	0.04
Motor Gasoline	8.99	9.00	9.16	8.94	8.68	9.22	9.30	9.36	9.40	0.04	0.11
Jet/Kerosene	1.55	1.41	1.46	1.39	1.42	1.46	1.53	1.48	1.51	0.04	0.06
Gasoil	3.95	3.63	3.46	3.70	3.79	3.70	3.76	3.56	3.81	0.24	0.38
Residual Fuel Oil	0.62	0.51	0.38	0.51	0.58	0.53	0.52	0.58	0.48	-0.09	0.01
Other Products	2.19	1.92	2.12	1.73	1.80	2.11	2.18	2.12	2.31	0.19	0.21
Total	19.50	18.77	18.72	18.93	18.93	19.10	19.40	19.36	19.80	0.45	0.85
Japan											
LPG	0.53	0.49	0.47	0.51	0.53	0.46	0.44	0.40	0.43	0.03	0.01
Naphtha	0.75	0.73	0.75	0.80	0.84	0.71	0.69	0.70	0.77	0.07	0.01
Motor Gasoline	0.98	0.99	1.03	1.00	0.96	0.97	0.96	1.07	1.13	0.05	0.02
Jet/Kerosene	0.59	0.55	0.34	0.64	0.81	0.43	0.36	0.34	0.35	0.01	0.00
Diesel	0.48	0.40	0.39	0.43	0.38	0.35	0.35	0.37	0.37	-0.01	-0.04
Other Gasoil	0.44	0.44	0.38	0.46	0.53	0.43	0.43	0.42	0.41	-0.01	0.02
Residual Fuel Oil	0.54	0.40	0.37	0.38	0.39	0.36	0.36	0.42	0.42	0.00	0.06
Other Products	0.49	0.37	0.39	0.38	0.34	0.33	0.37	0.44	0.51	0.07	0.12
Total	4.79	4.37	4.11	4.60	4.79	4.04	3.96	4.17	4.39	0.22	0.21
Germany											
LPG	0.09	0.09	0.09	0.09	0.10	0.10	0.10	0.10	0.11	0.00	0.01
Naphtha	0.38	0.37	0.38	0.38	0.43	0.37	0.41	0.42	0.41	-0.01	0.04
Motor Gasoline	0.48	0.47	0.49	0.47	0.42	0.48	0.48	0.49	0.47	-0.02	-0.01
Jet/Kerosene	0.19	0.19	0.20	0.19	0.17	0.19	0.21	0.21	0.20	-0.01	0.00
Diesel	0.65	0.64	0.69	0.66	0.60	0.68	0.70	0.71	0.68	-0.03	0.03
Other Gasoil	0.48	0.41	0.29	0.36	0.46	0.33	0.37	0.37	0.44	0.07	0.25
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.14	0.13	0.13	0.15	0.14	0.00	0.00
Other Products	0.14	0.11	0.13	0.11	0.05	0.11	0.12	0.13	0.10	-0.03	-0.02
Total	2.57	2.44	2.41	2.39	2.38	2.39	2.52	2.58	2.56	-0.02	0.30
Italy											
LPG	0.10	0.10	0.08	0.12	0.14	0.10	0.10	0.09	0.09	0.00	0.01
Naphtha	0.10	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.12	0.00	0.02
Motor Gasoline	0.26	0.25	0.26	0.24	0.22	0.24	0.25	0.26	0.24	-0.02	0.00
Jet/Kerosene	0.09	0.09	0.11	0.09	0.09	0.11	0.11	0.12	0.12	0.00	0.01
Diesel	0.51	0.49	0.50	0.50	0.47	0.50	0.52	0.55	0.44	-0.11	0.02
Other Gasoil	0.13	0.13	0.11	0.16	0.13	0.10	0.10	0.11	0.10	-0.01	0.00
Residual Fuel Oil	0.25	0.21	0.21	0.19	0.15	0.14	0.15	0.16	0.14	-0.02	-0.05
Other Products	0.19	0.16	0.19	0.14	0.13	0.16	0.18	0.20	0.21	0.01	0.05
Total	1.63	1.53	1.55	1.54	1.45	1.47	1.54	1.62	1.47	-0.15	0.07
France											
LPG	0.13	0.09	0.06	0.09	0.14	0.09	0.09	0.08	0.09	0.01	0.03
Naphtha	0.17	0.14	0.15	0.14	0.15	0.15	0.14	0.13	0.14	0.01	0.04
Motor Gasoline	0.21	0.20	0.21	0.19	0.17	0.20	0.20	0.21	0.20	-0.02	-0.01
Jet/Kerosene	0.16	0.15	0.16	0.14	0.14	0.15	0.16	0.17	0.16	-0.01	0.00
Diesel	0.66	0.66	0.68	0.68	0.64	0.69	0.72	0.73	0.65	-0.07	0.04
Other Gasoil	0.33	0.31	0.24	0.33	0.35	0.21	0.20	0.22	0.23	0.01	0.04
Residual Fuel Oil	0.10	0.10	0.09	0.10	0.11	0.09	0.09	0.08	0.07	-0.01	-0.01
Other Products	0.19	0.18	0.18	0.15	0.16	0.19	0.22	0.19	0.18	-0.01	0.02
Total	1.95	1.83	1.77	1.82	1.85	1.77	1.82	1.81	1.72	-0.09	0.15
United Kingdom											
LPG	0.17	0.16	0.14	0.14	0.13	0.15	0.14	0.11	0.11	0.00	-0.01
Naphtha	0.02	0.02	0.02	0.03	0.03	0.02	0.01	0.02	0.02	0.00	0.01
Motor Gasoline	0.39	0.37	0.37	0.35	0.35	0.36	0.35	0.35	0.35	0.00	-0.02
Jet/Kerosene	0.34	0.34	0.34	0.34	0.35	0.30	0.31	0.32	0.33	0.01	-0.02
Diesel	0.44	0.45	0.45	0.44	0.47	0.46	0.48	0.47	0.47	0.00	0.01
Other Gasoil	0.14	0.10	0.11	0.09	0.11	0.10	0.11	0.13	0.13	-0.01	0.01
Residual Fuel Oil	0.09	0.07	0.07	0.07	0.06	0.06	0.04	0.07	0.06	0.00	0.00
Other Products	0.15	0.16	0.16	0.15	0.14	0.16	0.17	0.15	0.17	0.02	0.01
Total	1.73	1.67	1.66	1.61	1.65	1.62	1.59	1.63	1.64	0.01	-0.02
Canada											
LPG	0.34	0.34	0.33	0.34	0.35	0.35	0.35	0.35	0.34	-0.01	0.02
Naphtha	0.08	0.05	0.05	0.05	0.08	0.08	0.09	0.08	0.09	0.01	0.03
Motor Gasoline	0.72	0.73	0.76	0.72	0.70	0.75	0.76	0.77	0.77	0.00	0.01
Jet/Kerosene	0.12	0.12	0.12	0.10	0.11	0.11	0.12	0.13	0.10	-0.02	-0.03
Diesel	0.23	0.23	0.23	0.23	0.23	0.23	0.24	0.21	0.20	-0.01	-0.02
Other Gasoil	0.33	0.28	0.26	0.31	0.32	0.29	0.30	0.30	0.33	0.03	0.07
Residual Fuel Oil	0.11	0.09	0.09	0.09	0.11	0.10	0.11	0.10	0.10	0.00	0.01
Other Products	0.32	0.30	0.32	0.32	0.30	0.32	0.36	0.36	0.33	-0.03	0.01
Total	2.24	2.15	2.16	2.17	2.19	2.23	2.33	2.30	2.27	-0.03	0.11

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	2Q10	3Q10	4Q10	1Q11	2Q11	Aug 10	Sep 10	Oct 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.96	8.04				8.11	8.01	7.97
Iran	3.74			3.75	3.69				3.70	3.68	3.70
Iraq	2.43			2.35	2.41				2.33	2.52	2.44
UAE	2.27			2.30	2.33				2.32	2.31	2.33
Kuwait	2.01			2.03	2.03				2.04	2.03	2.03
Neutral Zone	0.54			0.54	0.54				0.54	0.54	0.54
Qatar	0.80			0.79	0.80				0.79	0.80	0.80
Angola	1.77			1.81	1.71				1.77	1.65	1.68
Nigeria	1.82			1.96	2.15				2.14	2.15	2.16
Libya	1.55			1.56	1.56				1.56	1.55	1.56
Algeria	1.25			1.24	1.26				1.26	1.27	1.27
Ecuador	0.47			0.46	0.46				0.46	0.46	0.47
Venezuela	2.15			2.24	2.23				2.23	2.23	2.21
Total Crude Oil[6]	28.71			28.99	29.21				29.24	29.20	29.15
Total NGLs[1,6]	4.65	5.11	5.78	5.02	5.16	5.28	5.67	5.75	5.16	5.16	5.28
Total OPEC[6]	33.36			34.01	34.37				34.41	34.36	34.43
OPEC: Historical Composition[6]	33.36			34.01	34.37				34.41	34.36	34.43
NON-OPEC[2]											
OECD											
North America	13.62	14.01	13.98	14.05	14.08	13.97	14.06	13.88	14.17	14.05	14.14
United States[5]	7.44	7.72	7.78	7.74	7.82	7.66	7.75	7.87	7.83	7.97	7.87
Mexico	2.97	2.96	2.88	2.96	2.94	2.93	2.92	2.89	2.93	2.94	2.94
Canada	3.22	3.33	3.33	3.34	3.32	3.38	3.39	3.12	3.41	3.14	3.33
Europe	4.52	4.15	4.01	4.18	3.75	4.16	4.22	3.96	3.57	3.77	4.02
UK	1.47	1.37	1.32	1.40	1.20	1.34	1.40	1.32	1.15	1.29	1.31
Norway	2.39	2.16	2.10	2.14	1.94	2.20	2.20	2.03	1.83	1.84	2.08
Others	0.67	0.63	0.59	0.63	0.61	0.62	0.61	0.60	0.59	0.63	0.63
Pacific	0.65	0.64	0.69	0.62	0.64	0.66	0.68	0.67	0.62	0.66	0.65
Australia	0.55	0.54	0.59	0.52	0.54	0.56	0.57	0.57	0.53	0.57	0.55
Others	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Total OECD	18.80	18.80	18.68	18.84	18.47	18.80	18.95	18.50	18.36	18.49	18.81
NON-OECD											
Former USSR	13.28	13.58	13.78	13.53	13.49	13.83	13.83	13.80	13.54	13.33	13.83
Russia	10.21	10.45	10.53	10.43	10.44	10.55	10.53	10.51	10.37	10.49	10.57
Others	3.07	3.13	3.25	3.10	3.05	3.28	3.30	3.29	3.17	2.84	3.26
Asia	7.49	7.74	7.84	7.70	7.81	7.79	7.89	7.79	7.78	7.89	7.81
China	3.89	4.09	4.20	4.06	4.14	4.16	4.23	4.17	4.13	4.21	4.19
Malaysia	0.74	0.71	0.67	0.72	0.70	0.69	0.68	0.67	0.69	0.73	0.70
India	0.80	0.86	0.89	0.84	0.88	0.88	0.88	0.88	0.87	0.88	0.89
Indonesia	0.98	0.99	0.97	1.00	0.98	0.98	0.98	0.97	0.99	0.98	0.93
Others	1.08	1.10	1.12	1.09	1.10	1.09	1.12	1.11	1.09	1.09	1.09
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
Latin America	3.88	4.09	4.40	4.09	4.09	4.17	4.25	4.35	4.14	4.04	4.12
Brazil[5]	2.03	2.14	2.33	2.15	2.13	2.17	2.21	2.29	2.17	2.07	2.15
Argentina	0.72	0.71	0.71	0.71	0.70	0.71	0.71	0.71	0.71	0.70	0.72
Colombia	0.67	0.80	0.92	0.78	0.80	0.83	0.87	0.90	0.81	0.81	0.82
Others	0.45	0.45	0.45	0.45	0.46	0.45	0.46	0.45	0.46	0.46	0.43
Middle East[3]	1.68	1.69	1.70	1.68	1.69	1.69	1.72	1.71	1.67	1.70	1.69
Oman	0.81	0.87	0.92	0.86	0.87	0.89	0.91	0.92	0.85	0.89	0.89
Syria	0.38	0.37	0.35	0.37	0.37	0.36	0.36	0.35	0.37	0.36	0.36
Yemen	0.29	0.26	0.25	0.27	0.26	0.25	0.26	0.25	0.26	0.26	0.26
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.18	0.19	0.19	0.19
Africa	2.60	2.55	2.59	2.55	2.55	2.54	2.56	2.57	2.55	2.55	2.54
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.61	1.57	1.61	1.58	1.56	1.55	1.58	1.59	1.56	1.56	1.55
Total Non-OECD	29.06	29.80	30.45	29.69	29.77	30.15	30.39	30.37	29.83	29.65	30.14
Processing Gains[4]	2.29	2.20	2.23	2.20	2.20	2.20	2.23	2.23	2.20	2.20	2.20
Global Biofuels[5]	1.57	1.82	1.99	1.94	2.13	1.84	1.54	1.96	2.18	2.09	2.03
TOTAL NON-OPEC[6]	51.71	52.61	53.35	52.68	52.57	52.98	53.11	53.06	52.58	52.42	53.18
Non-OPEC: Historical Composition[6]	51.71	52.61	53.35	52.68	52.57	52.98	53.11	53.06	52.58	52.42	53.18
TOTAL SUPPLY	85.07			86.68	86.94				86.98	86.78	87.61

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4

OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	May2010	Jun2010	Jul2010	Aug2010	Sep2010*	Sep2007	Sep2008	Sep2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	501.9	511.3	507.8	504.6	505.2	449.8	456.8	478.0	-0.09	0.40	0.05	-0.07
Motor Gasoline	247.3	245.3	251.3	252.0	245.6	227.8	218.1	242.9	0.11	0.06	-0.15	0.00
Middle Distillate	222.3	231.0	243.5	247.8	243.8	207.2	197.1	250.7	-0.12	-0.26	0.16	0.14
Residual Fuel Oil	53.5	50.8	49.5	46.7	47.0	44.3	47.5	43.8	0.01	0.05	0.02	-0.04
Total Products[3]	698.8	711.6	734.6	737.5	730.2	672.1	654.5	745.9	-0.54	-0.25	0.42	0.20
Total[4]	1355.6	1377.7	1398.3	1401.4	1395.2	1285.2	1281.7	1390.3	-0.88	0.14	0.62	0.19
Europe												
Crude	358.8	342.5	335.1	346.5	324.4	321.3	333.1	330.1	0.03	-0.02	0.13	-0.20
Motor Gasoline	94.3	95.1	94.3	94.7	95.5	97.8	94.5	96.0	0.05	0.02	-0.09	0.00
Middle Distillate	285.7	285.1	286.1	289.3	280.8	249.5	265.6	289.9	-0.03	-0.05	0.03	-0.05
Residual Fuel Oil	74.4	77.4	72.6	73.0	74.9	76.3	74.7	69.4	0.03	0.02	0.04	-0.03
Total Products[3]	567.5	567.4	563.7	567.4	561.5	533.1	546.6	568.1	0.04	-0.06	0.00	-0.06
Total[4]	997.3	979.1	967.1	982.6	954.4	928.6	951.2	968.1	0.04	0.00	0.08	-0.27
Pacific												
Crude	166.5	166.3	170.6	161.8	153.9	163.4	162.1	165.9	-0.06	0.05	0.02	-0.13
Motor Gasoline	27.4	26.2	24.4	23.9	24.1	21.7	22.7	25.1	-0.02	0.02	0.01	-0.02
Middle Distillate	60.1	57.7	59.1	63.8	65.3	77.7	74.3	72.4	-0.11	-0.05	0.00	0.08
Residual Fuel Oil	21.2	20.9	20.1	20.6	22.2	25.6	22.3	21.4	-0.03	0.02	0.01	0.01
Total Products[3]	166.6	168.0	169.2	177.0	177.6	196.8	192.9	185.1	-0.26	-0.03	0.11	0.10
Total[4]	403.8	405.1	409.4	409.2	400.8	432.2	430.7	419.2	-0.39	0.03	0.21	-0.05
Total OECD												
Crude	1027.1	1020.1	1013.4	1012.9	983.5	934.5	952.0	974.0	-0.12	0.43	0.20	-0.40
Motor Gasoline	369.0	366.5	370.0	370.6	365.2	347.4	335.3	364.0	0.14	0.11	-0.22	-0.01
Middle Distillate	568.0	573.8	588.7	600.9	589.9	534.4	537.0	613.0	-0.26	-0.36	0.19	0.18
Residual Fuel Oil	149.1	149.1	142.2	140.3	144.1	146.2	144.5	134.6	0.00	0.09	0.07	-0.05
Total Products[3]	1432.9	1447.0	1467.5	1481.9	1469.3	1402.0	1394.0	1499.2	-0.76	-0.34	0.53	0.24
Total[4]	2756.7	2761.8	2774.8	2793.2	2750.4	2646.1	2663.6	2777.5	-1.23	0.17	0.91	-0.12

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	May2010	Jun2010	Jul2010	Aug2010	Sep2010*	Sep2007	Sep2008	Sep2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	726.6	726.6	726.6	726.6	726.4	692.8	702.4	725.1	0.02	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	185.2	185.4	185.3	182.9	182.0	177.4	180.4	186.3	-0.02	0.04	-0.03	-0.04
Products	237.1	237.3	234.7	235.3	235.3	244.2	233.1	241.4	-0.01	-0.01	-0.03	-0.02
Pacific												
Crude	390.2	390.9	388.9	387.0	387.6	385.1	384.3	388.4	0.01	0.00	0.02	-0.04
Products	20.0	20.0	20.0	20.0	20.0	17.9	19.2	19.2	0.01	0.00	0.00	0.00
Total OECD												
Crude	1302.0	1302.9	1300.7	1296.4	1295.9	1255.2	1267.0	1299.8	0.00	0.04	0.00	-0.08
Products	259.1	259.3	256.7	257.3	257.3	264.0	254.2	262.5	0.00	-0.01	-0.03	-0.02
Total[4]	1562.5	1563.5	1558.8	1555.1	1554.6	1520.2	1522.2	1564.0	0.00	0.03	-0.04	-0.10

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2009		End December 2009		End March 2010		End June 2010		End September 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	194.5	90	192.6	87	195.1	85	189.1	-	-	-
Mexico	50.4	23	44.7	21	51.5	24	54.4	-	-	-
United States[4]	1850.3	98	1778.4	95	1781.4	94	1840.7	-	-	-
Total[4]	2117.3	90	2037.7	87	2050.1	86	2106.3	87	2123.6	90
Pacific										
Australia	44.9	46	40.3	43	41.5	44	42.7	-	-	-
Japan	607.3	132	588.8	123	581.5	144	597.1	-	-	-
Korea	167.0	74	155.0	67	163.6	75	167.3	-	-	-
New Zealand	7.5	49	8.1	51	8.1	59	8.9	-	-	-
Total	826.7	104	792.2	97	794.7	109	816.0	107	808.3	103
Europe[5]										
Austria	20.8	78	21.2	80	22.7	84	20.1	-	-	-
Belgium	34.2	52	34.4	53	35.3	69	37.8	-	-	-
Czech Republic	21.8	104	21.5	124	21.7	106	20.4	-	-	-
Denmark	25.0	153	25.5	154	27.2	171	28.2	-	-	-
Finland	29.3	143	33.1	151	32.5	171	28.5	-	-	-
France	174.0	96	174.9	94	171.8	97	170.1	-	-	-
Germany	276.7	116	284.1	120	287.7	120	281.0	-	-	-
Greece	35.5	90	35.1	85	35.6	104	33.9	-	-	-
Hungary	14.4	89	14.3	115	16.8	115	17.0	-	-	-
Ireland	12.4	71	11.4	66	12.7	74	12.8	-	-	-
Italy	129.0	84	125.6	87	129.2	88	132.5	-	-	-
Luxembourg	0.8	15	0.8	14	0.8	13	0.7	-	-	-
Netherlands	138.1	137	135.7	135	131.0	123	138.8	-	-	-
Norway	24.7	128	21.9	112	21.1	93	22.1	-	-	-
Poland	64.0	115	63.2	125	62.5	115	63.8	-	-	-
Portugal	24.5	92	26.2	99	23.4	85	24.9	-	-	-
Slovak Republic	8.3	103	8.3	109	9.5	122	9.3	-	-	-
Spain	135.0	94	132.6	91	132.0	93	134.1	-	-	-
Sweden	38.5	117	39.5	110	39.3	109	35.4	-	-	-
Switzerland	38.2	137	37.0	155	37.8	158	38.1	-	-	-
Turkey	57.8	111	57.6	119	58.1	96	58.4	-	-	-
United Kingdom	94.2	59	94.4	57	92.4	57	95.4	-	-	-
Total	1397.5	97	1398.2	99	1401.1	99	1403.1	95	1373.0	95
Total OECD	4341.6	95	4228.1	92	4245.9	94	4325.3	93	4305.0	94
DAYS OF IEA Net Imports[6]	-	133	-	144	-	145	-	147	-	-

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End June 2010 and September 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand*[2]		
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4297	1547	2750	97	35	62
2Q2009	4319	1561	2758	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4246	1567	2679	94	35	59
2Q2010	4325	1563	2762	93	34	59
3Q2010	4305	1555	2750	94	34	60

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 2Q2010 and 3Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10	Year Earlier Aug 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.44	0.53	0.71	0.69	0.64	0.65	0.85	0.36	0.48
Europe	0.70	0.70	0.59	0.57	0.61	0.55	0.64	0.63	0.72	0.75	0.43	0.31
Pacific	1.19	1.22	1.28	1.23	1.32	1.25	1.17	1.08	1.20	1.14	1.20	-0.06
Saudi Medium												
North America	0.56	0.64	0.40	0.41	0.34	0.38	0.36	0.36	0.30	0.31	0.34	-0.03
Europe	0.05	0.05	0.02	0.01	0.02	-	0.00	-	-	-	-	-
Pacific	0.34	0.39	0.34	0.35	0.33	0.33	0.37	0.40	0.30	0.33	0.30	0.03
Saudi Heavy												
North America	0.09	0.07	0.03	0.02	0.03	0.02	0.02	0.02	0.04	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.01	0.01	0.00	0.00	-	-	-	0.01	-
Pacific	0.20	0.24	0.15	0.12	0.12	0.23	0.19	0.19	0.21	0.24	0.12	0.11
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.45	0.40	0.42	0.43	0.54	0.34	0.27	0.56	-0.29
Europe	0.30	0.21	0.12	0.19	0.06	0.06	0.09	0.15	0.13	0.23	0.30	-0.07
Pacific	0.17	0.15	0.24	0.24	0.27	0.35	0.19	0.17	0.19	0.25	0.31	-0.06
Iraqi Kirkuk												
North America	-	0.08	0.06	0.11	0.04	0.01	0.03	-	0.05	0.05	0.07	-0.02
Europe	0.11	0.23	0.31	0.34	0.29	0.33	0.27	0.29	0.27	0.18	0.24	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.13	0.16	0.20	0.24	0.27	0.40	0.41	0.17	0.24
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.07	0.06	0.04	0.02	0.06	-0.03
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.48	0.37	0.35	0.47	0.63	0.80	0.64	0.48	0.17
Pacific	0.64	0.61	0.57	0.57	0.56	0.61	0.44	0.45	0.63	0.38	0.57	-0.19
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.33	0.09	0.11	0.21	0.27	0.13	0.02	0.40	-0.38
Europe	0.08	0.06	0.07	0.04	0.02	0.01	0.02	0.01	0.03	0.09	0.01	0.08
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.87	0.75	0.89	0.83	0.73	0.99	1.07	0.88	0.19
Europe	0.07	0.07	0.07	0.06	0.08	0.07	0.06	0.04	0.07	0.05	0.08	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.87	0.82	0.82	0.96	0.87	0.90	1.18	0.92	0.26
Europe	0.14	0.14	0.10	0.09	0.12	0.12	0.11	0.11	0.08	0.14	0.08	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.01	0.00	0.03	0.02	0.01	0.01	0.01	0.01	0.00
Europe	0.02	0.01	0.01	0.02	-	-	0.02	0.01	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.17	0.06	0.08	0.13	0.15	-	0.22	0.12	0.10
Europe	1.86	1.81	1.72	1.76	1.80	1.76	1.86	1.83	1.88	1.79	1.60	0.19
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.63	0.67	0.55	0.64	0.74	0.61	0.69	0.65	0.04
Europe	0.24	0.29	0.32	0.30	0.34	0.26	0.29	0.26	0.26	0.35	0.33	0.02
Pacific	0.01	-	0.00	-	0.01	-	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.19	0.21	0.24	0.29	0.29	0.23	0.26	0.13	0.14
Europe	0.07	0.14	0.13	0.12	0.15	0.07	0.09	0.10	0.11	0.11	0.07	0.04
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun-10	Jul-10	Aug-10	Year Earlier Aug-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	7316	6717	7057	7902	8145	7969	7516	6794	11%
Europe	9691	9776	8910	8850	8676	8562	9157	9769	9616	9812	8574	14%
Pacific	6718	6605	6082	5961	6102	6445	5899	5559	6061	6182	6067	2%
Total OECD	24622	24427	22319	22127	21495	22063	22958	23473	23645	23510	21735	8%
LPG												
North America	28	31	13	9	5	12	7	10	7	7	22	-67%
Europe	278	268	249	232	261	286	269	231	216	229	222	3%
Pacific	557	589	529	566	529	534	600	684	516	579	544	6%
Total OECD	863	887	792	806	795	832	876	925	739	816	789	3%
Naphtha												
North America	40	56	22	18	12	23	28	36	65	61	16	284%
Europe	283	298	312	294	388	444	393	379	419	294	284	4%
Pacific	794	776	841	907	896	953	899	877	918	798	927	-14%
Total OECD	1116	1130	1176	1219	1296	1421	1320	1292	1403	1153	1227	-6%
Gasoline[3]												
North America	1128	1077	878	843	785	697	841	869	1041	988	814	21%
Europe	179	215	193	231	62	163	196	156	228	190	179	6%
Pacific	73	90	96	95	99	70	73	56	43	49	66	-26%
Total OECD	1380	1382	1166	1170	946	931	1110	1081	1311	1227	1060	16%
Jet & Kerosene												
North America	183	64	61	67	55	69	59	63	75	88	62	40%
Europe	373	401	451	439	444	439	358	356	403	510	379	34%
Pacific	43	34	53	37	48	46	37	28	32	26	36	-29%
Total OECD	599	500	566	542	546	553	454	447	510	623	478	30%
Gasoil/Diesel												
North America	132	74	56	36	44	114	43	58	31	36	17	117%
Europe	783	871	1033	891	1038	1132	885	774	953	831	875	-5%
Pacific	91	119	87	73	114	88	121	135	106	65	45	46%
Total OECD	1005	1064	1177	999	1196	1333	1048	967	1090	933	937	0%
Heavy Fuel Oil												
North America	323	288	270	205	226	277	293	202	297	232	174	33%
Europe	436	458	534	550	544	564	545	545	437	488	562	-13%
Pacific	95	125	113	103	79	136	104	59	118	136	116	17%
Total OECD	854	871	918	858	848	978	941	807	852	856	852	0%
Other Products												
North America	1050	1078	870	896	756	676	782	710	864	898	787	14%
Europe	771	734	718	763	696	622	605	638	686	729	797	-9%
Pacific	254	298	325	337	356	330	276	327	374	373	298	25%
Total OECD	2074	2110	1913	1996	1809	1628	1664	1676	1923	1999	1881	6%
Total Products												
North America	2883	2667	2171	2073	1882	1868	2053	1948	2380	2310	1893	22%
Europe	3102	3245	3491	3400	3432	3650	3252	3080	3342	3271	3299	-1%
Pacific	1906	2032	2045	2117	2121	2157	2110	2167	2106	2026	2032	0%
Total OECD	7891	7944	7707	7591	7436	7675	7414	7194	7828	7607	7223	5%
Total Oil												
North America	11097	10713	9497	9390	8600	8924	9955	10093	10349	9826	8987	9%
Europe	12793	13022	12401	12250	12109	12211	12408	12848	12957	13083	11872	10%
Pacific	8623	8637	8127	8078	8223	8602	8008	7725	8167	8208	8099	1%
Total OECD	32513	32371	30026	29718	28931	29738	30372	30667	31473	31117	28958	7%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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For information on the data sources, definitions, technical terms and general approach used in preparing the *Oil Market Report (OMR)*, *Medium-Term Oil and Gas Markets (MTOGM)* and *Annual Statistical Supplement* (current issue of the Statistical Supplement dated 11 August 2010), readers are referred to the *Users' Guide* at www.oilmarketreport.org/glossary.asp. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US$ per barrel according to the Platts specification of products (©2010 Platts - a division of McGraw-Hill Inc.).

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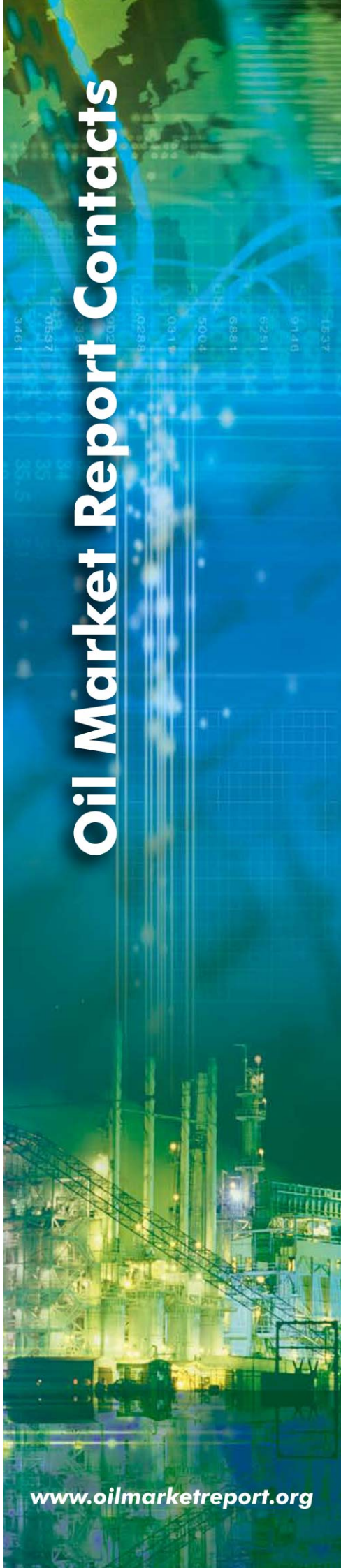
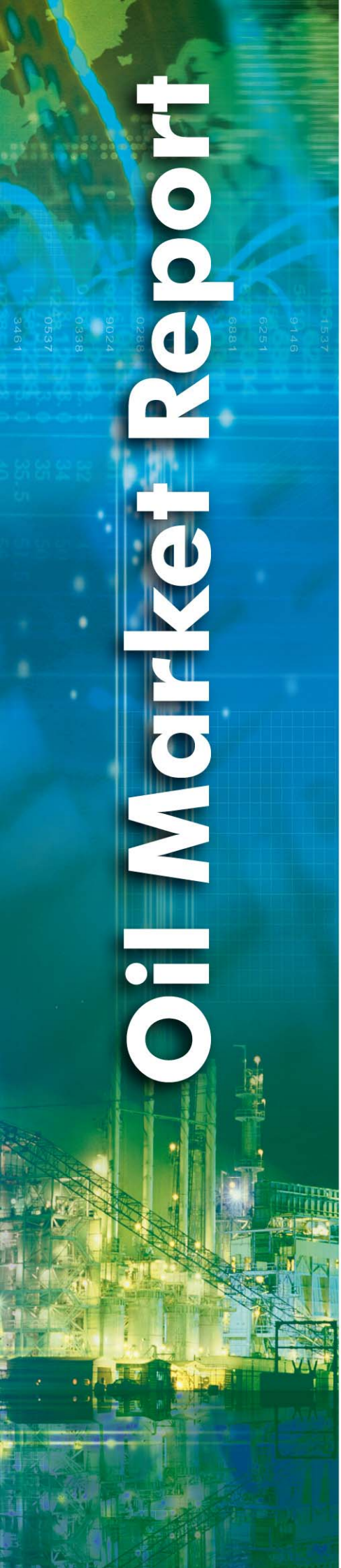
Next Issue: 10 December 2010





International Energy Agency

10 December 2010

HIGHLIGHTS

- **Cold winter weather hard on the heels of exceptional 3Q10 global demand growth pushed prices to two-year highs over $90/bbl** by early December. Prompt demand strength saw price structures favour the front end of the curve and focus is again firmly on market fundamentals. At writing, benchmark crudes were trading at $88-$91/bbl.

- **Global oil product demand is revised up by 130 kb/d to 87.4 mb/d in 2010, and by 260 kb/d to 88.8 mb/d in 2011**, on stronger data from OECD North America and non-OECD Asia. Growth in 2010 (+2.5 mb/d y-o-y) is largely driven by buoyant gasoil demand, notably in 3Q10, but expansion should slow to +1.3 mb/d in 2011 as temporarily supportive factors fade.

- **Global oil supply rose by 0.4 mb/d to 88.1 mb/d in November**, largely due to increased non-OPEC production, notably from Canada, Kazakhstan and Brazil. Non-OPEC supply now averages 52.8 mb/d in 2010 and 53.4 mb/d in 2011, representing growth of 1.1 mb/d and 0.6 mb/d, respectively. OPEC NGLs output is seen averaging 5.3 mb/d this year and 5.8 mb/d in 2011.

- **OPEC crude oil production in November inched higher, by 45 kb/d to 29.2 mb/d.** Effective spare capacity stands at 5.6 mb/d. The 'call on OPEC crude and stock change' for 2011 is raised by 100 kb/d this month, to an estimated 29.5 mb/d, on higher demand projections.

- **October OECD industry stocks built by a modest 0.7 mb to 2 745 mb**, or 60.1 days, as crude builds balanced out product draws in Europe and North America. Preliminary data point to an 8.4 mb decline in November OECD inventories, but oil held in floating storage rose.

- **Global crude runs are estimated to have fallen by 2.2 mb/d in October,** as a small increase in the non-OECD failed to offset sharp decline in the OECD, where industrial action in France coincided with peak maintenance in the US and Japan. 4Q10 global throughputs are estimated at 73.8 mb/d, 1.8 mb/d less than 3Q10, but still a healthy 1.3 mb/d above a year ago.

- **An update of June's medium-term projections to 2015** includes similar GDP and price assumptions, but with baseline estimates for supply and, most notably, demand revised sharply higher. Despite a stronger non-OPEC supply outlook, spare capacity tightens in the Base Case to 3.6 mb/d by 2015. A weaker GDP case shows spare capacity remaining more stable near current levels.

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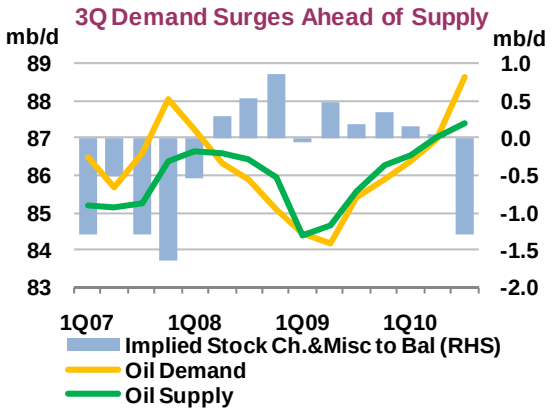
TAKING STOCK

2010 buoyancy seen easing in 2011

November crude prices continued the uptick evident since August, gaining 3% to average around $85/bbl for the month and touching $90/bbl in early December. Middle distillates cracks have also looked strong. Fingers still point at shadowy 'speculative' inflows to futures and derivatives markets, but a more plausible foundation for price strength lies with now apparent 3Q fundamentals. Upward demand revisions have outstripped those for supply, and suggest that global demand grew by a giddy 3.3 mb/d year-on-year in 3Q (42% of which was gasoil/diesel). This implies a global net stock draw of some 1.3 mb/d, the largest since 4Q07, showing that fundamentals do matter, even if they sometimes only become evident after the event.



Fourth quarter supply and demand look better balanced, assuming OPEC production remains flat at recent levels (OPEC ministers meet in Quito on 11 December). Although economic concerns remain skewed to the downside (not least if current high prices begin to act as a drag on growth), more immediately demand could surprise to the upside. Recent harsh northern hemisphere weather, allied to electric power rationing in China, if sustained, could push short-term demand (again, largely gasoil/diesel) higher and tighten market balances further. However, cheap gas prices and an ongoing structural shift away from oil in industry and power generation suggest the sensitivity of OECD demand in the event of cold weather is diminishing over time. Either way, global demand growth should ease in 2011, from 2.5 mb/d to 1.3 mb/d, amid renewed structural OECD decline, and as post-recession froth in markets like China subsides.

Underlying assumptions for 2011-2015 similar to June

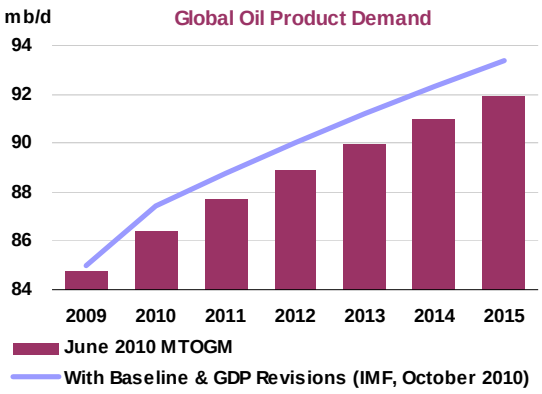
As last year, the December *OMR* presents an update of the medium-term projections generated in June. This update revisits the economic growth and oil price assumptions deployed then, and incorporates supply and demand baseline changes noted over the last six months. Oil supply and refining capacity new-build plans are revisited, as are assumptions on activity levels and decline rates, where appropriate.

The futures price strip deployed as our starting point remains in a similar $75-$85/bbl range, albeit 2011-2013 prices come in marginally higher than in June. Trend economic growth for 2010 onwards under the base case remains close to 4.5% annually (based on the IMF's October outlook), while a lower variant nearer 3.3% continues to be run in parallel. In short, there is not much change in background assumptions, albeit baseline 2010 supply and demand levels look higher than they did in June.

Medium-term demand rising off a higher base

OECD oil demand has proven stronger in 2010 than estimated at mid-year amid a post-recessionary bounce and off-trend weather patterns, which boosted 3Q10 oil demand in particular. However, renewed structural decline remains the most likely OECD trend going forward. Weakening economic growth next year, and an assumption that temperatures revert to ten-year averages, suggest that OECD demand could fall by around 0.3 mb/d per year between now and 2015. The prospect of low natural gas prices reinforces the trend. But anticipated OECD weakness is offset by growth of nearly 1.5 mb/d annually in the non-OECD, much of it from middle distillates. Non-OECD demand has averaged within 0.6 mb/d of our earlier estimates so far in 2010. Looking forward, the key difference in our *lower* GDP

sensitivity is that non-OECD demand growth slows to a more modest 1.1 mb/d annually, given the greater oil intensity in developing countries. In both scenarios, absolute levels of non-OECD demand come to dominate the global picture by 2014, in much the same way non-OECD growth has done since 2005. Better data is needed on non-OECD fundamentals if we are to fully capture evolving market trends, while consumer responses to high crude prices there are also frequently obscured by end-user subsidies.



All told, the demand baseline for 2010/2011 is around 1.1 mb/d higher than we anticipated in June. Demand reaches 93.4 mb/d by 2015 in the base case (1.5 mb/d higher than previously) and 91.5 mb/d in the lower growth case. Once again, the difference between the two cases can be summarised as annual growth of 1.2 mb/d post-2010 in the Base Case on the one hand and 0.8 mb/d per year growth in the lower GDP case on the other. The difference may appear marginal, but nonetheless has profound implications for the shape of the global oil market balance looking forward to 2015.

Oil Demand Sensitivity

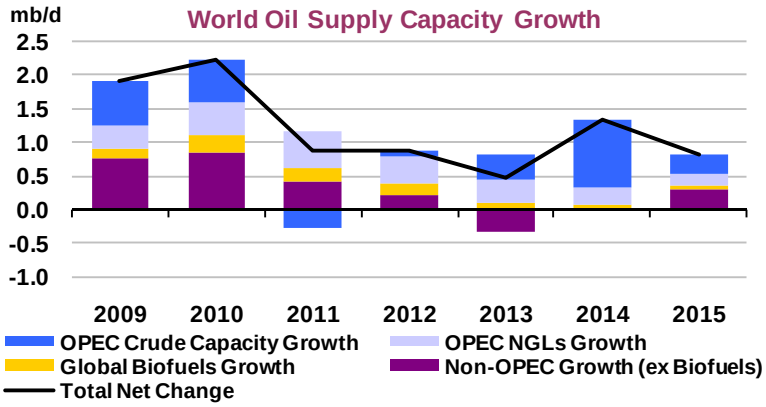
(million barrels per day)

	2009	2010	2011	2012	2013	2014	2015	Avg. Yearly Growth, 2009-2015		Avg. Yearly Growth, 2010-2015	
								%	mb/d	%	mb/d
Base GDP & 3% Avg. Yearly Efficiency Gains											
Global GDP (y-o-y chg)	-0.8%	4.7%	4.2%	4.5%	4.5%	4.6%	4.6%	3.7%		4.5%	
OECD	45.4	45.9	45.7	45.5	45.2	44.9	44.5	-0.3%	-0.15	-0.6%	-0.28
Non-OECD	39.5	41.5	43.1	44.6	46.0	47.4	48.9	3.6%	1.55	3.3%	1.47
World	85.0	87.4	88.8	90.0	91.2	92.3	93.4	1.6%	1.40	1.3%	1.19
Lower GDP & 2% Avg. Yearly Efficiency Gains											
Global GDP (y-o-y chg)	-0.8%	4.7%	2.8%	3.0%	3.0%	3.1%	3.0%	2.7%		3.3%	
OECD	45.4	45.9	45.5	45.1	44.8	44.5	44.4	-0.4%	-0.18	-0.7%	-0.32
Non-OECD	39.5	41.5	42.7	43.5	44.6	45.8	47.1	3.0%	1.27	2.6%	1.13
World	85.0	87.4	88.2	88.7	89.3	90.3	91.5	1.2%	1.09	0.9%	0.81
Lower vs. Base											
Global GDP (% points)	0.00	0.00	-1.34	-1.45	-1.48	-1.51	-1.52	-1.0		-1.2	
OECD	0.00	0.00	-0.17	-0.35	-0.40	-0.34	-0.17	-0.1	-0.03	-0.1	-0.03
Non-OECD	0.00	0.00	-0.37	-1.01	-1.44	-1.68	-1.72	-0.6	-0.29	-0.7	-0.34
World	0.00	0.00	-0.54	-1.37	-1.84	-2.02	-1.89	-0.3	-0.31	-0.4	-0.38

Oil supply activity remains buoyant

Sustained high prices, elevated upstream activity levels, and a lull in cost inflation have seen oil supply in 2010 again exceed initial expectations. 2010 **non-OPEC supply** is now estimated at 52.8 mb/d and is some 0.6 mb/d higher than projected in June. Much of this derives from the Americas, with Mexico successfully moderating earlier steep decline rates and US onshore and NGL supply helping offset drilling delays from the *Macondo* disaster in the Gulf of Mexico (which trim a gross 0.3 mb/d off 2015 GoM supply). For now, we do not assume more widespread fall-out from the *Macondo* spill, at least for the medium term, and deepwater production's share rises from 6% to 8% of total supply by 2015 and from 22% to 28% of offshore production. Non-OPEC supply continues to grow through 2015, reaching 54.0 mb/d. However, conventional crude oil (increasing in Brazil, Colombia, the Caspian and Russia) generates only around 10% of expected non-OPEC growth (+255 kb/d for 2009-2015), with the bulk coming instead from **biofuels** (+0.8 mb/d for 2009-2015, to reach 2.4 mb/d), oil sands, NGLs and other liquids.

The expected profile for **OPEC crude production capacity** remains similar to that in June, with a net increase of 2.1 mb/d to 36.9 mb/d now expected, compared with an equivalent gain of 1.9 mb/d six months ago. While difficulties remain, the outlook for both Iraq and Nigeria has improved marginally. But among OPEC and non-OPEC producers alike, local engineering content contract clauses are causing bottlenecks and delays. All told, Iraq (+1.1 mb/d), the UAE (+0.5 mb/d), Angola (+0.4 mb/d), Saudi Arabia (+0.4 mb/d) and Libya (+0.2 mb/d) generate the bulk of capacity growth. Meanwhile, expectations for Iran have soured, with capacity expected to fall from 3.9 mb/d to 3.1 mb/d by 2015 as reinforced sanctions delay new projects and accelerate field decline.

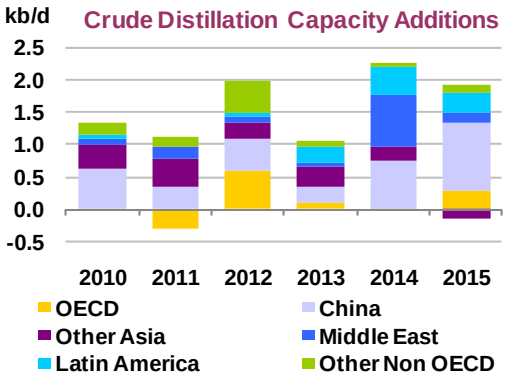


OPEC NGL and condensate supply in 2010 has been trimmed by 0.1 mb/d to 5.3 mb/d. On average, the supply outlook has been scaled back by 0.3 mb/d since June, again reflecting a weaker trend from Iran. Nonetheless, healthy growth is still expected as domestic gas use and LNG export capability is ramped up. Gas liquids supply increases by 2.2 mb/d to reach 7.1 mb/d in 2015, with growth centred on Qatar, Iran, UAE and Saudi Arabia.

Just as post-recession demand growth is expected to ease, so the near-2 mb/d growth in annual supply capacity evident in 2009 and 2010 may equally not be sustained. For the medium term, claims about a physical oil supply peak seem very wide of the mark. Nonetheless, against a backdrop of nearly 3 mb/d lost each year from mature field decline, the industry still has to run pretty hard just to stand still. From next year onwards through 2015, amid a lull in OPEC crude capacity start-ups, feasible capacity growth could therefore level out at closer to 1.0 mb/d per year.

Refining – 'build, baby, build'

Globally, sustained weak margins in 2010 have done little to stem enthusiasm for new refining capacity. If anything, this year's buoyant demand growth has only added to the potential new capacity juggernaut we envisaged for the medium term back in June. Distillation capacity (CDU) additions for 2009-2015 now total a weighty 9.2 mb/d, around 0.2 mb/d higher than previously projected. A further 15 mb/d combined of upgrading and desulphurisation capacity is also planned. Reflecting steady demand growth, and sizeable upgrading capacity additions, 2015 refinery processing gains are now estimated at 2.5 mb/d, around 0.2 mb/d higher than in our previous report. These are added to oil supply in our global market balance.



Nearly 40% of the new CDU capacity is expected to be built in China and 70% is accounted for by the broader Asia and Middle East regions. In contrast, and reflecting weakening local demand and low operating rates (French strikes and buoyant diesel/heating oil demand have provided limited respite), identified OECD capacity closures for 2009-2015 now stand at 1.4 mb/d, around 0.4 mb/d higher than we foresaw in June. More rationalisation is likely to come, albeit stringent exit regulations and high costs will mean closures lag the levels necessary to fully restore utilisation rates and margins to mid-2000s levels.

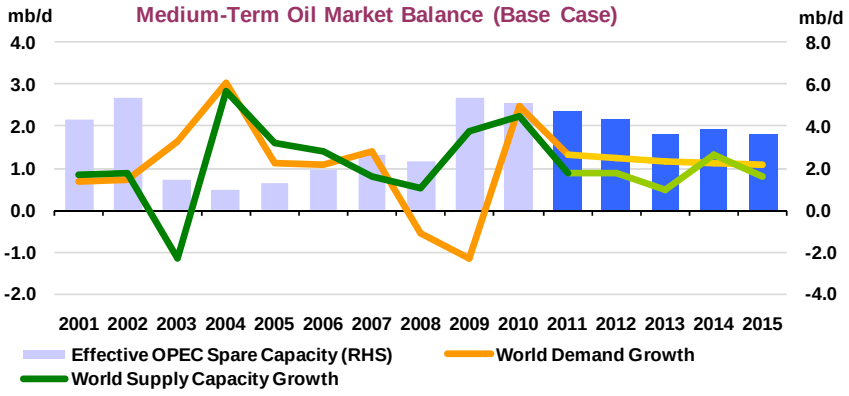
Pulling it all together – the global balance to 2015

Global Balance Summary (Base Case)
(million barrels per day)

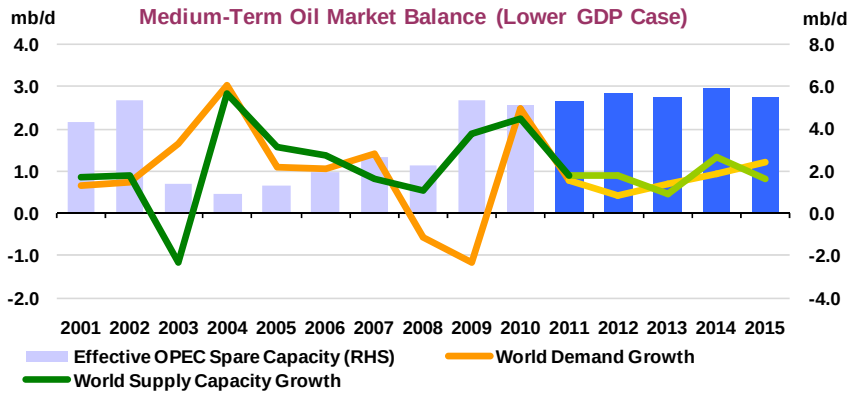
	2009	2010	2011	2012	2013	2014	2015
GDP Growth Assumption (% per year)	**-0.81**	**4.65**	**4.16**	**4.49**	**4.52**	**4.56**	**4.56**
Global Demand	**84.98**	**87.45**	**88.77**	**90.02**	**91.19**	**92.30**	**93.38**
Non-OPEC Supply	51.69	52.79	53.41	53.78	53.54	53.61	53.97
OPEC NGLs, etc.	4.81	5.29	5.84	6.26	6.62	6.89	7.06
Global Supply excluding OPEC Crude	**56.49**	**58.08**	**59.25**	**60.05**	**60.16**	**60.50**	**61.03**
OPEC Crude Capacity	**34.86**	**35.50**	**35.22**	**35.31**	**35.67**	**36.67**	**36.94**
Call on OPEC Crude + Stock Ch.	**28.48**	**29.37**	**29.52**	**29.98**	**31.03**	**31.80**	**32.35**
Implied OPEC Spare Capacity[1]	6.37	6.14	5.70	5.33	4.64	4.86	4.59
Effective OPEC Spare Capacity[2]	5.37	5.14	4.70	4.33	3.64	3.86	3.59
as percentage of global demand	*6.3%*	*5.9%*	*5.3%*	*4.8%*	*4.0%*	*4.2%*	*3.8%*
Changes since June 2010 MTOGM							
Global Demand	**0.21**	**1.06**	**1.08**	**1.15**	**1.21**	**1.31**	**1.45**
Non-OPEC Supply	0.17	0.56	0.80	1.34	1.43	1.10	1.47
OPEC NGLs, etc.	0.14	-0.11	-0.41	-0.38	-0.28	-0.23	-0.18
Global Supply excluding OPEC Crude	**0.31**	**0.46**	**0.39**	**0.96**	**1.15**	**0.87**	**1.29**
OPEC Crude Capacity	**0.01**	**-0.09**	**-0.14**	**0.07**	**0.16**	**0.15**	**0.16**
Call on OPEC Crude + Stock Ch.	**-0.10**	**0.61**	**0.69**	**0.19**	**0.06**	**0.44**	**0.17**
Effective OPEC Spare Capacity[1]	0.11	-0.70	-0.83	-0.12	0.10	-0.28	-0.01

1 OPEC Capacity minus 'Call on Opec + Stock Ch.' 2 Historically effective OPEC spare capacity averages 1 mb/d below notional spare capacity.

Baseline supply and demand estimates for 2009/2010 are revised higher. Economic recovery is underway, notably among the developing economies, but the industrial sector and public finances in the OECD continue to provide cause for concern. Two years on from when the financial crisis morphed into broader economic recession, it is still difficult to plot likely economic growth levels looking forward – hence we retain twin demand scenarios, albeit the higher GDP trend represents our Base Case. High crude prices and improving end-use efficiency restrict oil demand growth to 1.2 mb/d annually post-2010, while the lower case sees demand growth nudge well below 1 mb/d. In both cases, non-OECD countries dominate growth and absolute demand, accounting for 52% of the market by 2015. Middle distillate growth predominates, suggesting once again a likely bottleneck that refiners will have to deal with.



Although upstream activity has been buoyant throughout 2010, and non-OPEC supply prospects in particular look brighter than they did in June, it remains difficult to expand the global supply base quickly. Our own analysis suggests 1 mb/d of net year-on-year growth might be as much as the global industry can manage on a sustained basis through 2015. With a *'call on OPEC crude and stock change'* breaking through 32 mb/d by 2015 in the Base Case, this is likely to see a narrowing in the margin of spare capacity from recent 5 mb/d levels to around 3.6 mb/d in 2015, symptomatic of a tightening, and potentially more jittery, market.



Once again, the reality of a market driven by developments at the margin is demonstrated by comparison with the lower GDP case. Here, weaker demand growth could leave OPEC spare capacity flat around recent 5 mb/d levels through 2015. As we noted in June however, a 6% margin of supply flexibility hardly looks like a cause for sharply weakening markets. Indeed we continue to argue that maintaining this valuable supply cushion should provide the impetus for sustained investment in both new supplies for the future and ongoing efforts to improve the efficiency with which oil is used in transportation and industrial markets.

DEMAND

Summary

- **Forecast global oil product demand for 2010 and 2011 is revised up by 130 kb/d and 260 kb/d, respectively**, largely on higher-than-expected submissions in OECD North America and non-OECD Asia. Global oil demand is now estimated at 87.4 mb/d for 2010 (+2.9% or +2.5 mb/d year-on-year), and is expected to rise to 88.8 mb/d in 2011 (+1.5% or +1.3 mb/d year-on-year). Final monthly data submissions indicate that 3Q10 growth was as high as 3.3 mb/d (+3.8% year-on-year), largely driven by a strong rebound in the OECD, which matched almost exactly non-OECD growth. In terms of products, gasoil accounted for 42% of global 3Q10 growth, expanding by over twice as fast as in 2Q07-3Q08, and is on track to rise by 4.1% in 2010 – only slightly below the previous two peaks on record (+4.6% in 1996 and +4.8% in 2004).

- **Projected OECD oil demand for 2010 and 2011 is adjusted up by 0.1 mb/d on average**, following slightly stronger-than-expected submissions in North America and Europe. In addition, the 2011 US outlook is nudged up following a reappraisal of gasoline prospects. Nonetheless, total OECD demand, currently assessed at 45.9 mb/d in 2010 (+1.1% or +500 kb/d year-on-year), is still expected to decline in 2011 (-0.5% or -230 kb/d versus 2010).

Global Oil Demand (2009-2011)

(million barrels per day)

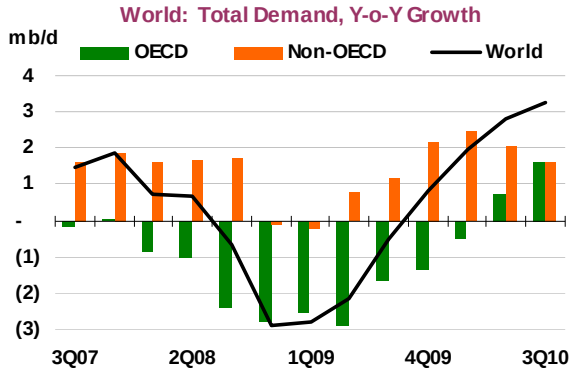
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.7	30.2	30.1	30.0	30.2	30.8	30.6	30.4
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.8	27.7	27.2	28.1	27.7	27.3	28.3	27.8
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.5	15.1	15.1	14.9	14.7	15.3	15.1	15.0
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.4	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
World	**84.4**	**84.2**	**85.4**	**85.9**	**85.0**	**86.4**	**87.0**	**88.6**	**87.8**	**87.4**	**88.0**	**88.2**	**89.6**	**89.3**	**88.8**
Annual Chg (%)	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	2.2	2.9	1.9	1.4	1.1	1.7	1.5
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	1.9	2.8	3.3	1.9	2.5	1.6	1.2	1.0	1.5	1.3
Changes from last OMR (mb/d)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.31	0.13	0.08	0.07	0.36	0.53	0.26

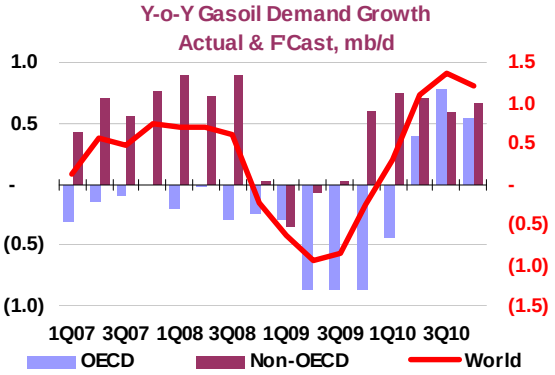
- **Estimated non-OECD oil demand for 2010 and 2011 is raised by 90 kb/d on average**, mainly on higher Asian readings. According to preliminary data, Chinese demand soared by an astonishing +12.6% year-on-year in October, driven by extensive use of small-scale gasoil generators in order to circumvent government-mandated closures of coal-fired electricity plants and compounded by increased demand from the agricultural sector. Total non-OECD demand is now projected at 41.5 mb/d in 2010 (+5.0% or +2.0 mb/d year-on-year) and 43.1 mb/d in 2011 (+3.7% or +1.6 mb/d versus 2010).

- **Medium-term global oil product demand is now expected to be 1.1 mb/d higher on average over 2009-2015** when compared with the *Medium-Term Oil & Gas Markets* report, released last June, with changes primarily related to baseline revisions and higher GDP assumptions, notably for 2010. Overall, global oil demand is seen rising from 85.0 mb/d in 2009 to 93.4 mb/d in 2015, equivalent to +1.6% or +1.4 mb/d per year on average (+1.2 mb/d annually post-2010), a pace of expansion slightly higher versus June's *MTOGM*. Growth comes entirely from non-OECD economies, which will account for more than half of global demand as early as 2013, with the gap broadening sharply by 2015 (48.9 mb/d versus 44.5 mb/d for the OECD). Under a 'lower GDP cum slower efficiency gains' case, global demand would increase by a lesser 1.2% or 1.1 mb/d per year on average (+0.8 mb/d post-2010), reaching 91.5 mb/d by 2015, a difference of 1.9 mb/d in total versus the base case.

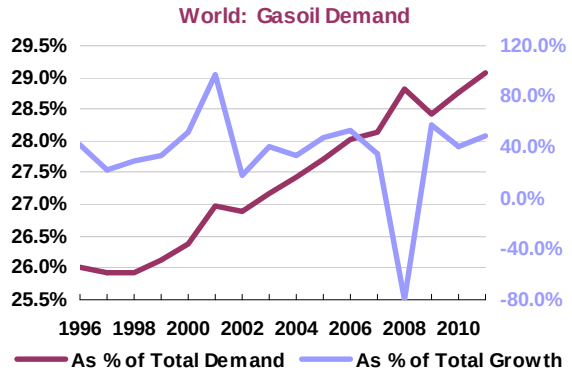
Global Overview

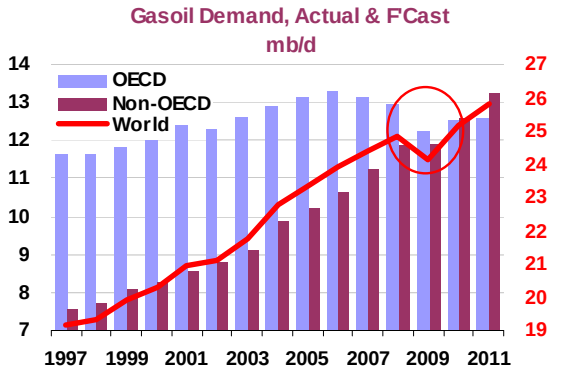
Following official data submissions for September, the extent of the 3Q10 demand spike has become clearer. Global oil product demand increased by 3.3 mb/d year-on-year (some 0.2 mb/d higher when compared with our previous report). This rise was largely driven by a strong rebound in the OECD, where growth roughly doubled from the previous quarter (from +0.7 mb/d in 2Q10 to +1.6 mb/d in 3Q10), matching almost exactly non-OECD growth.



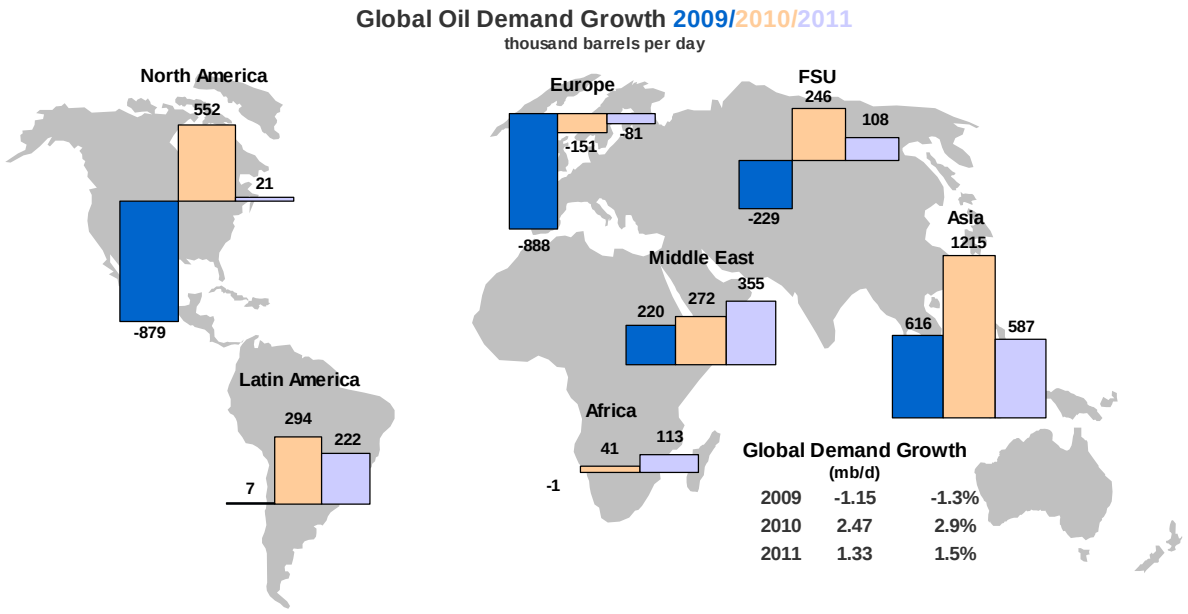


Gasoil is once again leading global demand growth, accounting for 42% of the total increment in 3Q10. Moreover, gasoil demand expanded by over twice as fast as in the most recent episode of demand strength (+5.8% year-on-year in 3Q10 versus +2.6% on average over 2Q07-3Q08, the period when oil prices began their rapid ascension). Not surprisingly, oil prices reacted accordingly, rising markedly in 3Q10. However, surplus refining capacity, evident since the eruption of the global recession, helped absorb the surge in gasoil demand. This stands in contrast to 2008, when refining constraints, limited availability of light sweet crude, low crude production spare capacity, tightening OECD diesel specifications and booming non-OECD gasoil demand combined to propel oil prices to record highs.



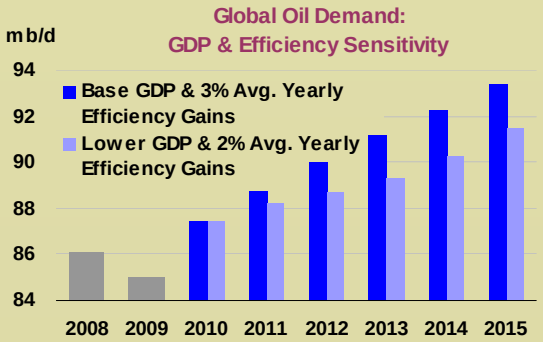


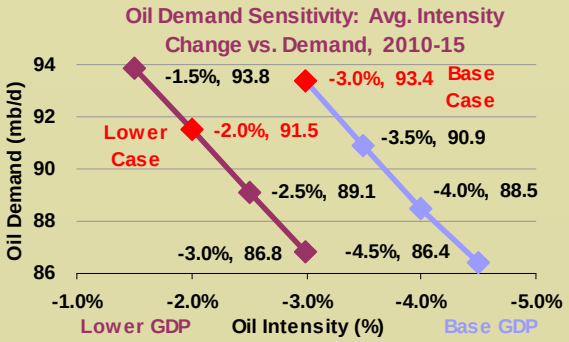
Gasoil demand growth is expected to moderate only marginally in 4Q10, owing largely to China's policy-driven boost on the back of coal-fired power shortages. As such, gasoil could account for as much as 65% of demand growth in this quarter. By end-year global gasoil demand will have surpassed its pre-recession levels (25.2 mb/d in 2010 versus 24.8 mb/d in 2008), and should further increase to 25.8 mb/d in 2011, representing close to a third of total demand and about 40% of growth. In terms of relative change, gasoil demand is on track to rise by 4.1% in 2010 – only slightly below the previous two peaks on record (+4.6% in 1996 and +4.8% in 2004).



Medium-Term Update

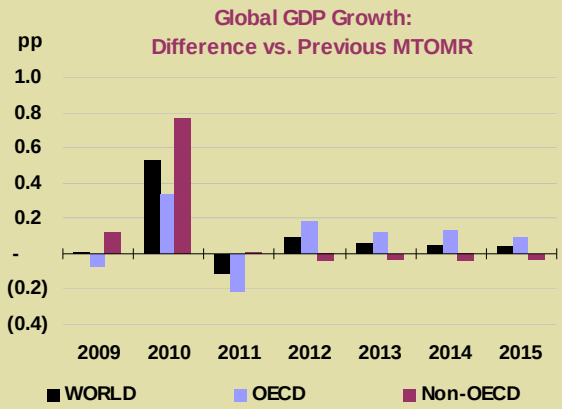
As customary, this report updates our medium-term demand outlook, last released in mid-year (*Medium-Term Oil & Gas Markets*, June 2010). Overall, compared with June's *MTOGM*, global oil demand is projected to be some 1.1 mb/d higher on average over the forecast period, rising from 85.0 mb/d in 2009 to 93.4 mb/d in 2015, equivalent to +1.6% or +1.4 mb/d per year on average. Growth – slightly higher than in the June appraisal – comes entirely from non-OECD economies (+1.6 mb/d per year on average compared with -0.2 mb/d per year for the OECD). As such, emerging countries will account for more than half of global demand as early as 2013, with the gap broadening sharply by 2015 (48.9 mb/d versus 44.5 mb/d for OECD countries), continuing a structural shift that began in the early 2000s.

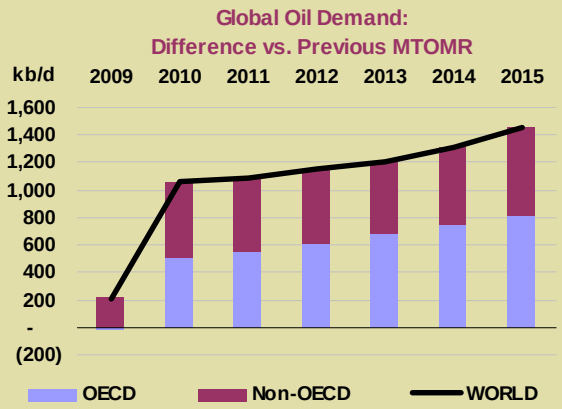




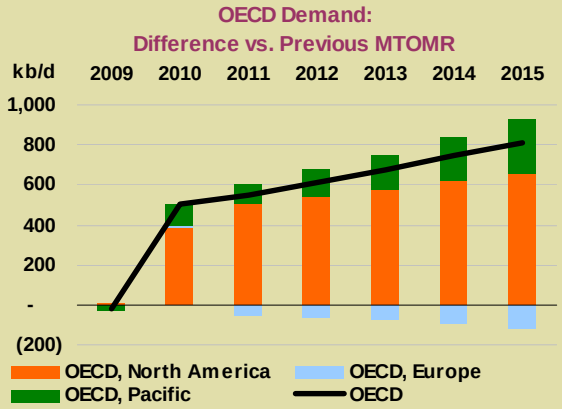
Even though the global economic recovery has been surprisingly strong so far this year, in addition to our 4.5% per year GDP growth base case (derived from the IMF's October 2010 outlook), we also maintain our alternative, 'lower GDP cum slower efficiency gains' case. Therein, global GDP growth would expand by only 3% on average – roughly a third less than in the base case. Indeed, the global economy still faces considerable headwinds that could derail the recovery – including continuing turmoil in Europe, with sovereign debt defaults now a distinct possibility, sluggish growth and high unemployment in the US, and overheating and hard-landing risks in China. We continue to deploy the prevailing futures strip as our pricing assumption, which remains within a $75-$85/bbl range for 2010-2015. In addition, we uphold our belief that weaker economic expansion would also result in a slower improvement in efficiency, with oil intensity diminishing by 2% per year over 2010-2015 – instead of 3% as posited by the base case, broadly reflecting historical trends. Under the illustrative lower case, global demand would increase by a lesser 1.2% or 1.1 mb/d per year on average to 91.5 mb/d by 2015, a difference of 1.9 mb/d versus the base case.

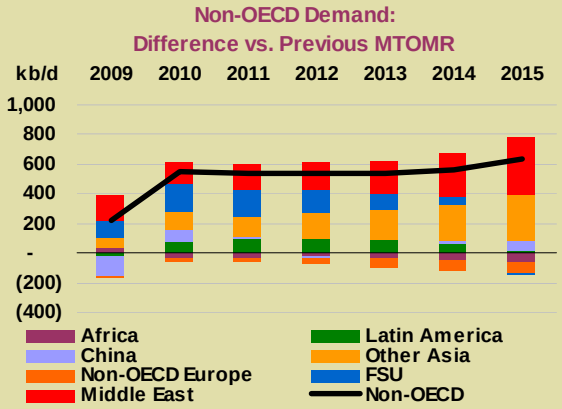
Medium-Term Update (continued)





The changes to the oil product demand prognoses are primarily related to baseline revisions and higher GDP assumptions, notably for 2010. Total revisions, initially roughly evenly split between the OECD and the non-OECD, tend to compound slightly for the OECD by the end of the forecast period. This is due to a reappraisal of oil product demand prospects in OECD North America and the Pacific. On the one hand, projected gasoline demand in the US is now seen falling at a somewhat slower pace than previously assumed, as the gains in efficiency resulting from more stringent vehicle standards now look likely to be less immediate. On the other hand, the prognosis for the Pacific now incorporates a less pronounced decline in residual fuel oil (-9% per year instead of -14%). Meanwhile, non-OECD revisions are mainly driven by the Middle East, Asia, FSU and Latin America.





OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) were virtually flat in October (+0.1% year-on-year). As the extremely high temperatures that prevailed in previous months in **OECD Pacific** came to an end, the use of residual fuel oil and direct crude burning for power generation, which had largely sustained demand, receded, compounding a renewed weakness in distillate demand. In **OECD Europe**, there was a pause in consumer heating oil re-stocking, while demand for light products and fuel oil fell. Only **OECD North America** (which includes US Territories) posted healthy oil product demand growth, notably on a continued rebound in distillate deliveries.

Still, as final official submissions came in, revisions to preliminary data were hefty (+500 kb/d in September), highlighting the extraordinary and largely unanticipated strength of 3Q10 demand. Indeed, total OECD demand surged by 3.9% year-on-year in September, roughly twice as fast as implied by

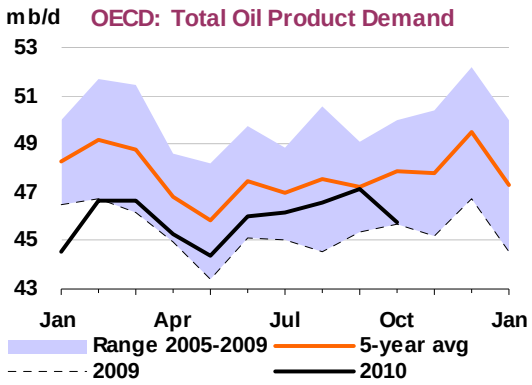
preliminary data. In North America (+330 kb/d), US readings once again vastly exceeded adjusted weekly estimates, especially for gasoline. In Europe (+200 kb/d), distillate demand was much stronger, notably in Germany and Turkey. In the Pacific, by contrast, overall revisions were insignificant (-20 kb/d).

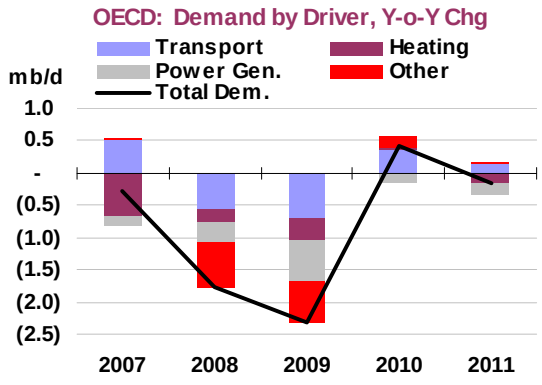
OECD Demand based on Adjusted Preliminary Submissions - October 2010
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America*	**10.63**	**0.5**	**1.57**	**-0.6**	**4.13**	**10.5**	**1.00**	**7.9**	**0.82**	**-11.6**	**5.69**	**1.11**	**23.83**	**2.0**
US50	9.06	0.8	1.38	-0.3	3.55	11.1	0.51	11.9	0.46	-7.4	4.21	-1.6	19.18	2.0
Canada	0.73	-0.1	0.11	0.2	0.23	-10.5	0.33	27.0	0.08	13.8	0.74	8.7	2.22	5.3
Mexico	0.77	-2.0	0.04	-12.8	0.29	2.6	0.13	2.6	0.18	-30.9	0.67	12.0	2.08	-1.0
OECD Europe	**2.17**	**-3.5**	**1.30**	**0.2**	**4.52**	**1.1**	**1.88**	**4.2**	**1.33**	**-8.1**	**3.41**	**-2.5**	**14.61**	**-1.1**
Germany	0.47	0.7	0.20	-1.5	0.73	7.8	0.49	16.2	0.15	2.7	0.52	-13.2	2.55	1.8
United Kingdom	0.35	-4.6	0.35	0.2	0.43	-2.9	0.11	10.3	0.08	1.4	0.31	-5.4	1.62	-2.2
France	0.18	-7.9	0.13	-11.3	0.70	2.5	0.30	-6.0	0.10	0.8	0.39	-2.0	1.80	-2.2
Italy	0.22	-8.4	0.10	5.0	0.50	-3.9	0.15	-5.6	0.13	-37.7	0.36	-0.9	1.46	-8.0
Spain	0.13	-5.6	0.12	3.1	0.50	0.1	0.18	-3.2	0.19	-6.4	0.31	1.0	1.42	-1.4
OECD Pacific	**1.53**	**-1.1**	**0.75**	**-6.8**	**1.09**	**-2.9**	**0.51**	**-6.6**	**0.69**	**7.6**	**2.75**	**-6.2**	**7.31**	**-3.6**
Japan	0.96	-2.3	0.41	-14.1	0.41	-8.1	0.38	-12.5	0.37	0.8	1.45	-9.2	3.98	-7.5
Korea	0.19	-0.7	0.20	3.1	0.29	-2.9	0.13	16.2	0.28	13.0	1.12	-2.5	2.21	0.8
Australia	0.32	-0.1	0.12	5.7	0.34	1.3	0.00	0.0	0.03	-2.0	0.15	-1.5	0.96	0.8
OECD Total	**14.33**	**-0.3**	**3.62**	**-1.7**	**9.74**	**4.4**	**3.39**	**3.4**	**2.84**	**-5.9**	**11.84**	**-1.7**	**45.76**	**0.1**

* Including US territories

Looking ahead, OECD oil product demand is now estimated at 45.9 mb/d in 2010 (+1.1% or +500 kb/d year-on-year). This is 60 kb/d higher than previously anticipated, largely reflecting a more buoyant assessment of North America's prospects in 4Q10. Although this adjustment is mostly carried forward, OECD demand is still expected to decline in 2011 (-0.5% or -230 kb/d versus the previous year but 150 kb/d higher when compared to our last report).



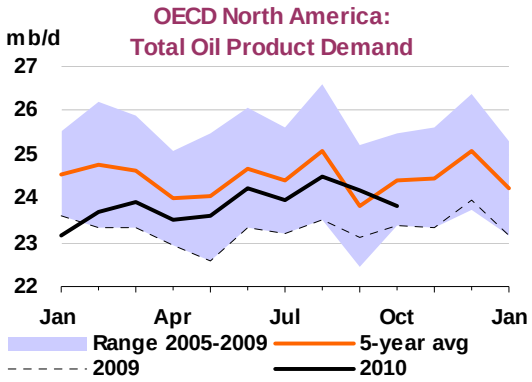


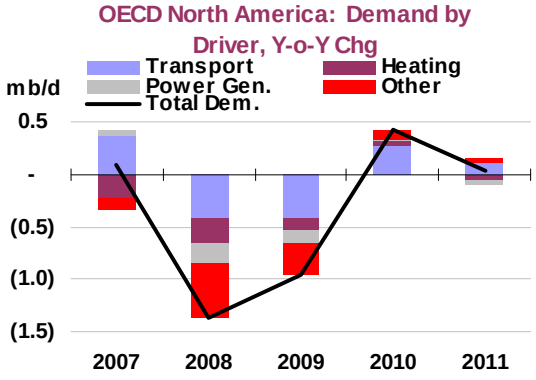
North America

Preliminary data show oil product demand in North America (including US territories) rising by 2.0% year-on-year in October, following a 4.7% increase in September. Growth has been remarkably strong over the past two quarters, averaging 3.8% from April to September. If upheld, the weak October preliminary readings – which stemmed from unseasonably low LPG and residual fuel oil demand in the US and from weaker gasoline and jet fuel/kerosene readings – would thus signal a notable slowdown. Still, middle distillate demand has shown few signs of abating, with diesel growing by an estimated 10.5% year-on-year. Yet, even though we have raised slightly our outlook for 4Q10 and 2011, we remain cautious given less buoyant US weekly data for November.

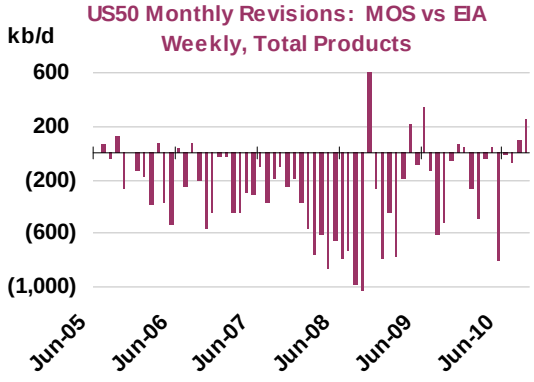
September data were revised up by 330 kb/d, mostly in the US, highlighting once more the uncertainty surrounding weekly US data. Weekly to monthly revisions for September went yet again against the

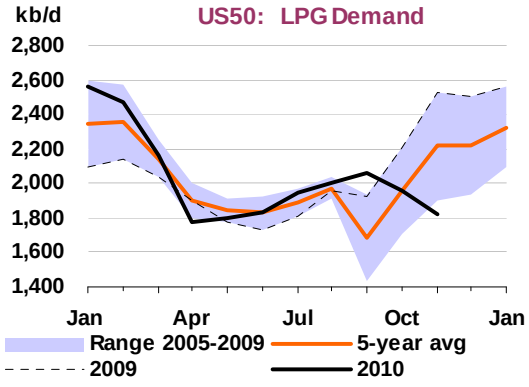
trend of the previous twelve months, confounding our own efforts to anticipate adjustments. For North America as a whole, gasoline (+170 kb/d) and LPG (+160 kb/d) led the upward adjustments, which were partly offset by weaker 'other products'. Part of the total revision has fed through to October (+210 kb/d), with 4Q10 now seen 140 kb/d higher. North American demand is now estimated at 23.9 mb/d in 2010 (+2.4% or +550 kb/d versus 2009 and 60 kb/d higher than our last report). Demand in 2011 is seen rising slightly, but remains near 23.9 mb/d (+0.1% or +20 kb/d year-on-year and 100 kb/d higher than our last report).



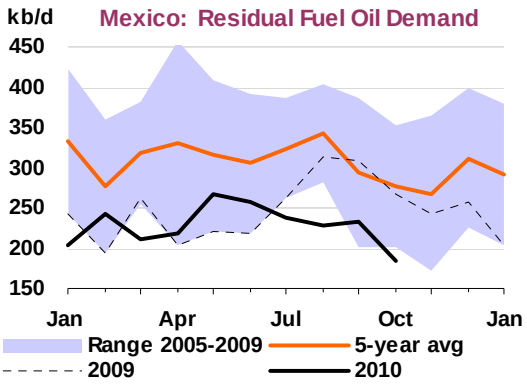


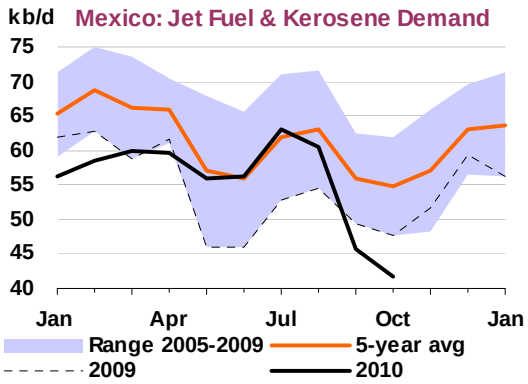
Adjusted preliminary weekly data to 26 November for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by only 0.9% in November following a 2.0% year-on-year rise in October. November data featured a sharp year-on-year decline in LPG, mostly due to falling propane deliveries. However, colder weather compared to a warmer-than-normal November 2009 helped boost heating oil (+43.1%) and residual fuel oil (+17.6%), while both jet fuel/kerosene (+2.9%) and diesel (+8.4%) posted solid growth. Though gasoline demand grew by 1.0%, it remains below an upwardly revised September, when growth was as high as 2.9% (see *No Reverse Gear Yet: US Gasoline Demand Plods Ahead*).





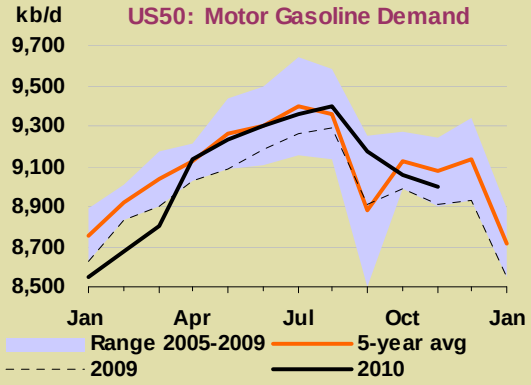
Mexican oil demand fell by 1.0% year-on-year in October, according to preliminary data, largely on weaker readings for residual fuel oil, gasoline and jet fuel/kerosene, which offset strong gasoil deliveries (+2.6%). Residual fuel oil demand was sharply lower (-30.9%) relative to drought-affected October 2009, while gasoline declined by 2.0% and jet fuel/kerosene by 12.8%. The persistent weakness in the latter product has stemmed from the bankruptcy of air carrier Mexicana last August. The airline accounted for almost one-third of Mexico's domestic airline capacity and over 15% of international flights. A restructuring plan seeks to renew flights by mid-January, though initial capacity may be much lower than pre-bankruptcy levels. Although other domestic airlines and US carriers are increasing flights to help meet demand, we have trimmed our jet fuel/kerosene outlook by 10 kb/d and 5 kb/d for 4Q10 and 2011, respectively. Should efforts to restore capacity falter, this prognosis could be further revised down.



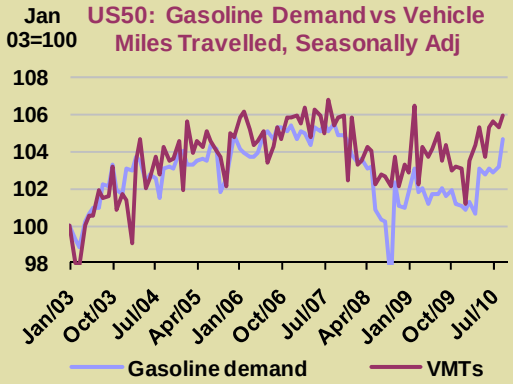


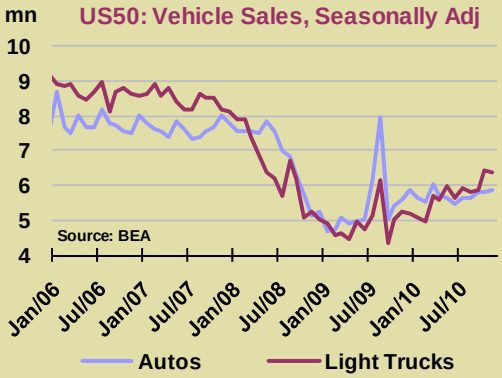
No Reverse Gear Yet: US Gasoline Demand Plods Ahead

The resilience of US gasoline demand has been a surprise in recent months. Even though growth over the June-August summer driving season was 1.2% year-on-year higher when compared to 2009, demand was still 220 kb/d below the 2007 summer. Yet an upward revision to September demand (+175 kb/d) has blunted the normally sharp seasonal fall that occurs after summer's end – over the previous ten years, gasoline demand fell on average by 450 kb/d from August to September, versus just 230 kb/d this year. Part of this strength may derive from a relatively late Labor Day holiday weekend, but it also stems from rising vehicle-miles travelled (VMTs), which grew by 1.6% year-on-year in both August and September. Since the start of the economic downturn, VMTs have held up better than gasoline demand; as such, recent gains in the latter may reflect a degree of catching-up.



However, the narrowing gap between gasoline demand and VMTs may also signal slower efficiency gains for the US vehicle fleet. While we still expect improved vehicle efficiency to reduce gasoline use over the medium-term, we have slowed the pace of demand decline from our June forecast, based on lower-than-expected fleet turnover in 2010. Through November, light vehicle sales have grown by 9% year-on-year on average, but current sales (at just over 12 million vehicles per month) remain far below pre-crisis readings (16-17 million per month). In addition, sales have recently begun again favouring less efficient light trucks versus passenger cars, with the former accounting for 52% of vehicle purchases over the past three months.

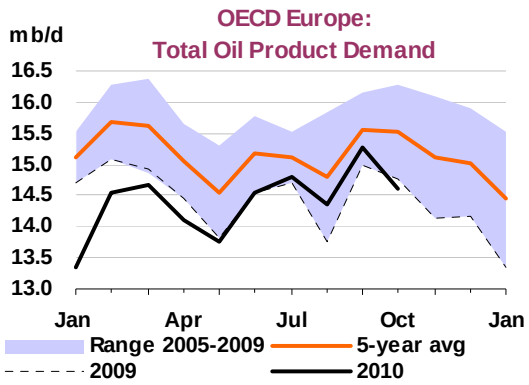


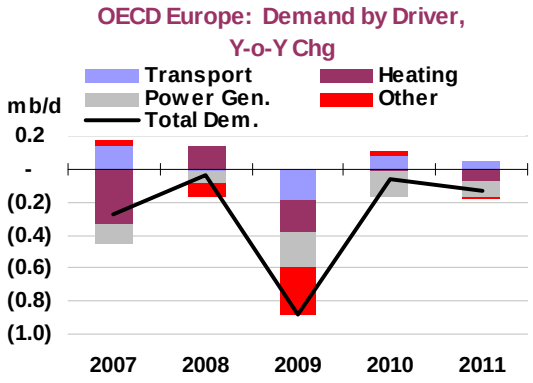


Even though it is impossible to appraise the US vehicle fleet's current average size and efficiency, our analysis suggests that the fleet's fuel economy may have increased by less than expected in 2010 versus 2009. As such, our short and medium-term demand forecasts have been adjusted upwards. While 2011 gasoline demand is now seen largely flat relative to 2010, the pace of decline from 2012-2015 now stands at -0.6% annually, versus -0.8% previously.

Europe

Preliminary inland data indicate that oil product demand growth in Europe declined by 1.1% year-on-year in October, as somewhat weaker heating oil deliveries (+4.2%, compared with double-digit growth in the previous three months) failed to offset losses in the lighter end of the barrel (LPG, naphtha and gasoline) and in residual fuel oil. Meanwhile, revisions to September preliminary demand data (+200 kb/d) were driven by stronger-than-expected distillate deliveries, notably in Germany and Turkey. Overall, demand increased by +1.9% in September, almost three times as much as suggested by preliminary readings, thus contributing to raise annual estimates. Oil product demand in OECD Europe is now assessed at 14.4 mb/d in 2010 (-0.8% or -120 kb/d compared with the previous year and 10 kb/d higher than previously expected), declining further in 2011 to 14.3 mb/d (-0.7% or -100 kb/d versus 2010, and 50 kb/d higher versus last month's report).





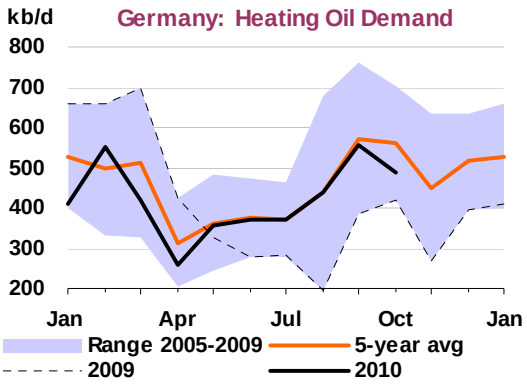
Watching the Mercury

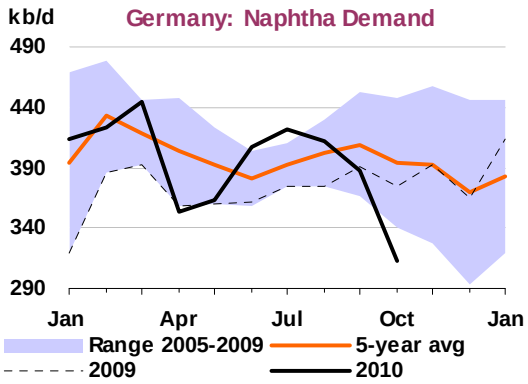
Very low temperatures in northern Europe during November and early December have prompted some analysts to revise up their winter 2010/2011 heating demand estimates. However, with perennial uncertainties over the duration of colder-than-normal weather, and the fact that OECD oil use for heating and power generation is in any case structurally declining, we are not tempted to change our outlook at this time.

A simple examination of the five coldest first quarters over the last decade suggests that OECD oil demand estimates have been prone to sharp swings, ranging from zero to 350 kb/d versus the original forecast for that quarter whenever heating-degree days (HDDs) have been 5% higher than normal on average. Yet, given structural interfuel substitution, the weather impact has receded over time.

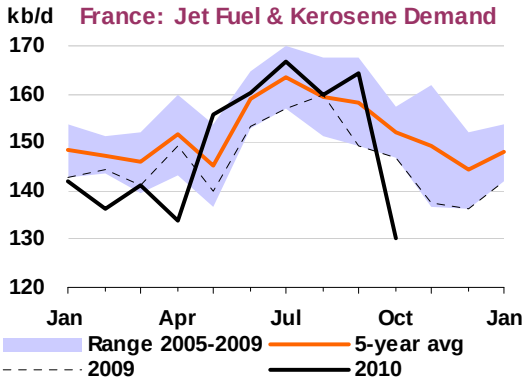
Taking 1Q10 as a more representative example, when HDDs in the OECD were 7.7% higher than the ten-year average, our oil demand estimate for the OECD was adjusted up by only 0.3% from the original forecast. A recurrence of that trend in 1Q11, should temperatures remain very low for the entire quarter, might therefore add only around 140 kb/d to OECD demand – or even less, since oil is unlikely to compete against cheap natural gas. As such, we continue to forecast demand assuming that average temperatures in the OECD will revert to their ten-year trend, and therefore have made no significant upward adjustment on the basis of recent low temperatures.

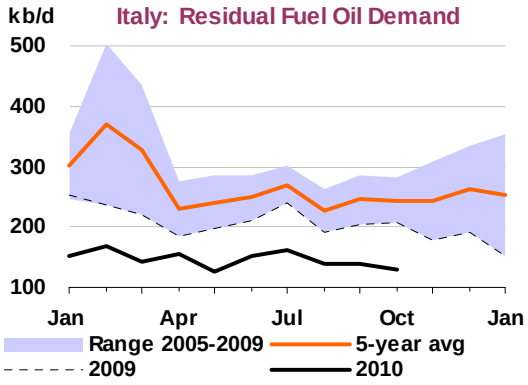
Heating oil deliveries in **Germany**, the region's largest user, increased by 'only' 16.2% year-on-year – almost two-thirds less than in September (revised up to +43.6%). Consumer stocks stood at 63% of capacity, slightly higher than in September (62%) but somewhat below the five-year average. Meanwhile, LPG and naphtha deliveries fell sharply (-14.2% and -16.8%, respectively). The LPG fall is probably related to high propane and butane prices, following maintenance at various gas-processing facilities across Europe. Oddly, this failed to translate into greater naphtha use. This could be due to limited availability of naphtha-running units and to rising naphtha prices as a result of the French strikes.





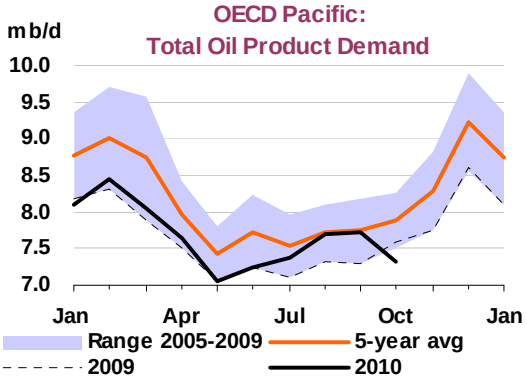
In **France**, meanwhile, the effects of October's social unrest were evident in jet fuel/kerosene demand, which plummeted by 11.3% year-on-year (given strikes by air traffic controllers, compounded by supply disruptions by oil refinery workers). By contrast, diesel demand actually rose by 2.5%; arguably, panic buying in the first half of the month more than offset the shortages of the second half (which, in addition, were largely concentrated in western France, although the Paris metropolitan area was also badly affected). Finally, the weakness in residual fuel oil delivery was largely concentrated in **Italy**, where natural gas has become the fuel of choice for power generation.

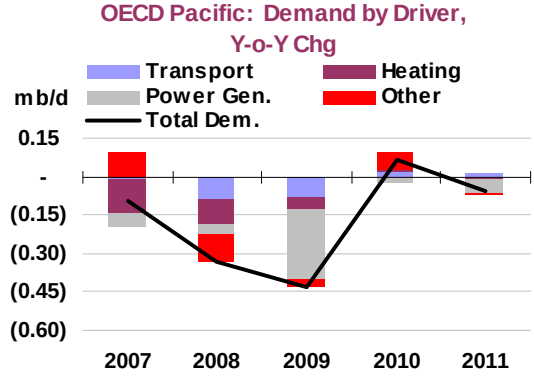




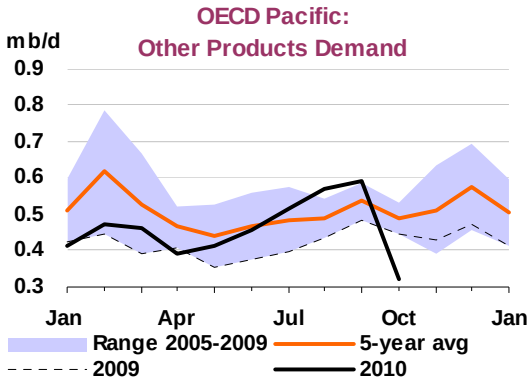
Pacific

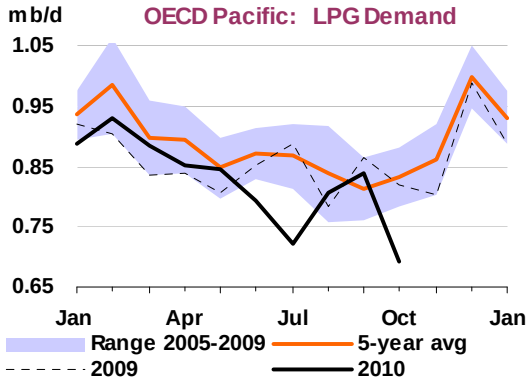
Preliminary data show that oil product demand in the Pacific tumbled by 3.6% year-on-year in October, as the heat wave that prevailed in the previous months subsided, removing support for oil-based power generation. As such, the pace of growth of residual fuel oil demand softened markedly (+7.6% versus +22.0% in September), while direct crude burning (included in 'other products') plummeted (-27.4% compared with +22.8% in the previous month).





A seasonal drop in gasoline and distillate deliveries in Japan further compounded the slowdown. It is worth noting that LPG demand also plunged (-15.8%), notably in Japan and Korea. As in Europe, this could be related to higher prices for propane and butane, relative to naphtha, but could also signal a renewed bout of weakness of the region's petrochemical industry, which faces increasing competition from other areas. Revisions to preliminary September data, meanwhile, were minimal (-20 kb/d). Consequently, the outlook for total OECD Pacific demand remains virtually unchanged, at 7.7 mb/d in 2010 (+0.9% or +70 kb/d year-on-year) and 7.6 mb/d in 2011 (-2.0% or -150 kb/d).





Non-OECD

Preliminary demand data show that non-OECD demand growth accelerated markedly in October (+5.2% year-on-year). Growth was buoyant across all product categories bar LPG, and continued to be led in absolute terms by gasoil (roughly a third of total oil product demand growth), although jet fuel/kerosene posted the highest relative increase.

Non-OECD: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Aug-10	Sep-10	Oct-10	Sep-10	Oct-10	Sep-10	Oct-10
LPG & Ethane	4,312	4,371	4,118	212	-69	5.1	-1.6
Naphtha	2,828	2,845	2,850	113	143	4.1	5.3
Motor Gasoline	7,920	7,957	8,072	224	317	2.9	4.1
Jet Fuel & Kerosene	2,719	2,770	2,830	178	249	6.9	9.6
Gas/Diesel Oil	12,637	12,644	13,040	490	671	4.0	5.4
Residual Fuel Oil	5,607	5,747	5,555	400	327	7.5	6.3
Other Products	5,943	5,920	5,550	93	435	1.6	8.5
Total Products	**41,966**	**42,254**	**42,015**	**1,709**	**2,073**	**4.2**	**5.2**

On a regional basis, oil demand growth in Asia dwarfed that of all other regions. At almost +1.3 mb/d or +6.7% year-on-year, Asian demand growth in October was almost a third higher than in September. China, with +1.1 mb/d, accounted for 87% of Asian growth and for almost half of non-OECD growth. Looking ahead, non-OECD demand is expected to reach 41.5 mb/d in 2010 (+5.0% or +2.0 mb/d year-on-year and 70 kb/d higher than previously anticipated), rising further in 2011 to 43.1 mb/d (+3.7% or +1.6 mb/d versus the previous year and 110 kb/d higher when compared to our last report).

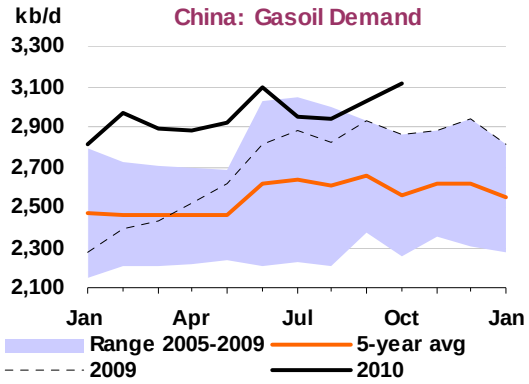
Non-OECD: Demand by Region
(thousand barrels per day)

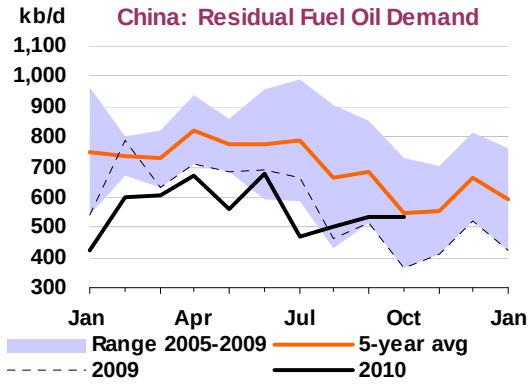
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Aug-10	Sep-10	Oct-10	Sep-10	Oct-10	Sep-10	Oct-10
Africa	3,225	3,250	3,211	56	85	1.8	2.7
Asia	19,020	19,587	20,046	841	1,255	4.5	6.7
FSU	4,453	4,488	4,206	358	263	8.7	6.7
Latin America	6,446	6,422	6,433	299	259	4.9	4.2
Middle East	8,113	7,765	7,401	154	230	2.0	3.2
Non-OECD Europe	709	741	719	0	-19	0.0	-2.6
Total Products	**41,966**	**42,254**	**42,015**	**1,709**	**2,073**	**4.2**	**5.2**

China

China's preliminary data show that apparent oil demand rose by +12.6% year-on-year in October, with all product categories bar LPG featuring strong gains. This pace of expansion is roughly twice as fast as in September (+6.2%), seemingly putting to rest the widespread assumption that oil demand growth would noticeably slow down in 2H10 (and resulting in a +0.3 mb/d 4Q10 revision versus our last report).

Admittedly, as noted last month, the current demand strength is largely related to a surge in gasoil consumption (+8.9% year-on-year in October). It has been driven by extensive use of small-scale electricity generators in order to circumvent closures of coal-fired plants imposed by local governments – in a last-ditch effort to meet the country's ambitious target to reduce energy intensity as the end of the 11th Five-Year Plan (2006-2010) approaches – and has led to gasoil shortages in several provinces. The tightness has been further exacerbated by increased gasoil demand from the agricultural sector, as the harvesting season begins. Interestingly, the gasoil shortages have also helped revive residual fuel oil demand (+45.1%), presumably because independent 'teapot' refineries have found it advantageous to refine this feedstock and produce off-spec gasoil, despite high fuel oil import taxes. By contrast, it remains unclear whether the recent price hike will be sufficient to prompt state-owned companies to boost gasoil yields significantly, despite increasing refinery runs. In the meantime, the rise in gasoil demand has also partly been met by stock draws, with inventories falling by almost 5.6 mb or 11% month-on-month. In addition, some observers reckon that China may have become again a net gasoil importer in November for the first time in two years.





The strength of China's oil demand is consistent with other indicators suggesting that the economy is in danger of overheating. Not only does GDP growth continue to hover around the 10% mark, but inflation is also creeping up. The official headline inflation (+4.4% year-on-year in October) hides the fact that food prices have sharply risen (vegetables are up by over 60%, according to some estimates), which could herald rising domestic tensions if left unchecked. The government has reacted by announcing a series of price controls targeting several commodities, and has vowed to fight 'speculators'.

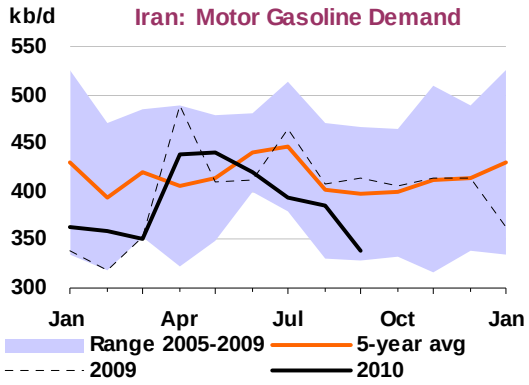
China: Demand by Product
(thousand barrels per day)

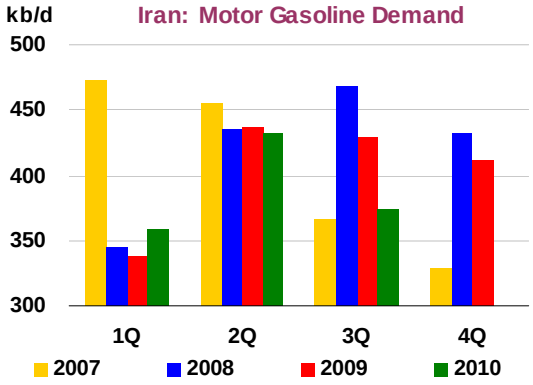
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	723	711	-15	-12	-2.1	-1.7
Naphtha	952	1,219	1,297	267	78	28.1	6.4
Motor Gasoline	1,507	1,557	1,653	50	96	3.3	6.2
Jet Fuel & Kerosene	335	380	409	46	29	13.7	7.5
Gas/Diesel Oil	2,699	2,987	3,152	288	165	10.7	5.5
Residual Fuel Oil	580	535	478	-45	-57	-7.8	-10.6
Other Products	1,559	1,849	1,995	289	146	18.6	7.9
Total Products	**8,369**	**9,250**	**9,695**	**881**	**446**	**10.5**	**4.8**

More importantly, as far as oil demand is concerned, is whether such administrative measures will succeed in curbing inflation – or whether the government will be obliged to tackle the main cause of inflation, namely runaway bank lending, and by doing so inadvertently engineer a hard economic landing. Indeed, recent efforts to tighten monetary policy have mostly focused on raising banks' reserve requirements. Bank lending, by contrast, is on track to average some $110 billion per month this year, despite two recent interest rate raises – well ahead of the government's yearly target (about $1.1 trillion at current exchange rates) and almost equivalent to the US QE2. We are not factoring in such a potential hard landing at this point – oil demand is still expected to rise by 4.8% or 450 kb/d year-on-year in 2011, 120 kb/d higher than in our last report – but if it were to occur, it would surely curb oil use sharply.

Other Non-OECD

According to preliminary data, gasoline demand in **Iran** plunged by 18.1% in September, possibly reflecting supply problems despite the government's claims that petrochemical-based gasoline production has helped largely to offset import restrictions. As such, 3Q10 gasoline demand was down by almost 60 kb/d quarter-on-quarter, mimicking a similar fall in 2007 following the introduction of the rationing scheme.





Meanwhile, the Iranian government has once again postponed the implementation of oil product subsidy-removal legislation, voted in January and due to begin by late October (having been already delayed from late September). Aside from the technical challenges – handing targeted cash handouts, as a compensation for the withdrawal of subsidies, to some 61 million Iranians (out of a population of 73 million) – the main obstacle is allegedly political, as the probable surge in inflation and likely social protests could significantly weaken the current administration. It thus remains to be seen whether these demand management measures will be put in place at the end of the Iranian month of Azar, which begins on 22 November, as announced, or whether they will be postponed again – perhaps indefinitely.

Iran: Demand by Product
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	270	271	282	1	10	0.4	3.9
Naphtha	55	55	58	-1	3	-1.0	6.3
Motor Gasoline	403	384	399	-19	15	-4.7	3.9
Jet Fuel & Kerosene	118	117	118	-1	1	-0.8	0.9
Gas/Diesel Oil	532	521	555	-11	34	-2.2	6.6
Residual Fuel Oil	311	325	336	13	11	4.3	3.5
Other Products	142	139	141	-2	1	-1.5	0.8
Total Products	**1,832**	**1,812**	**1,889**	**-20**	**77**	**-1.1**	**4.2**

SUPPLY

Summary

- **Global oil supply rose by 400 kb/d to 88.1 mb/d in November, its highest-ever level, largely on increased non-OPEC production.** Global output is up by 1.6 mb/d over year-ago levels, of which half stems from higher non-OPEC supply, one-third from OPEC NGLs and one-sixth from OPEC crude.

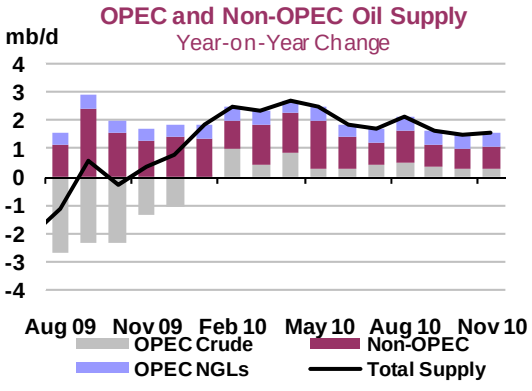
- **OPEC crude oil production in November was marginally higher, up by 45 kb/d to 29.2 mb/d.** OPEC ministers are unlikely to address output targets at their meeting on 11 December in Quito, Ecuador. Against a backdrop of much stronger-than-expected global oil demand growth, however, OPEC may come under pressure to increase supplies to the market in the new year if prices continue their relentless rise. The 'call on OPEC crude and stock change' for 2011 is raised by 100 kb/d this month, to an estimated 29.5 mb/d, on higher demand projections.

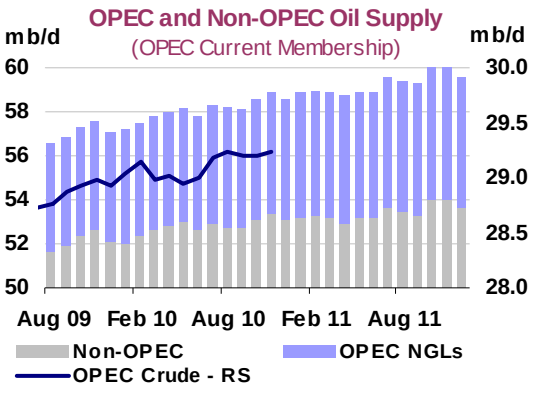
- **Non-OPEC supply is estimated at 53.4 mb/d in November**, up 300 kb/d versus October levels, on higher Canadian and Kazakhstani output post-maintenance, and rising Brazilian crude following safety-related platform shut-ins. Non-OPEC output averages 52.8 mb/d for 2010 and 53.4 mb/d in 2011, representing growth of 1.1 mb/d and 600 kb/d, respectively. OPEC gas liquids supply rises by 0.5 mb/d in both 2010 and 2011, to average 5.8 mb/d next year.

- **An updated medium-term outlook sees global supply capacity rising from 91.4 mb/d in 2009 to 98 mb/d by 2015.** The total is 1.5 mb/d higher than in the June *MTOGM,* largely due to improved non-OPEC supply prospects, while lower OPEC NGL capacity estimates offset now slightly higher OPEC crude capacity projections.

- **OPEC crude capacity is expected to increase by 2.1 mb/d, to 36.9 mb/d,** by 2015 while OPEC's condensate and natural gas liquids (NGL) capacity is now forecast to rise by 2.3 mb/d to 7.1 mb/d over the same period.

- **Non-OPEC supply growth by 2015 is more than doubled compared to the June *MTOGM***, to 2.3 mb/d, with total output seen rising from 51.7 mb/d in 2009 to 54.0 mb/d in 2015. A significantly brighter outlook for US onshore and unconventional crude as well as gas liquids more than offsets the impact of protracted drilling delays in the Gulf of Mexico. Chinese and Russian supply prospects are also revised up, while slippages adversely impact Canadian oil sands projects.





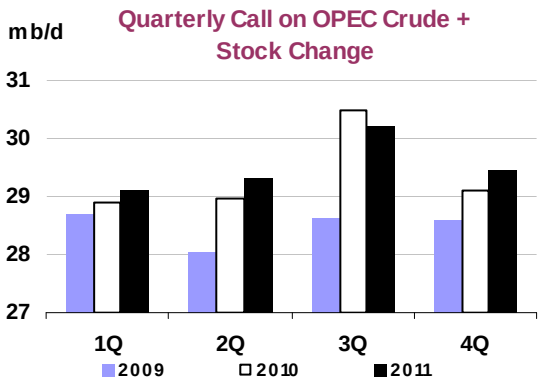
All world oil supply figures for November discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska, Peru and Russia are supported by preliminary November supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

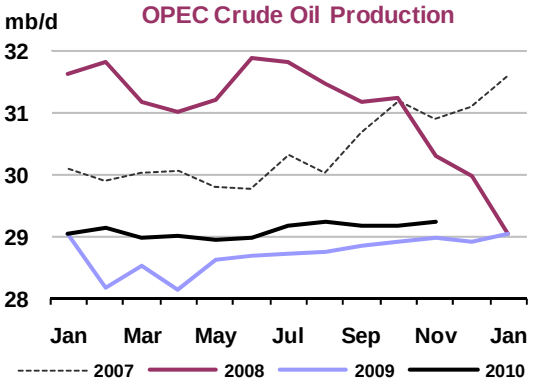
OPEC Crude Oil Supply

OPEC crude oil production in November was marginally higher, up by 45 kb/d to 29.24 mb/d. Increased supplies from Saudi Arabia, Iraq, Qatar and Iran totalling 185 kb/d were partially offset by an 80 kb/d drop in Nigeria, combined with smaller declines of 10-30 kb/d from the remaining member countries.

Crude oil production by OPEC-11 was pegged at 26.76 mb/d in November, unchanged from the previous month. The group is now producing about 1.9 mb/d above its 24.845 mb/d output target. Relative to targeted output cuts, OPEC's compliance rate was also unchanged at 54% in November.



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)



Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

However, OPEC ministers are unlikely to address compliance issues or target allocations at their meeting on 11 December in Quito, Ecuador. Pre-meeting statements by OPEC ministers suggest the group is planning on a quick agreement to roll over existing output targets, despite the unexpected jump in global oil demand in second-half 2010 and sharp price increases since they last met on 14 October. Early December prices were around $92/bbl for Brent and $90/bbl for WTI, about $10-12/bbl above average October levels.

Against a backdrop of much stronger-than-expected global oil demand growth and oil prices above two-year highs, OPEC may come under pressure to increase supplies to the market in the new year. Our 'call on OPEC crude and stock change' for 2011 is raised by 100 kb/d this month, to an estimated 29.5 mb/d on higher demand projections, equating to about 260 kb/d above the group's current production levels. OPEC has not revised it output targets since end-2008, when the group agreed to cut supplies by a further 2.2 mb/d, effective January 2009, bringing total reductions to 4.2 mb/d since September 2008.

Saudi Arabia's crude oil production averaged 8.34 mb/d for November, up 100 kb/d from October. The November supply assessment is still below some other industry estimates, which see Saudi supplies higher in recent months based on divergent views of crude exports.

Iran also raised output in November, up by 20 kb/d to 3.72 mb/d. Iran appears to have reduced the number of unsold cargoes in floating storage again in November, with volumes held in tankers now estimated at 21.7 mb at end-November compared with 23.6 mb the previous month, according to Gibson Shipbrokers.

Iraqi output rose by 45 kb/d to 2.48 mb/d in November, in part due to an absence of insurgent attacks on infrastructure over the month. Crude oil exports were estimated at 1.93 mb/d in November, with slightly higher northern volumes offsetting a modest decline on southern shipments. Exports of Kirkuk crude were up by 10 kb/d, to 410 kb/d while volumes from Basrah terminals were down by 20 kb/d to 1.52 mb/d. Iraqi production estimates include 585 kb/d of crude used for refinery operations and at power plants, as well as an estimated 35 kb/d of output in the Kurdish region of the country, less 70 kb/d of products spiked into to crude flows.

By contrast, **Nigerian** supplies were down in November following a surge in militant activity in the volatile Niger Delta region. Nigerian crude output fell by 80 kb/d to 2.12 mb/d, in large part due to an attack on the key Trans-Niger pipeline disrupting supplies of Bonny crude.

A wave of kidnappings is also threatening efforts to restore shut-in production as companies put staff in remote locations, where they are vulnerable to attacks by militants. Even offshore oil operations and workers have become targets following the kidnapping of eight staff and forced shut-in of 45 kb/d at the Oso deepwater oil platform on 14 November. The captives were later freed when Nigerian security forces rescued a total of 19 hostages from numerous kidnappings held at a camp in the mangrove creeks on 17 November. Rebels were quick to announce that they plan more hostage-taking.

Angolan output fell by 20 kb/d, to 1.66 mb/d, due to technical issues at several fields. Problems emerged as the Dalia FPSO was being brought back on line following scheduled maintenance. The Greater Plutonio complex is still producing well below capacity due to ongoing repairs to its water injection system.

OPEC Crude Production

(million barrels per day)

	Sep 2010 Supply	Oct 2010 Supply	Nov 2010 Supply	Sustainable Production Capacity[1]	Spare Capacity vs Oct 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.27	1.27	1.27	1.38	0.11	0.200	50%
Angola	1.65	1.68	1.66	2.00	0.34	0.244	33%
Ecuador	0.46	0.47	0.47	0.48	0.01	0.067	42%
Iran	3.68	3.70	3.72	3.90	0.18	0.562	16%
Kuwait[2]	2.30	2.30	2.29	2.60	0.31	0.374	86%
Libya	1.55	1.56	1.56	1.75	0.19	0.252	56%
Nigeria[3]	2.15	2.20	2.12	2.40	0.28	0.319	0%
Qatar	0.80	0.80	0.82	1.00	0.18	0.122	33%
Saudi Arabia[2]	8.28	8.24	8.34	12.20	3.86	1.318	84%
UAE	2.31	2.33	2.32	2.70	0.38	0.379	87%
Venezuela[4]	2.23	2.21	2.19	2.42	0.23	0.364	49%
OPEC-11	**26.68**	**26.76**	**26.76**	**32.83**	**6.07**	**4.201**	**54%**
Iraq	2.52	2.44	2.48	2.55	0.07		
Total OPEC	**29.20**	**29.19**	**29.24**	**35.38**	**6.14**		
(excluding Iraq, Nigeria, Venezuela					*5.56)*		

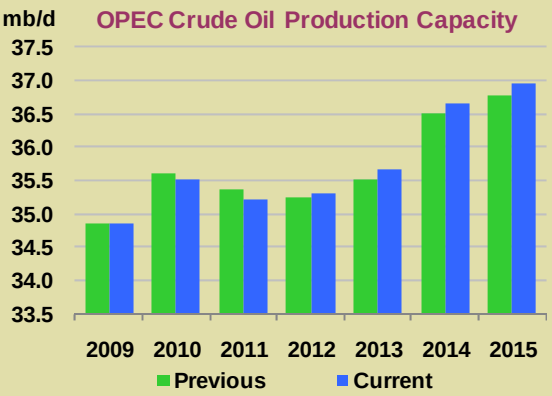
1 Capacity levels can be reached within 30 days and sustained for 90 days.
2 Includes half of Neutral Zone production.
3 Nigeria's current capacity estimate excludes some 0.5 mb/d of shut-in capacity.
4 Includes upgraded Orinoco extra-heavy oil assumed at 430 kb/d in November.

Medium-Term OPEC Capacity on Track to Increase to 36.9 mb/d by 2015

OPEC crude capacity is expected to increase by 2.09 mb/d, to 36.94 mb/d, from 2009 to 2015. This represents a revision of 150 kb/d from the 1.94 mb/d expansion envisaged last June. The prospect for an improved geopolitical outlook in the medium term for both Iraq and Nigeria is largely behind the upward revision.

By contrast, an escalation in international sanctions imposed on Iran in the third quarter prompted a downward revision in the country's outlook, partially offsetting the gains from Iraq and Nigeria.

One issue that is increasingly threatening project timelines is the growing insertion of 'local content' clauses in contracts by a number of countries. While on paper the intent is laudable, in practice finding qualified local contractors for what have become increasingly complex developments has led to considerable delays in a number of projects, especially in Nigeria, Angola, Algeria and Libya.



OPEC's condensate and natural gas liquids (NGL) capacity is now forecast to rise by 2.26 mb/d to 7.06 mb/d by 2015. That represents a decrease of around 325 kb/d from our June forecast, with Iran and Saudi Arabia accounting for the bulk of the revision.

Key capacity changes are as follows:

- **Iraq** will account for just over 50% of the increase, rising by 1.13 mb/d to reach 3.62 mb/d capacity by 2015. That is about 167 kb/d above the June projection. The slightly higher forecast reflects in large part the long-awaited political progress. After more than a six-month delay, the formation of a new government is expected to help improve the bureaucratic logjam impacting upon the operating environment. Several companies are also logging tangible increases in field production, especially at the Rumaila and Zubair fields. As always, formidable challenges remain, with a lack of much-needed infrastructure on the ground, technical problems such as water reinjection and logistical obstacles continuing to constrain our outlook below official government forecasts.

- In **Nigeria,** the production outlook has marginally improved as companies continue to restore long-shut-in production. The 14-month ceasefire period enabled companies to repair some long-damaged infrastructure and raise production to more than 2.2 mb/d earlier this year. Nigerian crude production capacity is expected to increase by 130 kb/d, to 2.79 mb/d by 2015. That represents an upward revision of around 225 kb/d. Equally important, while companies remain concerned over the proposed new 'Petroleum Industry Bill' (PIB), several key projects are moving forward as planned. The next big deepwater project to come online is the Total-operated 180 kb/d Usan field in 2013 followed by the 200 kb/d Egina field in 2014.

  Our medium-term outlook will rise or fall on the government's success in maintaining the fragile ceasefire accord with former militants as well as adoption of new energy legislation that does not discourage foreign investment. Despite repeated announcements over the past six months that legislators would soon vote into law the new PIB, a final agreement now looks set to be delayed until after the April elections. While political instability continues to threaten the near-term outlook for Nigerian production, we assume for our forecast that a positive outcome will prevail, allowing capacity expansion plans to move forward. Projects awaiting a final investment decision but not included in our forecast include the 135 kb/d Bosi deepwater field and the 110 kb/d Uge field.

- By contrast, the worsening crisis with **Iran** over its nuclear ambitions and new sanctions imposed since our last update, have prompted a downgrade in the country's oil outlook. Our assumed Iranian production decline has been intensified since June, with capacity now expected to fall by 810 kb/d, to 3.1 mb/d by 2015. Sanctions have largely stymied participation by IOCs in new projects but, equally, our outlook has also been downgraded on expectations of higher decline rates as the country struggles to secure needed technology and equipment.

Medium-Term OPEC Capacity on Track to Increase to 36.9 mb/d by 2015 (continued)

- **Algeria's** production capacity has also been scaled back from the June forecast, with capacity now largely expected to remain unchanged over the 2009-15 period, at around 1.37 mb/d. The 65 kb/d downward revision from June is due in part to the unexpected, lengthy paralysis at the top management level following the massive corruption scandal that swept through the state oil company at the beginning of 2010. Bureaucratic delays apparently worsened over the year as new management reviewed contracts already awarded which, in turn, has stalled development timelines. In addition, existing unattractive contract terms for technically challenging EOR projects continue to derail capacity expansion plans. With the dust from the scandal still settling it is unclear if Algeria will resume its plans to increase capacity or hold it flat and focus solely on its gas industry.

Estimated Average Sustainable Crude Production Capacity
(million barrels per day)

	2009	2010	2011	2012	2013	2014	2015	*Increment 09 - 15*
Algeria	1.37	1.35	1.33	1.39	1.42	1.42	1.37	*0.00*
Angola	2.08	2.01	1.90	2.00	2.16	2.33	2.49	*0.41*
Ecuador	0.50	0.50	0.50	0.51	0.51	0.48	0.46	*(0.04)*
Iran	3.92	3.87	3.70	3.55	3.48	3.31	3.10	*(0.81)*
Iraq	2.49	2.50	2.65	2.89	3.17	3.56	3.62	*1.13*
Kuwait	2.64	2.59	2.54	2.51	2.54	2.64	2.64	*(0.00)*
Libya	1.77	1.78	1.81	1.78	1.77	1.94	2.02	*0.24*
Nigeria	2.66	2.69	2.70	2.64	2.58	2.67	2.79	*0.13*
Qatar	0.97	1.01	1.00	1.00	0.98	0.99	1.03	*0.06*
Saudi Arabia	11.23	12.08	12.04	11.82	11.63	11.60	11.59	*0.36*
UAE	2.72	2.70	2.71	2.89	3.05	3.14	3.22	*0.50*
Venezuela	2.51	2.42	2.33	2.33	2.38	2.59	2.62	*0.11*
OPEC-11	**32.37**	**33.00**	**32.57**	**32.42**	**32.50**	**33.10**	**33.32**	***0.95***
Total OPEC	**34.86**	**35.50**	**35.22**	**35.31**	**35.67**	**36.67**	**36.94**	***2.09***

Growth in OPEC NGLs Slowed

OPEC NGLs production estimates have been revised down by around 325 kb/d from the June report, with Iran accounting for 35% of the revisions again due to the tighter sanctions regime. Iranian NGLs are now forecast to grow by 413 kb/d to 927 kb/d. As before, Qatar will provide the single biggest increment over the five-year period, up by 656 kb/d to 1.36 mb/d. However, Saudi Arabia remains the largest OPEC supplier of NGLs, with growth of just under 300 kb/d pushing volumes to 1.86 mb/d.

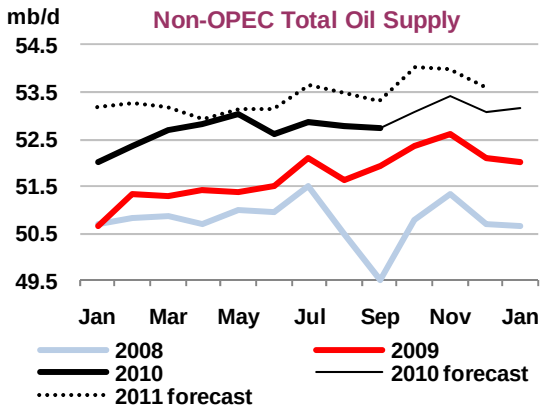
Estimated Average Sustainable Condensate & NGL Production Capacity
(thousand barrels per day)

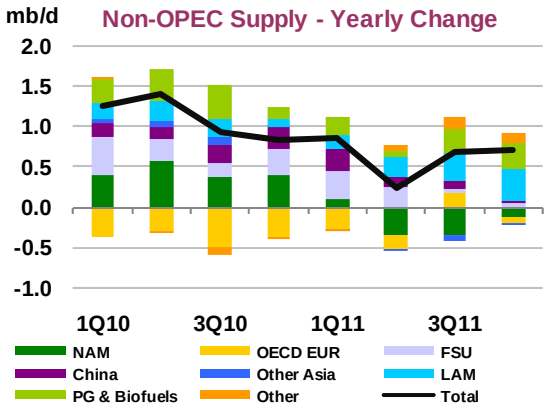
	2009	2010	2011	2012	2013	2014	2015	*Increment 09 - 15*
Algeria	627	667	705	709	731	736	754	*127*
Angola	50	50	50	85	92	86	80	*30*
Ecuador	2	2	1	1	1	0	0	*(2)*
Iran	514	540	578	691	768	871	927	*413*
Iraq	42	56	59	64	68	73	74	*32*
Kuwait	190	195	205	223	308	320	320	*130*
Libya	115	111	111	111	120	158	202	*86*
Nigeria	273	355	359	399	420	421	410	*137*
Qatar	699	927	1,113	1,227	1,252	1,292	1,355	*656*
Saudi Arabia	1,568	1,640	1,710	1,765	1,835	1,845	1,860	*292*
UAE	515	537	739	776	808	869	862	*347*
Venezuela	210	211	213	213	214	215	216	*6*
Total OPEC	**4,806**	**5,292**	**5,843**	**6,264**	**6,618**	**6,887**	**7,062**	***2,256***

Non-OPEC Overview

Non-OPEC supply rose by 0.3 mb/d to 53.4 mb/d in November, its highest this year, with output from Canadian oil sands and Kazakhstan rising following maintenance, and increased Brazilian crude production following safety-related platform shut-downs. Year-on-year, non-OPEC oil supply is 0.8 mb/d higher, with stronger US onshore production, higher Canadian, Russian, Chinese and Brazilian output.

Numerous changes to baseline and expectations have affected the overall forecast. Non-OPEC supply in 2010 is now seen 175 kb/d higher than previously, at 52.8 mb/d. A reappraisal of refinery processing gains lifts 2010 levels by 105 kb/d, which is carried through the forecast (see *Processing Gains Update* in the Refining section). US 2010 production is also raised by 55 kb/d, largely due to the hurricane season ending without any further storm impact, while Sudan's baseline is lifted by a further 50 kb/d. Offsetting downward adjustments stem from the North Sea and Australia, and marginally lower expected volumes from Latin America.





Estimated non-OPEC supply for 2011 is adjusted 55 kb/d higher in total, to 53.4 mb/d. US Gulf of Mexico crude output is revised down as drilling delays are expected to lengthen (see *Longer Drilling Delays Seen in Gulf of Mexico* below). Latin American, FSU and Middle Eastern supplies are adjusted lower, but are more than offset by higher forecasts for Norway, China and biofuels. In sum, 2010 non-OPEC supply is now forecast to grow by 1.1 mb/d from 2009 and by a further 0.6 mb/d in 2011. The strongest annual growth in 2011 stems from Latin America (+295 kb/d), followed by biofuels (+190 kb/d), the FSU (+175 kb/d) and China (+125 kb/d), with smaller increments from refinery processing gains (+45 kb/d), Australia & New Zealand (+45 kb/d) and Africa (+40 kb/d). These are only partly offset by decline in North America (-180 kb/d), OECD Europe (-75 kb/d) and Other Asia (-30 kb/d).

Non-OPEC Supply

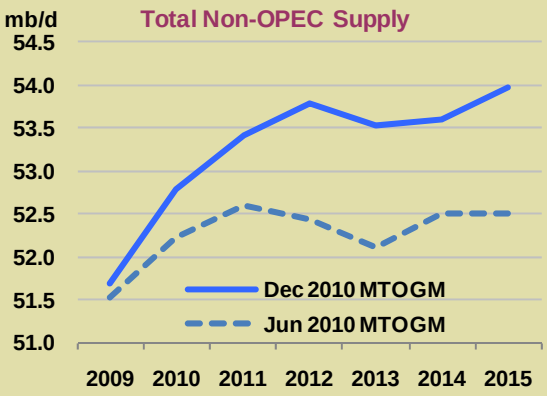
(million barrels per day)

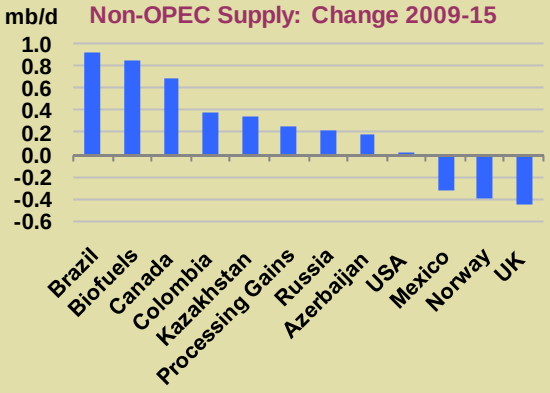
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.2	14.1	14.0	13.7	13.7	14.0	13.9
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.7	4.1	4.1	4.3	4.0	3.9	4.1	4.1
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Total OECD	**19.0**	**18.6**	**18.6**	**18.9**	**18.8**	**19.1**	**18.8**	**18.4**	**19.0**	**18.8**	**18.9**	**18.4**	**18.3**	**18.8**	**18.6**
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	**28.7**	**29.0**	**29.2**	**29.4**	**29.1**	**29.6**	**29.7**	**29.9**	**30.1**	**29.8**	**30.4**	**30.4**	**30.4**	**30.6**	**30.4**
Processing Gains	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC	**51.1**	**51.4**	**51.9**	**52.3**	**51.7**	**52.4**	**52.8**	**52.8**	**53.2**	**52.8**	**53.2**	**53.1**	**53.5**	**53.9**	**53.4**
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.3	1.4	0.9	0.8	1.1	0.8	0.2	0.7	0.7	0.6
Changes from last OMR (mb/d)	1.0	1.2	1.2	1.4	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.0	0.0	0.1	0.1

Non-OPEC Medium-Term Outlook Now Seen Brighter

In June's *MTOGM*, recovering oil prices and global oil demand, as well as evidence of a relative cost reduction, renewed upstream investment and a slowing of observed field decline rates, were seen as boosting non-OPEC supply prospects. While these factors are unchanged, with the exception of upstream costs, which appear to have bottomed out, a number of factors have led us to more than double our 2009-2015 non-OPEC supply growth outlook to 2.3 mb/d, with output now seen rising from 51.7 mb/d in 2009 to 54.0 mb/d in 2015.

Firstly, stronger-than-expected production in a number of countries, as well as a baseline revision to China, have resulted in 0.6 mb/d higher 2010 output. Much of this accrues from the US, not least because of only minor storm-related shut-ins in the US Gulf of Mexico this year. US oil production has surprised to the upside on a number of fronts, notwithstanding ongoing delays from the Gulf of Mexico. Onshore supply, both from conventional crude, but also from gas liquids, shale oil plays and refinery additives have been sharply higher than foreseen. On the assumption that this can be sustained, we carry much of this growth forward, which alone provides for nearly half the upward revision.





Other countries for which we have hiked our forecast include China and Russia. China's runaway oil demand growth sometimes obscures that it is the world's fifth-largest producer of oil (after Russia, Saudi Arabia, the US and Iran) and has ongoing incentives to curb its rising crude imports by boosting domestic output. This year has seen consistently higher-than-expected oil production as newer, offshore fields increase output but also, crucially, as older, mature onshore assets curb decline through application of enhanced recovery techniques. These two factors, plus evidence of growth at other key onshore areas, have led us to hike our forecast.

Russia too has seen a series of upward revisions to forecast, as monthly output has outperformed expectations. Projected growth this year of 250 kb/d will likely slow next year after which output is anticipated to plateau and then fall again to around 2010 levels, as decline at mature fields more than offsets new projects. Our forecast is based upon the assumption that key tax incentives are extended and/or adapted in such a manner that upstream investment continues. While this has tended to be the case historically, it nonetheless represents a key downside risk to our forecast.

The largest downward revisions were for Canadian oil sands, where a degree of project slippage is evident. By 2015, this curbs nearly 400 kb/d from previously-forecast output, though overall oil sands production is still expected to grow strongly. Global biofuels, Azerbaijan and Brazil are all adjusted downward more minimally.

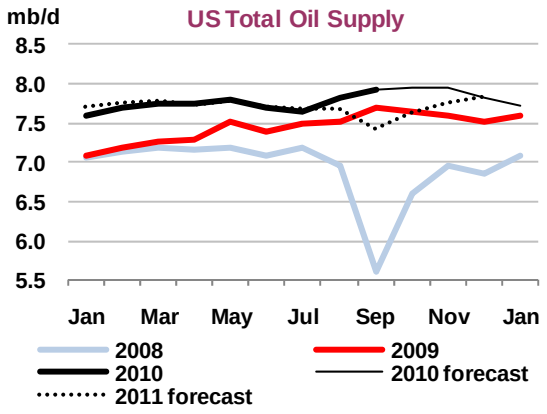
The key sources of non-OPEC supply growth remain relatively unchanged. Brazilian crude, global biofuels, Canadian oil sands, Colombia and the FSU provide incremental output, while decline is strongest in the UK, Norway and Mexico. Broken down into the different liquids streams, biofuels make for the majority of incremental output, at 37%, with NGLs and unconventional liquids providing around 20% each, and refinery processing gains 12%. Non-OPEC crude supply is now seen increasing by 255 kb/d or 11%, compared to the previously-expected 1.0 mb/d decline.

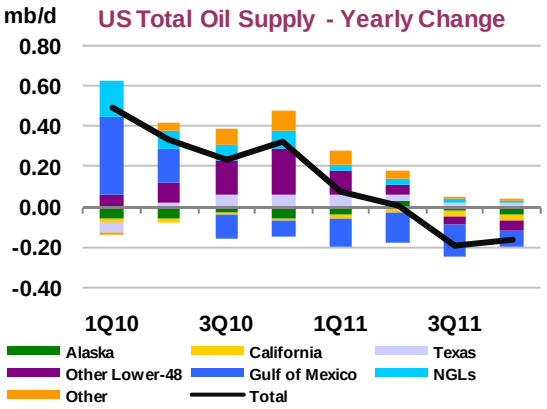
OECD

North America

US – November Alaska actual, others estimated: Total US oil supply was revised up by 250 kb/d in 4Q10, to just over 7.9 mb/d, as this year's hurricane season passed without any further shut-ins. This year was actually the third most active on record, with 19 named storms, of which five became major hurricanes. Crucially however, despite an average 25% of storms making landfall, this year only Hurricane Alex and Tropical Storm Bonny forced the precautionary shut-in of Gulf of Mexico output in June and July (of -27 kb/d and -105 kb/d respectively), only having a negligible impact on yearly output. In combination with slightly higher production elsewhere, 2010 oil production is revised up by 55 kb/d to 7.8 mb/d.

In contrast, 2011 production levels are adjusted down by 65 kb/d to 7.7 mb/d, as US GoM drilling delays are now expected to be more protracted (see *Longer Drilling Delays Seen in Gulf of Mexico*). Alaskan output is also seen lower on the delayed start-up of Eni's Nikaitchuq field into 3Q11.



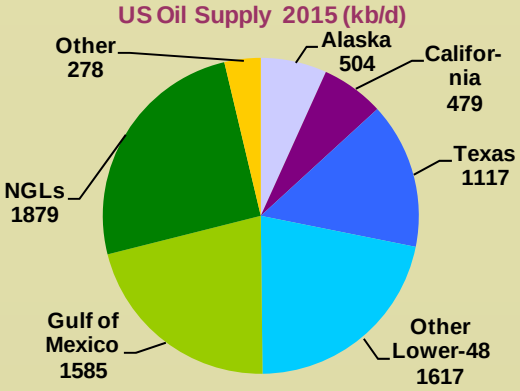


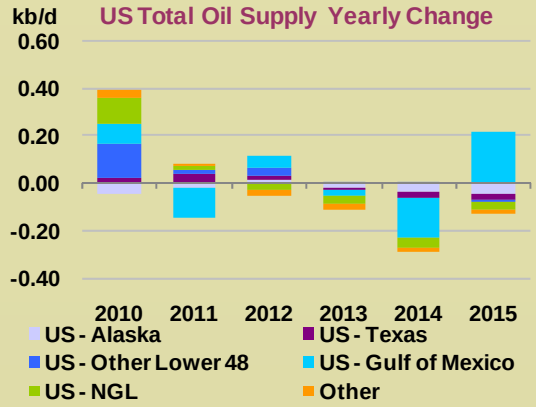
As a further result of the *Macondo* disaster, the Obama administration has now rescinded its plan to open up previously-closed offshore areas to exploration and development (see *Proposals to Open Outer Continental Shelf Could Double US Crude Reserves* in OMR of 13 April 2010). Only around a month before the Deepwater Horizon drilling rig exploded and sank, causing the largest-ever oil spill in US waters, the government had proposed making areas offshore Alaska, the Eastern Gulf of Mexico and large parts of the Atlantic Coast accessible to drillers. Heightened caution over drilling and a large-scale environmental study currently being undertaken may even delay a Western Gulf lease sale planned for next year. The about-face regarding the new offshore areas will however have no impact on our medium-term view of US oil production potential, because of the multi-year time lag between successful exploration and ultimately bringing onstream oil discoveries, even after companies start drilling.

In another development that could have longer-term effects on US oil (and gas) production, the state of New York voted for a moratorium of different sorts, namely on hydraulic fracturing ('fracking') on its territory. The proposal still requires the state governor to sign it into law, but would halt all activity until mid-May 2011. Fracking, which involves pumping water and chemicals into the ground at high pressure, thereby fracturing rock in order to maximise well output, has underpinned the recent surge in US domestic gas production, as well as some unconventional oil plays. There are concerns however that it leads to contamination of drinking water.

Longer Drilling Delays Seen in Gulf of Mexico

Despite the lifting of the official deepwater drilling moratorium on 12 October, no permits for wholly new wells have so far been granted by the new Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). With even permits for shallow-water drilling (not covered by the moratorium) having been less than forthcoming in recent months, coupled with new, tighter, regulations in place, and the new regulator apparently struggling to cope with new demands made on its time, delays to drilling are now seen to be prolonged.





Previously, our assumption that development of new deepwater fields would be delayed by 6-12 months had led us to forecast that US GoM crude production would be -60 kb/d and -100 kb/d lower than previously forecast in 2010 and 2011 respectively. We now see these delays as being more protracted – on average in a range of 12-18 months. Moreover, we now carry through these delays into our updated *MTOGM* forecast to 2015.

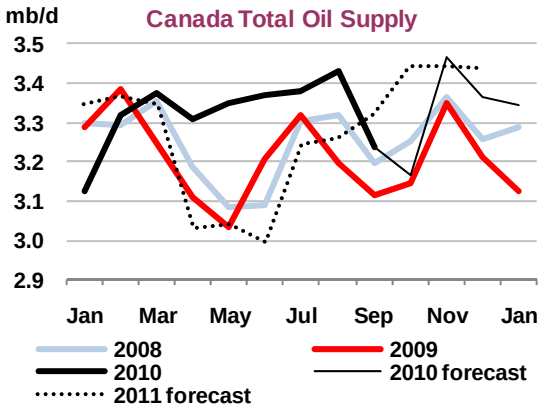
As a last point, we assume that drilling wells of all kinds will take longer in the GoM area, given more invasive safety requirements and higher costs. As such, we also assume that some slippage will occur in drilling to sustain output at existing fields. To model this, we have hiked decline rates at all post-peak GoM oil fields by 10%. In sum, drilling delays are expected to curb 300 kb/d off previously-anticipated 2015 production, broken down as follows:

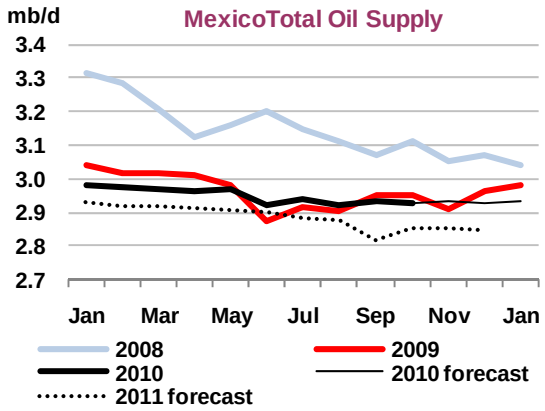
Effect of Drilling Delays on US GoM Previously-Forecast Output
(thousand barrels per day)

Extended delays at new GoM fields	-170
GoM delays already factored in	-50
Slippage at producing fields	-80
TOTAL	**-300**

It is worth emphasising however that other, offsetting, factors affect overall changes to our medium-term forecast for the GoM in particular, and US in general. The end of the hurricane season in the Gulf brings the elimination of November/December adjustments and a resulting change to forecast. Adjustments to project timings in the Gulf resulting from other factors, including baseline production levels, have affected the GoM outlook since June. Elsewhere in the US, stronger-than-expected recent growth in onshore crude production, in part related to shale oil plays, as well as NGLs and even 'other hydrocarbons', all contribute to more than offset any downward revisions to the US forecast. Indeed, contrary to widespread pessimism about a decline in output, we now see US total oil supply remaining flat at around 7.45 mb/d from 2009 to 2015.

Canada – Newfoundland October actual, others September actual: November oil production in Canada surged by 300 kb/d to 3.5 mb/d, as mined, upgraded synthetic and Newfoundland offshore crude production bounced back from maintenance. However, estimated Canadian supply is nudged down by reported delays in ramping up bitumen output at Nexen's Long Lake facility, which for 4Q10 is partly offset by higher crude elsewhere, but for 2011 is carried through, resulting in a downward adjustment of 50 kb/d. Total Canadian supply is now estimated to average 3.3 mb/d in both 2010 and 2011.

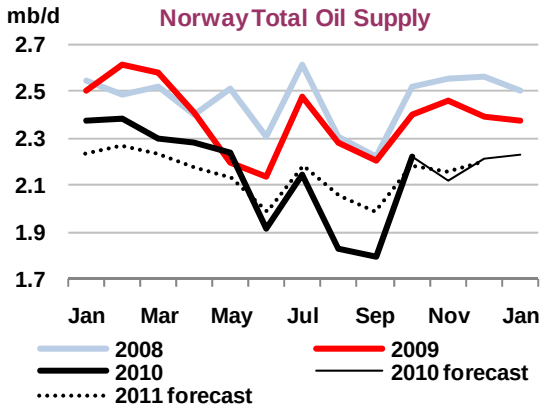


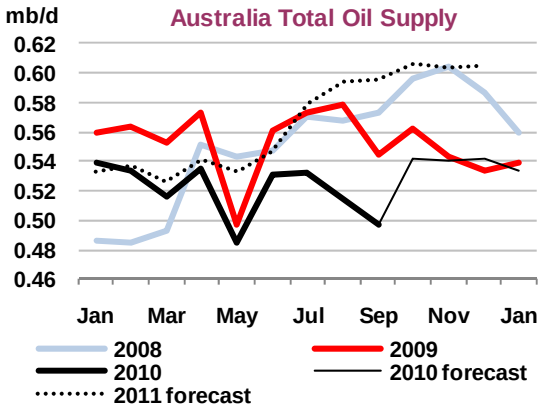


Mexico – October actual: Mexican oil production averaged just over 2.9 mb/d in October, unchanged from September. Details emerged on the proposed so-called 'integrated E&P contracts', which will give financial incentives to private oil companies to explore and develop resources, though will not allow production sharing with state oil company Pemex, nor the booking of any reserves. Nonetheless, the contracts, which would initially cover only a select group of mature fields, could enable access by foreign companies for the first time in over 70 years. If successful, later contracts could possibly allow access to territory in northern Mexico, the large but challenging onshore Chicontepec field, and deepwater Gulf of Mexico acreage. However, it remains to be seen how attractive the terms are.

North Sea

Norway – September actual, October provisional: 3Q10 and 4Q10 Norwegian oil supply estimates are both adjusted down by around 15 kb/d, with October-December monthly production estimated to be relatively steady at 2.2 mb/d, up from heavy maintenance in August and September. In contrast, 2011 production is revised up by nearly 50 kb/d, on higher estimated output from the newly-online Gjøa and Vega fields, which are expected to add 50 kb/d and 25 kb/d respectively of crude and condensate.





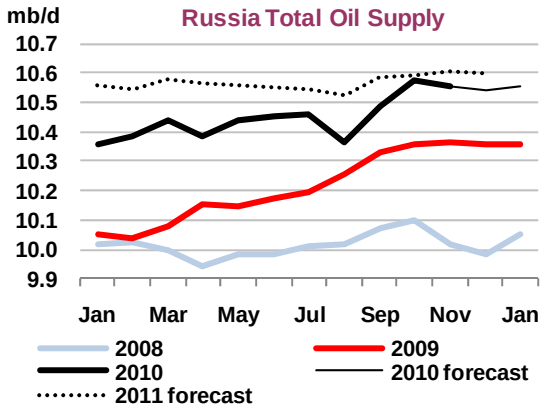
Pacific

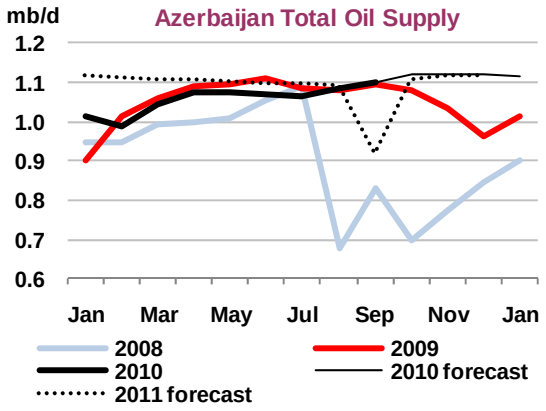
Australia – September actual: September oil production in Australia averaged a reduced 500 kb/d, as flooding in the Cooper Basin has hit output this year. Production in 2010 is expected to average 525 kb/d, down from 555 kb/d in 2009. The 2011 forecast is adjusted 20 kb/d lower, but nonetheless indicates a pick-up to 565 kb/d as output at the Pyrenees offshore field hits capacity and the delayed Montara field comes onstream. Results of the investigation into the Montara field accident, which suffered a fire in August 2009 and an oil leak that lasted ten weeks until the well could be plugged, have shown that the operator 'failed to observe sensible field practices'. The report also made a long list of recommendations, most of which the government supports, and will likely result in the setting-up of a national offshore regulator. Compared to the Macondo oil spill in the US Gulf of Mexico, the Montara

incident caused no loss of lives and a far smaller volume of oil spilled. The field is now expected to start production in mid-2011, as compared to its planned original target of late-2008, and will have a lower peak output capacity of 35 kb/d.

Former Soviet Union (FSU)

Russia – October actual, November provisional: Total Russian oil production was steady at 10.6 mb/d in October and November, with revisions to preliminary October data minimal. Overall, production in 2010 is estimated to average 10.5 mb/d. The 2011 forecast is nudged up by 30 kb/d and is now expected to average 10.6 mb/d. The Russian government awarded the Trebs & Titov field cluster to Bashneft, after all other bidders failed to qualify in an auction. The fields remain some of the largest undeveloped known reserves in Russia. It is thought they can potentially be brought online relatively quickly, given substantial work already undertaken and proximity to Lukoil's existing export terminal on Russia's northern coast at Varandey. However, it is unclear whether a stipulation that some 40% of the field's crude must be processed by Bashneft will allow exports via Varandey. While the company does possess significant excess refining capacity relative to crude production, its plants lie far south of Trebs & Titov in Bashkortostan in Russia's Urals-Volga region.





Azerbaijan – September actual: Preliminary data for Azerbaijan in September indicate that oil production is some 175 kb/d higher than expected at 1.1 mb/d, in the apparent absence of anticipated seasonal maintenance. This nudges 2010 estimated average supply up marginally, to 1.07 mb/d. The 2011 forecast in contrast is adjusted down by 30 kb/d and is now only seen growing to 1.09 mb/d, with only minimal growth expected for the Azeri-Chirag-Guneshli (ACG) complex.

FSU net oil exports in October climbed by a significant 450 kb/d (4.9%) from their September level to reach 9.5 mb/d. Increased crude shipments accounted for 360 kb/d of the rise, widely reflecting a 3% decrease in the Russian crude export tariff versus September. Growing seaborne crude volumes (+440 kb/d) more than offset lower flows transported via the Druzhba pipeline (-70 kb/d). Shipments from the Baltic increased by 190 kb/d, led by the Russian flagship terminal of Primorsk where, following the conclusion of maintenance, 170 kb/d more crude oil was shipped compared to a month earlier. Far East volumes increased by 100 kb/d to 790 kb/d and are now 310 kb/d above a year ago, reflecting ESPO cargoes shipped from Kozmino. Initial port loadings suggest FSU crude seaborne shipments will slip slightly in the next two months but remain above 9 mb/d.

FSU total oil product exports rose by a marginal 80 kb/d to 2.9 mb/d, reflecting exporters increasing shipments to maximise profits in line with a 3% reduction in duties. Gasoil shipments increased by 160 kb/d, more than offsetting falls in the 'other products' category (-80 kb/d) and fuel oil (-10 kb/d). Following on from last month's reports of Russia narrowing the differential between product and crude export duties (see *Russia: Redrawing the Fiscal Map* in report dated 12 November 2010), Economy Minister Elvira Nabiullina recently indicated that by 2013 export duties levied on heavy and light products would be unified at 60% of the crude duty. This level was not as high as some observers were

expecting and therefore will likely not increase crude exports at the expense of products to the extent expected. However, since unification would significantly raise the duty on heavy products, it could shift the balance of product exports towards the lighter end of the barrel with the intention of motivating Russian refiners to invest in more complex capacity in order to take advantage of the improved economics of exporting these products.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

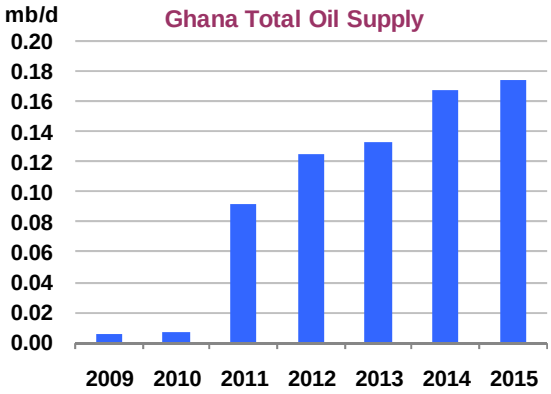
	2008	2009	4Q2009	1Q2010	2Q2010	3Q2010	Aug 10	Sep 10	Oct 10	Latest month vs. Sep 10	Latest month vs. Oct 09
Crude											
Black Sea	2.06	2.21	2.15	1.79	1.99	2.05	2.21	1.80	1.95	0.16	-0.18
Baltic	1.46	1.62	1.64	1.60	1.61	1.57	1.64	1.48	1.67	0.19	-0.02
Arctic/FarEast	0.29	0.46	0.48	0.71	0.76	0.67	0.59	0.69	0.79	0.10	0.31
BTC	0.67	0.78	0.76	0.69	0.79	0.81	0.81	0.82	0.82	0.00	0.00
Crude Seaborne	**4.48**	**5.07**	**5.04**	**4.78**	**5.16**	**5.10**	**5.25**	**4.79**	**5.22**	**0.44**	**0.10**
Druzhba Pipeline	1.08	1.12	1.14	1.13	1.10	1.16	1.10	1.20	1.12	-0.07	-0.03
Other Routes	0.42	0.37	0.30	0.44	0.37	0.36	0.35	0.31	0.31	0.00	-0.02
Total Crude Exports	**5.98**	**6.56**	**6.48**	**6.36**	**6.63**	**6.62**	**6.70**	**6.29**	**6.66**	**0.36**	**0.06**
Of Which: Transneft	3.98	4.14	4.13	3.94	3.88	3.95	4.00	3.72	3.92	0.20	-0.22
Products											
Fuel oil	1.14	1.15	1.19	1.13	1.28	1.28	1.34	1.21	1.23	0.01	0.18
Gasoil	1.03	1.15	1.12	1.20	1.14	1.08	1.11	0.97	1.13	0.16	0.04
Other Products	0.60	0.69	0.59	0.73	0.63	0.63	0.59	0.61	0.53	-0.08	0.04
Total Product	**2.77**	**2.99**	**2.90**	**3.06**	**3.06**	**3.00**	**3.03**	**2.80**	**2.88**	**0.08**	**0.26**
Total Exports	**8.74**	**9.55**	**9.38**	**9.42**	**9.69**	**9.62**	**9.73**	**9.09**	**9.54**	**0.45**	**0.32**
Imports	0.04	0.04	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.00	0.02
Net Exports	**8.70**	**9.51**	**9.33**	**9.37**	**9.65**	**9.56**	**9.68**	**9.04**	**9.48**	**0.45**	**0.31**

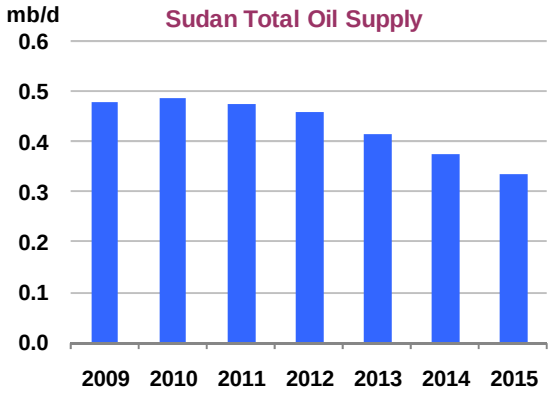
Sources: Petro-Logistics, IEA estimates

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

Other Non-OPEC

The large Jubilee oil field offshore **Ghana** is now officially due to start production on 17 December. With historically only minimal oil production of around 5 kb/d, Ghana is set to become one of Africa's larger sub-Saharan producers when the first phase of Jubilee ramps up to its 120 kb/d capacity by the summer of 2011. Various other additions bring total estimated Ghanaian oil production up to 175 mb/d by mid-decade, after which new Jubilee phases could take it even higher. Some think geological similarities between discoveries offshore Sierra Leone to the west and Liberia and Ivory Coast in-between point at the existence of a large new oil-bearing basin, yet to be mapped.



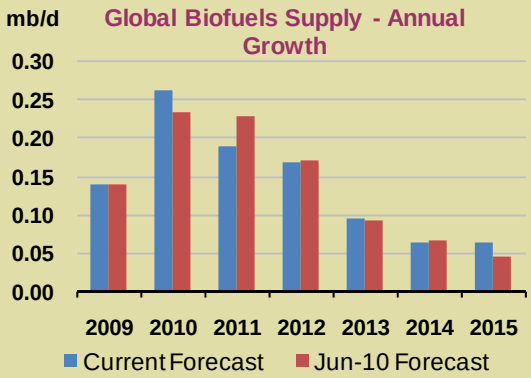


Oil production in **Sudan** is revised up by 20 kb/d in 2009 to 480 kb/d on evidence we had been undercounting some production. This and some other adjustments are carried through the forecast, thus pushing up 2010 and 2011 by around 50 kb/d each, with production expected to remain flat at around 480 kb/d (and decline thereafter). However, a referendum on independence for the southern half of the country, location of much of Sudan's oil production, set for January 2011, could yet bring turmoil, as these fields rely on pipelines through the north for exports.

Lower Baseline, But Still Strong Biofuels Growth in the Medium-Term

The global biofuels production outlook is modestly reduced since the June 2010 *MTOGM*. For 2009-2015, supply is revised down on average by 40 kb/d annually. Still, global growth, at 0.8 mb/d from 2009-2015, remains robust. We now see 2010 global biofuels production at 1.8 mb/d, up 260 kb/d from 2009, but 10 kb/d lower than in the *MTOGM*. Over the medium-term we see global output increasing to 2.4 mb/d, with annual growth from 2009-2015 averaging 140 kb/d, similar to June's forecast.

Much of the headline revision stems from lower (-25 kb/d) historical Brazilian ethanol for the series duration, as reported in the September *OMR*. Ethanol production there in 2010 is expected at 475 kb/d, revised down from 505 kb/d in June, with annual output rising to 695 kb/d in 2015 on the back of capacity expansions and strong gasoline demand growth. Meanwhile, with a stronger 2010 baseline, Brazilian biodiesel production has been revised 5 kb/d higher over the medium-term, with 2015 production at 60 kb/d from 40 kb/d in 2010.



US ethanol output, at 850 kb/d for 2010, has been stronger than expected. Yet, the year-end expiry of a 45 cent/gallon blenders' tax credit casts doubt over future economics. For much of 2010 ethanol without the credit was competitive versus gasoline, but corn price rises and eroding margins have threatened that position. The EPA approved E15 use for 2007 or later vehicles, and a decision on earlier models is expected in early 2011. However, increased consumption is likely to be minimal in the short-term, due to other supply chain barriers. Meanwhile, US biodiesel, with the expiry of its blenders' credit at end-2009, has seen 2010 output down by one-third versus 2009.

World Biofuels Production

(thousand barrels per day)

	2008	2009	2010	2011	2012	2013	2014	2015
OECD North America	672	759	902	962	997	1,029	1,051	1,079
United States	655	738	875	928	961	992	1,010	1,037
OECD Europe	184	207	240	264	284	293	297	299
OECD Pacific	7	8	9	12	13	14	16	16
Total OECD	**863**	**974**	**1,152**	**1,239**	**1,294**	**1,337**	**1,364**	**1,394**
FSU	3	3	3	9	11	11	11	11
Non-OECD Europe	1	3	3	3	3	3	3	3
China	42	43	47	50	54	56	56	60
Other Asia	26	38	51	73	93	94	96	97
Latin America	486	499	563	632	717	763	796	823
Brazil	457	456	516	576	654	694	725	753
Middle East	0	0	0	0	0	0	0	0
Africa	1	2	3	6	8	9	11	14
Total Non-OECD	**559**	**587**	**671**	**773**	**886**	**938**	**974**	**1,009**
Total World	**1,421**	**1,561**	**1,823**	**2,012**	**2,180**	**2,275**	**2,338**	**2,403**

To be sure, the political debate over the credits remains undecided and the Renewable Fuels Standard (RFS) still provides key blending support. We have revised US ethanol production down on average by 15 kb/d from 2011-2015, though we expect output in line with the RFS, with volumes at 980 kb/d in 2015. Still, some market analysts have predicted production drops of 5-15% in 2011 should the subsidies vanish. While the cellulosic biofuel tax credit runs through 2012, lower overall investment may have a knock-on effect here as well. Near-term prospects for cellulosic biofuel in 2011 have fallen, with next year's RFS requirement at only 6.6 million gallons (< 1 kb/d), virtually unchanged from 2010 output.

In Europe, biofuels production is revised up by 5 kb/d from 2010-2015 with a higher biodiesel baseline. Ethanol output prospects have also improved, with Germany raising the blending limit for ethanol from 5% to 10%. Still, most European governments appear unready to implement, before year-end, sustainability criteria requiring biofuels to provide greenhouse gas savings of at least 35% versus fossil fuels for national targets. As such, feedstock and biofuel trade prospects remain uncertain, both within and out of the EU. All the while, Europe's 2010 biofuels output, at 240 kb/d, looks to meet just 3.1%, by energy content, of its own transport demand, versus an overall 5.75% renewable fuels target.

OECD STOCKS

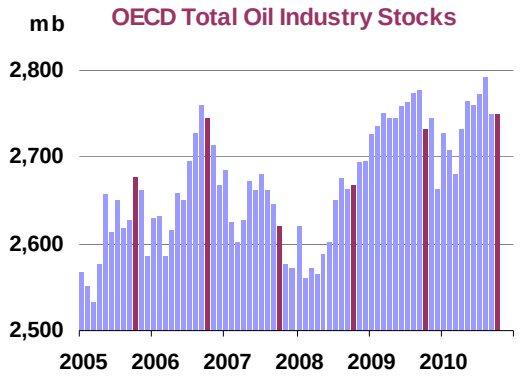
Summary

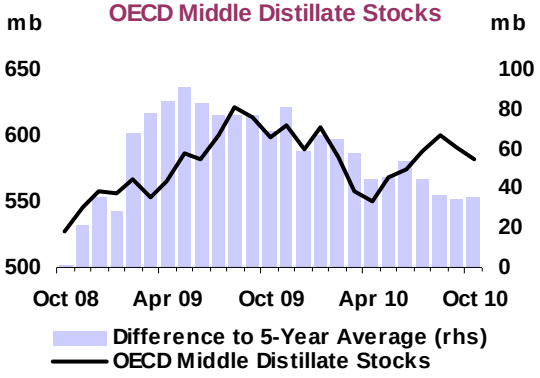
- **OECD industry stocks built by a modest 0.7 mb to 2 745 mb in October,** contrasting with the average 6.7 mb monthly draw over the past five years. The generally flat profile saw crude builds balance out product draws in Europe and North America.

- **October OECD forward demand cover rose to 60.1 days**, from 59.7 days in September. The increase was driven by higher European cover, rising by 2.6 days on weaker expected forward demand for gasoline and middle distillates.

- **Preliminary November data indicate OECD industry oil stocks fell by 8.4 mb**, broadly in line with the five-year average draw of 10.9 mb. Crude oil and product inventories declined by 5.7 mb and 2.8 mb, respectively, as US draws more than offset builds in Europe and Japan.

- **Short-term oil floating storage rose to 64 mb in November**, from 59 mb at end-October. Crude floating storage expanded on builds in Asia-Pacific, Northwest Europe and Latin America. Products held in floating storage remained unchanged at 27 mb in November.





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

Commercial oil stocks in the OECD regions rose slightly by 0.7 mb to 2 745 mb in October and stood 56 mb above the five-year average level. Labour action in France and refinery maintenance in the US resulted in a modest increase overall, stemming from offsetting crude builds and product draws. Over the past five years, oil inventories on average have drawn by 6.7 mb in October, as product declines outweighed rising crude oil stocks.

Preliminary Industry Stock Change in October 2010 and Third Quarter 2010

	October (preliminary) *(million barrels)*				October (preliminary) *(million barrels per day)*				Third Quarter 2010 *(million barrels per day)*			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
Crude Oil	**6.5**	**15.3**	**-1.8**	**20.0**	**0.21**	**0.49**	**-0.06**	**0.64**	**-0.07**	**-0.26**	**-0.11**	**-0.44**
Gasoline	-8.3	-1.0	1.3	-8.0	-0.27	-0.03	0.04	-0.26	0.05	0.00	-0.03	0.03
Middle Distillates	-10.3	0.3	1.7	-8.3	-0.33	0.01	0.06	-0.27	0.14	-0.06	0.09	0.17
Residual Fuel Oil	0.7	-1.3	-1.8	-2.4	0.02	-0.04	-0.06	-0.08	-0.02	-0.04	0.01	-0.05
Other Products	-4.7	-1.0	4.3	-1.4	-0.15	-0.03	0.14	-0.04	0.04	0.02	0.03	0.08
Total Products	**-22.6**	**-3.0**	**5.6**	**-20.1**	**-0.73**	**-0.10**	**0.18**	**-0.65**	**0.21**	**-0.08**	**0.11**	**0.23**
Other Oils[1]	1.2	-1.3	0.8	0.7	0.04	-0.04	0.03	0.02	0.07	-0.04	-0.02	0.01
Total Oil	**-14.9**	**10.9**	**4.6**	**0.7**	**-0.48**	**0.35**	**0.15**	**0.02**	**0.21**	**-0.38**	**-0.02**	**-0.19**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

September inventory levels were revised down by 6.4 mb, largely on more complete data for European crude oil and US 'other products' holdings. Meanwhile, monthly US data indicate that gasoline stocks were 3.8 mb higher in September, implying a weaker monthly draw of 1.5 mb than reported last month. Downward revisions also affected September forward demand cover, which has been reassessed lower at 59.7 days. October OECD forward cover rose to 60.1 days, driven by higher European cover, up by 2.6 days on weaker forward demand for gasoline and middle distillates.

Revisions versus 12 November 2010 Oil Market Report

(million barrels)

	North America		*Europe*		*Pacific*		*OECD*	
	Aug 10	Sep 10	Aug 10	Sep 10	Aug 10	Sep 10	Aug 10	Sep 10
Crude Oil	**-2.6**	**-1.7**	**1.5**	**-5.4**	**-0.1**	**2.0**	**-1.1**	**-5.1**
Gasoline	0.1	4.0	-0.2	-0.3	0.0	-0.2	0.0	3.4
Middle Distillates	-0.3	0.1	-0.5	-0.7	0.0	1.1	-0.8	0.5
Residual Fuel Oil	0.0	1.7	-0.1	-1.0	0.0	-0.3	-0.1	0.5
Other Products	0.3	-5.3	0.3	1.1	0.0	-0.5	0.6	-4.7
Total Products	**0.1**	**0.4**	**-0.5**	**-0.9**	**0.0**	**0.1**	**-0.3**	**-0.4**
Other Oils[1]	0.7	2.1	0.0	-3.0	0.0	0.0	0.7	-0.9
Total Oil	**-1.7**	**0.9**	**1.0**	**-9.3**	**-0.1**	**2.1**	**-0.8**	**-6.4**

1 Other oils includes NGLs, feedstocks and other hydrocarbons.

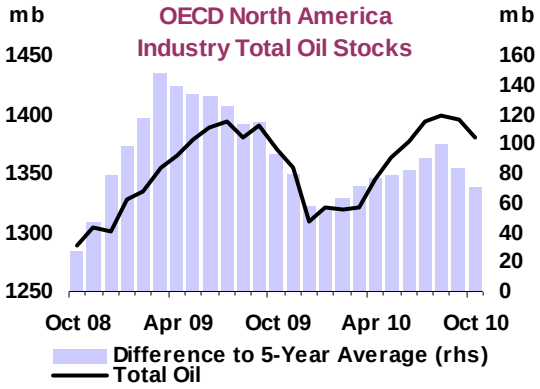
Total OECD middle distillate stocks stood at 582 mb in October, with a 35 mb surplus to the five-year average. Ahead of winter, North America and Europe seem to be well supplied, with distillate stocks 20.8 mb and 23.8 mb above five-year averages, respectively, and only the Pacific maintaining a 9.4 mb deficit in October. In addition, middle distillates held in floating storage near Northwest Europe and the Mediterranean also provide some cushion.

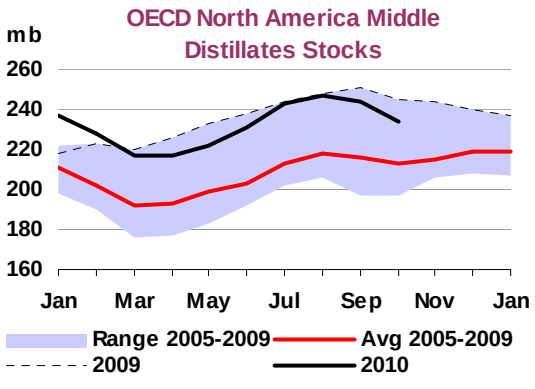
Overall, offshore storage of products at sea remained unchanged at 27 mb in November, as a build-up near West Africa compensated for a further offloading in the Mediterranean. Crude floating storage expanded by 5.5 mb in Northwest Europe, Asia-Pacific and Latin America, reaching 38 mb globally, and brought total short-term oil floating storage to 64 mb in November, up from 59 mb in October. Onshore OECD industry oil stocks fell by 8.4 mb in November, as crude inventories dropped by 5.7 mb and product stocks contracted by 2.8 mb.

Analysis of Recent OECD Industry Stock Changes

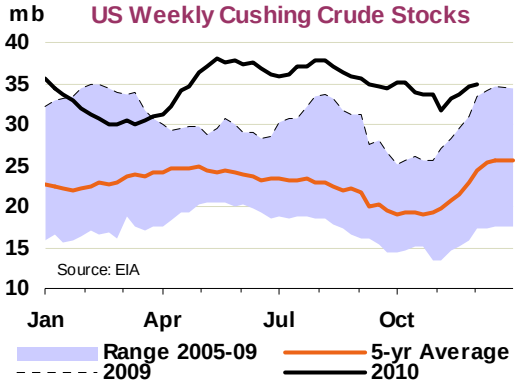
OECD North America

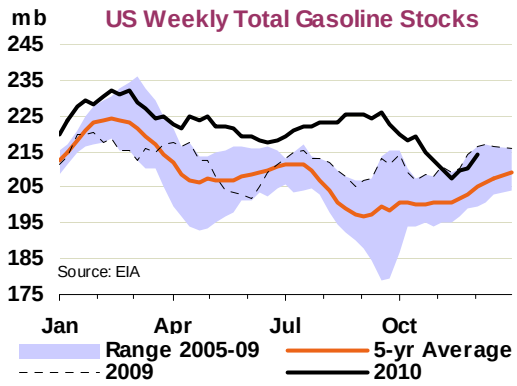
Industry oil stocks in North America fell by 14.9 mb to 1 381 mb in October, vastly exceeding the 2.1 mb five-year average stock-draw. Middle distillate stocks fell by 10.3 mb and gasoline dropped by 8.3 mb. This second consecutive monthly decline, led by gasoline and distillates, helped to draw down some of the regional excess build-up over recent months. Total regional product holdings fell by 22.6 mb, while crude inventories rose by 6.5 mb.





According to preliminary weekly data from the US Energy Information Administration (EIA), US industry stocks drew by 20.9 mb in November. Crude oil inventories fell by 9.7 mb as a result of lower imports and products fell by 11.2 mb. Middle distillates shrunk by 4.2 mb with ultra-low-sulphur diesel accounting for more than 80% of the decrease, while gasoline inventories gained 0.6 mb. US producers almost doubled their gasoline exports to Latin America this year, and in doing so helped to reduce the stock overhang created by weak 2009 demand. Gasoline stocks re-converged on seasonal average levels following a disconnect over the recent months.

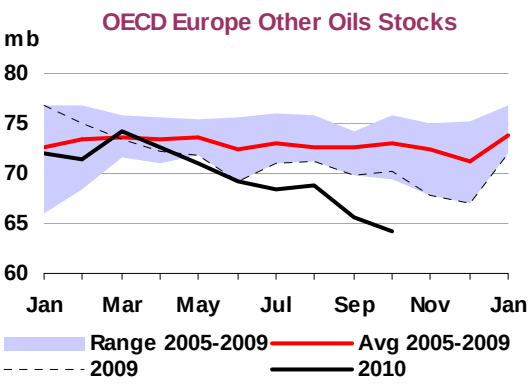


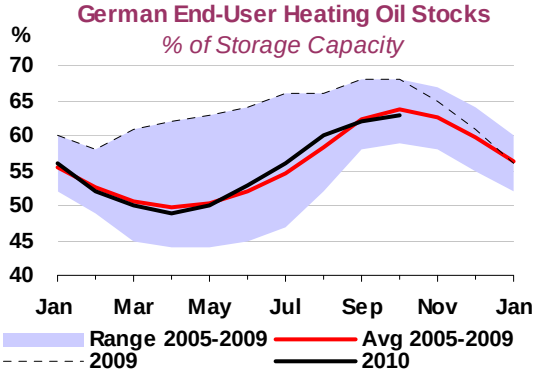


The US EIA published for the first time its semi-annual report of US liquid fuel storage capacity. It clarified net available shell storage capacity in Cushing, Oklahoma, estimated at 54.975 mb as of 30 September 2010, of which 45.882 mb (83.5%) are considered working capacity. The EIA assessment of Cushing capacity is higher than previously estimated by others. Uncertainty about the actual levels of operable storage capacity at Cushing distorted the market outlook in July, when traders feared rising stocks would soon reach maximum operational levels. In the light of new data from the EIA, the stocks in Cushing reached 37.8 mb, or 82.4%, at their highest levels in July, while November stocks rose by 1.7 mb to 34.8 mb, or 75.8% of working storage capacity.

OECD Europe

Industry oil inventories in Europe rose by 10.9 mb to 956 mb in October. Monthly stock-build, deriving in part from French port and refinery strikes (see *Accounting for French October Strikes* below), contrasted with a more normal 7.0 mb seasonal decline led by product draws. This year, products declined by 3.0 mb, more in line with the 6.1 mb five-year average draw, partly balancing a sizeable 15.3 mb gain in crude oil inventories. Inventories of 'other oils' dropped by 1.3 mb in October, largely driven by France, but these stocks have fallen by 10.0 mb since March 2010. Gasoline holdings fell by 1.0 mb, fuel oil stocks decreased by 1.3 mb, but middle distillate stocks built by a modest 0.3 mb, originating in France. In Germany, end-user heating oil stocks increased from 62% to 63% of capacity in October.

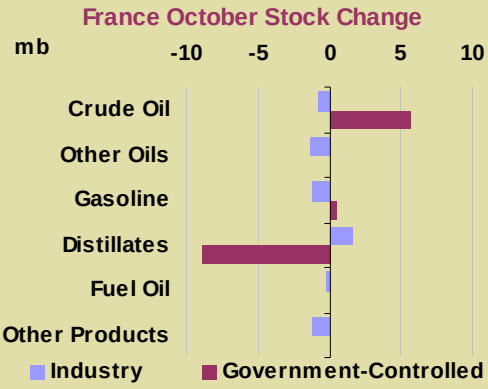




Accounting for French October Strikes

Preliminary data indicate that commercial oil inventories in France were 3.0 mb lower at the end of October from month earlier. During the month, the country experienced serious logistical disruptions caused by port and storage depot blockades in protest against pension reforms and port restructuring. French authorities responded to the disruption by permitting regional stock swaps, allowing the use of emergency stocks to alleviate shortages in affected regions and to compensate with commercial operational stocks held elsewhere in the country. In addition, on 15 October, the French authorities permitted companies to use approximately 14 mb of the some 40 mb of stocks they normally hold to meet emergency stockholding requirements. Later, as regional swap opportunities dried up, loans of government strategic stocks were also authorized, including an 8 mb loan consisting mainly of middle distillates.

As a result of this flexible policy, government-controlled inventories edged 2.8 mb lower at end-October, with crude oil and gasoline stocks up by 5.7 mb and 0.5 mb, respectively, while middle distillates contracted by 8.9 mb. Crude oil industry stocks edged 0.7 mb lower and gasoline and 'other products' dropped by 1.1 mb each. Industry distillate stocks rose by 1.6 mb, aided by the use of government-controlled stocks following diesel shortages at filling stations and to facilitate end-user pre-winter restocking.

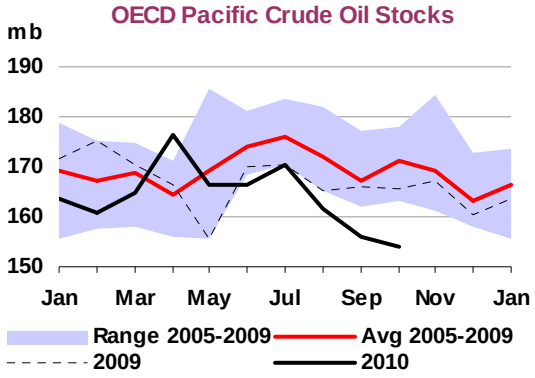


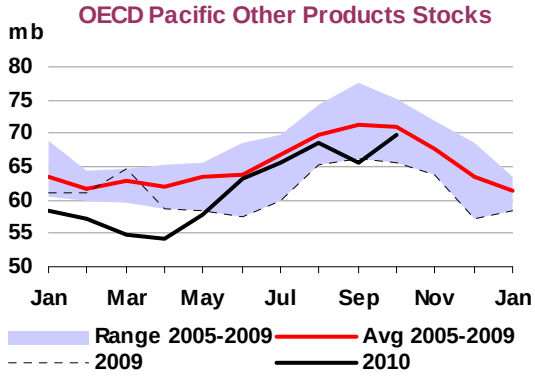
To relieve the build-up of vessels near French ports, some ships, originally destined for France, were transferred to neighbouring countries, including Spain, Portugal, the UK and the Netherlands, and as a result, October crude holdings in European countries surged counter-seasonally by 15.3 mb. When the strike ended on 29 October, a large backlog of tankers still awaited offloading near the port of Fos-sur-Mer/Lavera in Southern France.

Preliminary data from Euroilstock indicate that oil industry inventories in the EU-15 plus Norway rose by 7.2 mb in November, in line with the 7.6 mb stock-build over the past five years. Crude oil holdings edged 0.4 mb higher, while products built by 6.9 mb. Middle distillate stocks surged by 3.9 mb, while gasoline and naphtha also increased. Meanwhile, refined oil products held in independent storage in Northwest Europe remained virtually unchanged in November, as large draws in gasoline and fuel oil were balanced by strong gasoil builds, despite colder temperatures towards the end of the month.

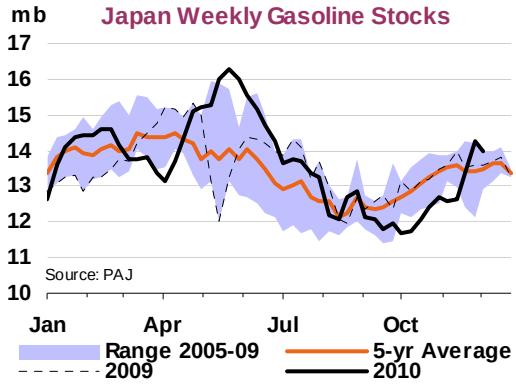
OECD Pacific

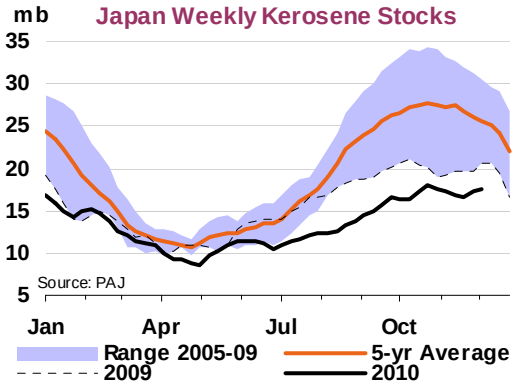
Commercial oil inventories in the OECD Pacific rose by 4.6 mb to 407 mb in October. By comparison, October over the past five years has normally seen builds averaging 2.4 mb. The stockbuild narrowed the deficit to the previous year's levels but inventories still stood 30 mb below the five-year average. A sharp increase in 'other products' (+4.3 mb) drove the monthly stock-build that followed a stronger weather-related September draw. But increases in gasoline and distillates also contributed, while fuel oil inventories dropped by 1.8 mb. Crude oil holdings fell by 1.8 mb, led by a decline in Korea.





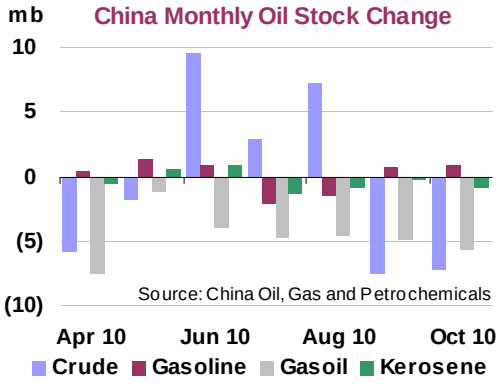
Japanese oil industry stocks rose by 5.2 mb in November, according to preliminary weekly data from the Petroleum Association of Japan (PAJ). Crude oil stocks built by 3.7 mb. Meanwhile, product inventories edged higher by 1.5 mb, driven by increases in gasoline and naphtha holdings, but a decline in middle distillates provided some offset.

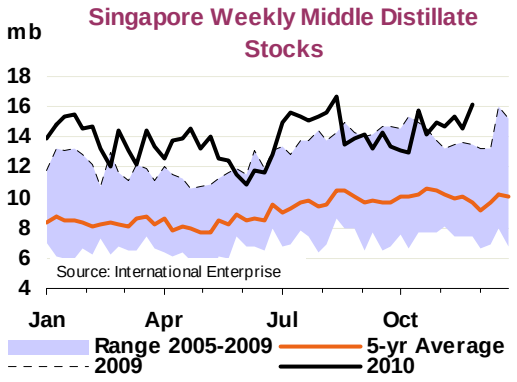




Recent Developments in China and Singapore Stocks

According to *China Oil, Gas & Petrochemicals (China OGP)*, Chinese commercial oil inventories drew by 12.8 mb in October. Crude stocks fell by a further 3.4% (7.3 mb) on the month, driven by higher refinery runs and a drop in imports from September record highs (oddly, crude stocks have risen or fallen exactly by 3.4% over the past three months). Surging demand curtailed gasoil stocks by 5.6 mb in October and levels have fallen by more than 45% since February 2010. This happened despite a drop in gasoil exports, rising imports and maximized crude runs in an attempt to keep the market supplied. Meanwhile, kerosene stocks contracted by 0.8 mb and gasoline rose by an offsetting 0.8 mb.



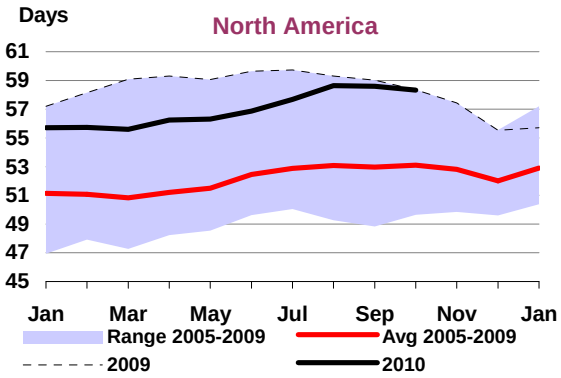


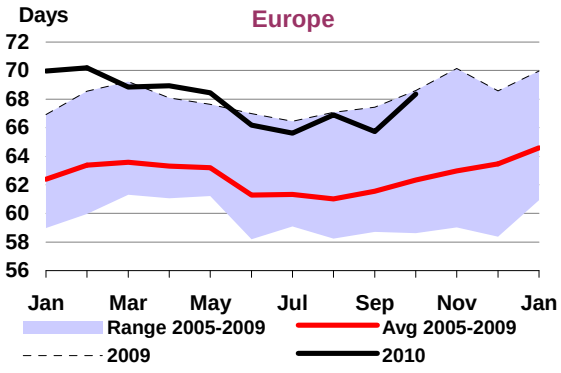
Refined product inventories in Singapore rose by 3.4 mb in November, driven by higher fuel oil and gasoil inflows. Recent cargo arrivals raised fuel oil stocks by 2.0 mb, while higher gasoil exports, mainly from Japan and Korea, added 1.3 mb to gasoil tanks. Chinese companies imported several cargoes from Singapore and China reportedly became a net gasoil importer for the first time since November 2008.

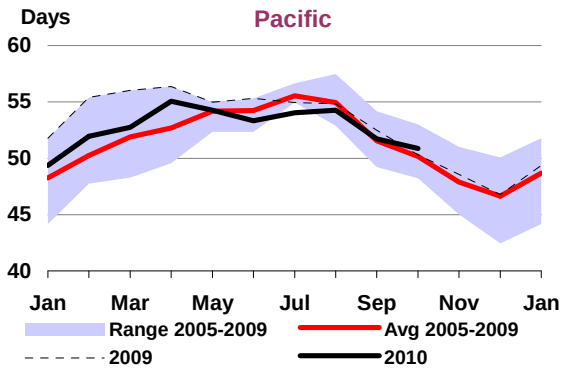
Regional OECD End-of-Month Industry Stocks

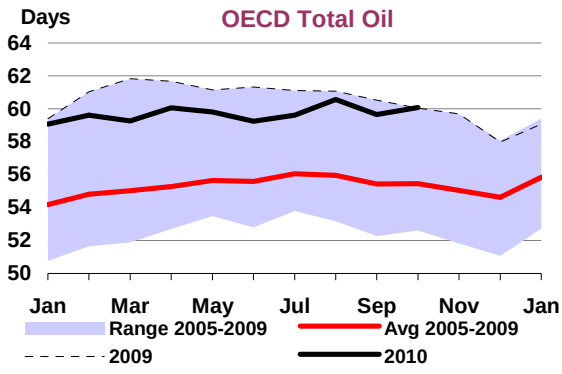
(in days of forward demand and millions barrels of total oil)

Days[1]

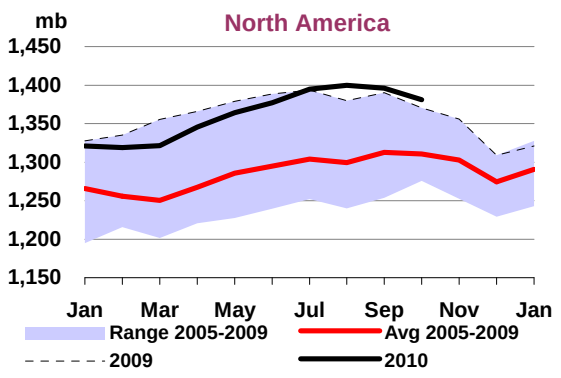


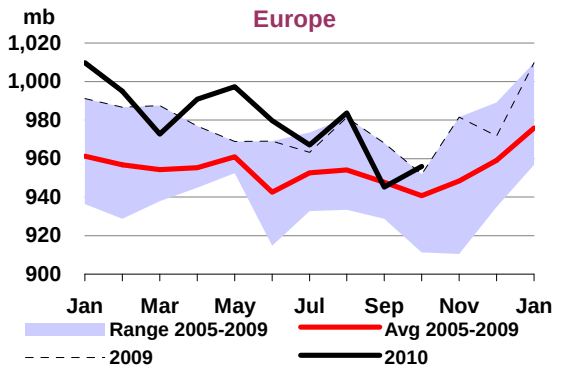


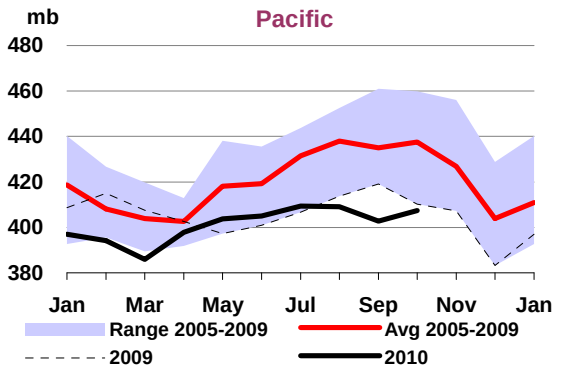


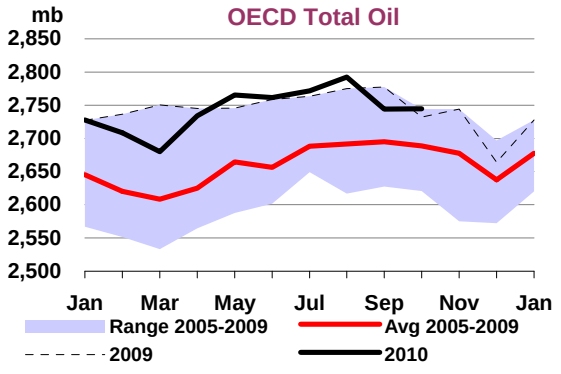


Million Barrels









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

PRICES

Summary

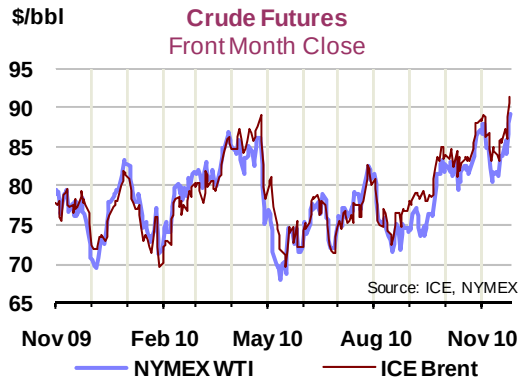
- **The early onset of frigid winter weather coming on the heels of exceptionally strong 3Q10 global demand growth combined to push prices to trading peaks of around $90-92/bbl** by early December. Much of the blame for rising prices since the summer had been placed on financial and commodity markets, but it now looks clearer that fundamentals in fact continued to provide a firm underpinning. At writing, benchmark crudes were trading around $88-$91/bbl.

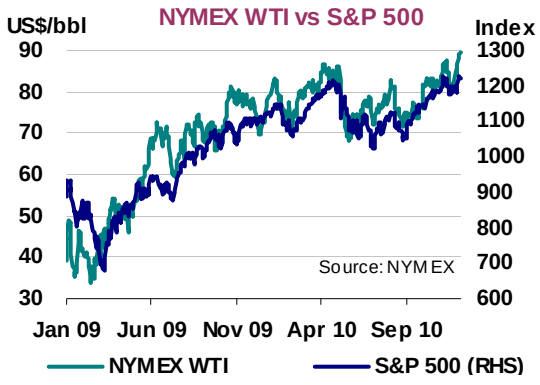
- **Gasoil prices surged as temperatures plummeted in early December**, but November spot product price increases were largely eclipsed by surging crude prices in Europe. Meanwhile crack spreads and refining margins in the US and Singapore only managed to post modest improvements on average for the month. Surging Chinese demand for middle distillates for electricity and agricultural needs, however, boosted gasoil in the region.

- **Low temperatures also proved the impetus for futures contracts to shift slightly from the contango price structure prevailing for the past two years into backwardation** in early December. As prices moved above $90/bbl, producing companies also stepped in to hedge long-term production, helping to push further out futures contracts below the front month.

- **Regulators moved apace with writing new rules to implement reform packages for over-the-counter (OTC) derivatives in the US and Europe, although market participants have raised a number of concerns** over the rule making process. Monitoring an inherently dynamic industry is a complex and difficult task and regulators themselves have expressed uncertainty over what the new regulations will bring to the market.

- **Both crude and product freight rates experienced a resurgence in November,** helped by weather delays in the Bosporus Straits, the anticipation of ice-class requirements in the Baltic, increasing imports into China and Japan and arbitrage opportunities for shipping gasoline into the US East Coast.

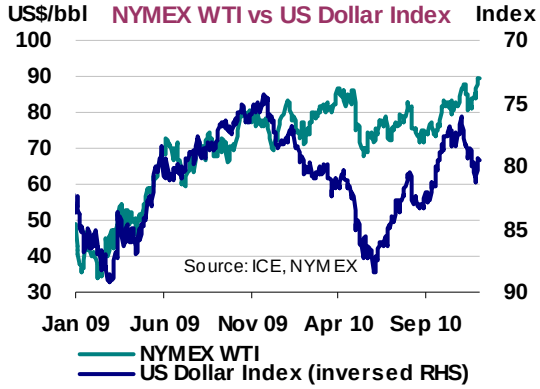




Market Overview

The early onset of frigid winter weather in much of the northern hemisphere following exceptionally strong third-quarter global demand growth combined to push prices to trading peaks of around $90-92/bbl in early December. While financial and commodity markets were singled out as the main drivers for rising prices since the summer, it now looks clearer that fundamentals in fact continued to provide a firm underpinning. Benchmark crudes in November rose by around $2.35-$2.60/bbl, with WTI averaging $84.31/bbl and Brent $86.15/bbbl. By the week ending 3 December, futures prices had posted further gains of around $2.50/bbl. At writing, benchmark crudes were trading around $88-$91/bbl.

In November, oil prices posted their own U-shaped recovery, as market worries over the Eurozone crisis, expectations that China will tighten its monetary policy and release of various bearish economic data from the US pressurised prices mid-month. Prices later rebounded on reports of further monetary easing in the US, a weaker dollar and the sudden emergence of blustering cold weather in Europe and the US. Indeed, WTI settled on 17 November at a monthly low of $80.44/bbl before scaling new two-year heights on 3 December, to $89.19/bbl. Brent posted similar gains over the same period, rising by more than $8/bbl, from a November low of $83.28/bbl to a high of $91.42/bbl by 3 December. WTI continued to trade at a discount to Brent in November and, for the first time in more than two years, Brent futures moved into slight backwardation on 6 December, underscoring the strength of prompt fundamentals.



Near-term, price strength could persist in the coming weeks based on forecasts for continued cold temperatures. Oil demand growth has also been revised higher for 4Q10 and 2011 but overall will ease from the exceptionally strong growth rates posted in 3Q10. Demand has been surprisingly strong in the US, China and other Asia.

Despite the unprecedented market move to the upside in recent weeks, some analysts are convinced that neither oil supply and demand fundamentals nor economic activity justify sharply higher prices. While global inventories have slimmed down, OECD stocks are still well above the five-year average. In the US, refiners may opt to draw down stocks as companies try to minimise their end-year tax liability. The current winter weather may help shave inventories by year-end, but it would take a very protracted cold spell to trigger a significant draw in stocks. Non-OECD demand indicators also appear to be easing, especially from China, where expectations of a more constrained monetary policy are expected to temper oil demand growth. Near-term, our latest Chinese demand forecast sees the strong surge in gasoil use, which has ramped up smartly to offset government-mandated shut-in of coal-fired power plants and on the back of robust agricultural demand, continuing in 1Q11 but easing thereafter.

Prompt Month Oil Futures Prices

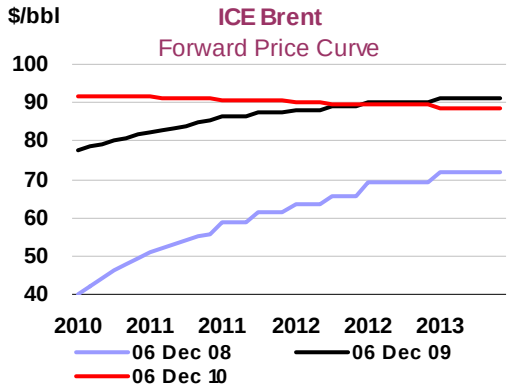
(monthly and weekly averages, $/bbl)

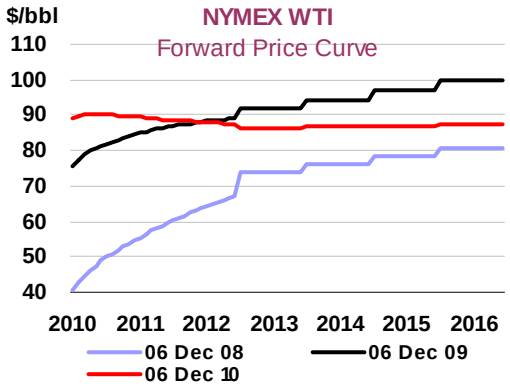
	Sep	Oct	Nov	Nov-Oct Avg Chg	% Chg	Week Commencing: 01 Nov	08 Nov	15 Nov	22 Nov	29 Nov
NYMEX										
Light Sweet Crude Oil	75.55	81.97	84.31	2.34	2.8	84.98	86.86	82.20	82.65	86.76
RBOB	81.68	88.61	91.87	3.26	3.6	89.86	92.78	91.84	91.46	97.08
No.2 Heating Oil	88.73	94.95	98.06	3.11	3.2	97.92	101.10	96.61	96.18	100.99
No.2 Heating Oil ($/mmbtu)	15.23	16.30	16.83	0.53	3.2	16.81	17.36	16.59	16.51	17.34
Henry Hub Natural Gas ($/mmbtu)	3.90	3.60	4.03	0.43	10.8	3.87	4.01	3.97	4.27	4.27
ICE										
Brent	78.42	83.54	86.16	2.62	3.0	86.50	88.18	84.82	84.95	88.85
Gasoil	90.15	96.35	98.56	2.22	2.2	98.21	101.23	97.59	96.91	100.74
Prompt Month Differentials										
NYMEX WTI - ICE Brent	-2.87	-1.56	-1.84	-0.28		-1.53	-1.32	-2.62	-2.29	-2.09
NYMEX No.2 Heating Oil - WTI	13.18	12.97	13.74	0.77		12.94	14.25	14.41	13.53	14.23
NYMEX RBOB - WTI	6.13	6.63	7.56	0.92		4.88	5.92	9.64	8.80	10.33
NYMEX 3-2-1 Crack (RBOB)	8.48	8.75	9.62	0.87		7.57	8.70	11.23	10.38	11.63
NYMEX No.2 - Natural Gas ($/mmbtu)	11.34	12.70	12.80	0.10		12.94	13.34	12.61	12.24	13.07
ICE Gasoil - ICE Brent	11.74	12.81	12.40	-0.41		11.71	13.05	12.77	11.97	11.89

Source: ICE, NYMEX

Futures Markets

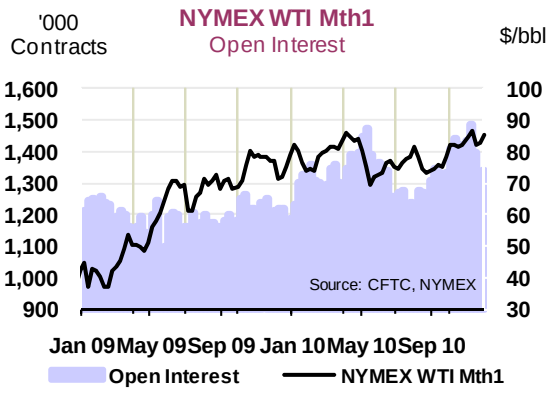
The flatter forward price curve that has emerged in recent months finally flipped Brent futures into slight backwardation in early December. Brent futures reached this point on 6 December —the first time the contract has traded in backwardation in more than two years. Along the forward Brent curve, prices declined by around $0.50-$1.00/bbl, at the same time the prompt month jumped on cold weather-related buying. WTI futures contracts also moved into backwardation but from mid-2011 onward. The contango price structure had emerged in the wake of the global economic and financial market meltdown in 2H08. Indeed, ever since, the forward price curve has tended to strengthen on expectations of stronger oil demand just over the horizon.

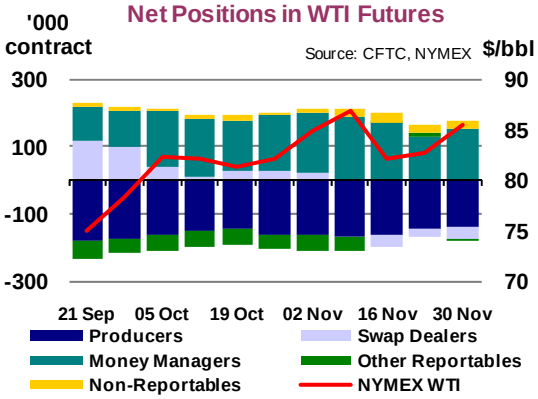




However, whether backwardation becomes firmly re-established will depend partly on the duration of the weather-related demand strength as well as moves by companies to sell into the forward curve to hedge their future production. Reports of a wide swathe of producers taking advantage of oil prices above $90/bbl to hedge future production has not yet been captured in reported CFTC data.

Latest CFTC data show open interest in WTI contracts declined in November in both futures-only and futures and futures-equivalent options (hereafter combined) to 1.342 million and 2.389 million contracts, respectively. Producers decreased their net long position during the month of November; they held 25.5% of the short and 15.3% of the long contracts in WTI futures-only contracts. Swap dealers, who accounted for 29.8% and 32.5% of the open interest on the long side and short side, respectively, switched to a net short position after reducing their net long position by 56 000 contracts from last month's net long position of 20 000 futures contracts.





Managed money traders' net long exposure declined by close to 17% in November, to 152 000 futures contracts. In line with the decline in their position, the market share of managed money traders has fallen from 30.2% to 28.2% on the long side and from 17.8% to 16.9% on the short side. Other non-commercials, who accounted for 20% of open interest on both long and short sides, remained net short in the market, although they reduced their net short position significantly.

Open interest declined in the NYMEX RBOB futures and combined markets. Producers continued to hold the largest long and short positions in the market, controlling 73.2% and 33.2% of open interest on the short side and long side, respectively. Swap dealers, managed money traders, and other reportables as well as non-reportables continue to provide liquidity in the market by holding respectively 18.9%, 33.3%, 7.3% and 7.3% of open interest on the long side. In November, open interest in NYMEX heating oil and natural gas markets declined, respectively, by 5.8% to 300 900 contracts and 5% to 758 700 contracts.

Meanwhile, final data for October show the influx of commodity index money in futures and over-the-counter (OTC) markets increased for the month in the long side to a notional value of $254.7 billion while decreasing to $187.4 billion in net notional value. Index investors withdrew US$0.4 billion from the WTI futures market in October 2010, which fell to 629 000 futures equivalent contracts.

Positions on NYMEX Light Sweet Crude Oil (WTI) Futures Contracts

Thousand Contracts

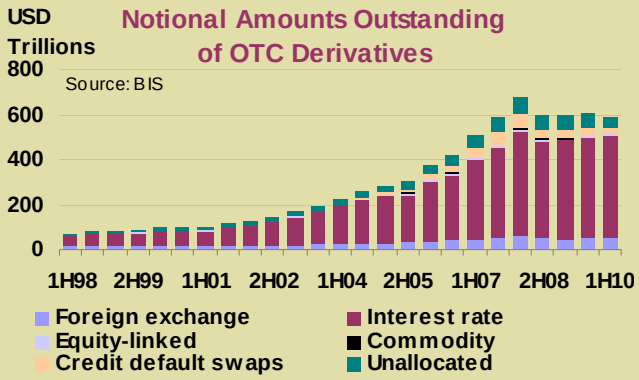
30 November 2010	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
Producers' Positions	205.7	342.3	-136.6	*Short*	↑ 5.3	↑ 27.9
Swap Dealers' Positions	218.9	254.8	-36.0	*Short*	↓ -12.3	↓ -56.0
Money Managers' Positions	223.2	71.1	152.1	*Long*	↑ 25.2	↓ -25.7
Others' Positions	88.2	93.4	-5.2	*Short*	↓ -19.7	↑ 42.5
Non-Reportable Positions	88.8	63.1	25.7	*Long*	↑ 1.5	↑ 11.2
Open Interest			**1342.3**		↑ 11.1	↓ -91.0

Source: CFTC

Regulatory Overhaul in the Over-the-Counter Market

The onset of the financial crisis from the autumn of 2008 triggered frantic efforts by policymakers around the globe to tighten regulations in order to reduce systemic risk and increase transparency in the market place. This was especially the case for over-the-counter (OTC) markets, where a wide range of instruments are traded, including commodities. Instruments in the OTC markets are generally privately negotiated between market makers (or so called swap dealers) and their clients. Unlike standardised exchange traded products, OTC instruments can be customised to fit clients' needs. These instruments can be used to hedge exposure to the physical asset itself, or to make speculative profits if prices of the underlying asset move in an expected direction. According to the latest Bank of International Settlements (BIS) survey, the total notional value of all OTC derivatives reached $583 trillion at end-June 2010, of which $2.85 trillion (0.5%) was in commodity-related derivatives. At their peak in end-June 2008, the total notional value of commodity-related derivatives had reached $13 trillion, or 2% of the total market.

Because it primarily deals with privately-negotiated contracts, the OTC derivatives market is essentially opaque, in the sense that information is typically available only to the negotiating parties. Some argue that the lack of public information in the market prevents an appropriate assessment of overall risks by market participants and precludes them from taking the necessary measures against default risks. The financial crisis has brought the OTC derivatives market to the forefront of the regulatory debate and has highlighted the importance of international coordination.



In 2009, the G20 declared the need for more robust supervision and regulation of the international financial system, including international regulatory standards. According to the statement of the G20 leaders following their meeting in Pittsburgh in September 2009: "All standardised OTC derivatives contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements."

Overhaul in the Over-the Counter-Market (continued)

Following the G20 agreement, the US financial reform package, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), became law on 21 July 2010. Shortly thereafter, on 15 September 2010, the European Union also unveiled its proposal for regulation of OTC derivatives, central counterparties and trade repositories. The main goal is to increase transparency and efficiency of the OTC derivatives markets and to reduce potential counterparty and systemic risks through:

- Comprehensive regulation of swap dealers and major swap participants to minimise systemic risk, via registration, capital and margin requirements and standards of conduct;
- Standardising as many swaps as possible;
- Clearing requirements for standardised swaps through an intermediary company with sufficient capital, such as clearing houses, or central counterparties (CCPs) to eliminate counterparty risk. Mandatory clearing requirements will not apply to existing swaps; however they still need to be reported to swap data repositories or directly to regulators;
- Trading standardised swaps on designated contract organisations or swap execution facilities, where multiple traders can place bids and offers;
- Real time reporting for cleared and uncleared swaps to centralised swap data repositories;
- Exempting end-users using swaps to hedge or mitigate commercial risk from mandatory clearing; and
- Imposing aggregate position limits and large trader reporting requirements for swaps.

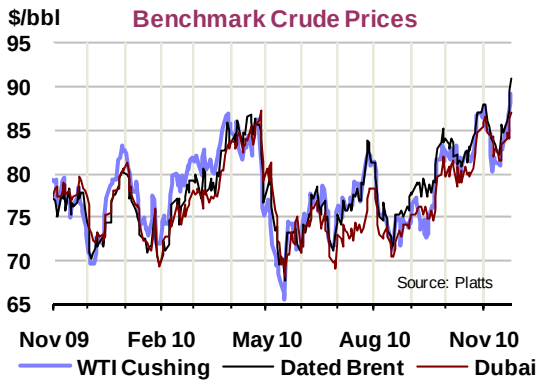
Although the US and European reform packages entail very similar regulatory frameworks, there are several differences between the two. First, the European proposal does not make any reference to the extent of the mandatory exchange trading for standardised swaps. Therefore, financial entities and non-financial entities, which exceed the information threshold level, will have the obligation to report to a trade repository no later than one working day after the trade. Additionally, non-financial entities whose trade size is below the information threshold level are not required to report their transactions. In contrast to the European retroactive reporting requirement, the US CFTC proposed real time reporting (as soon as technologically practical) for both on-exchange and off-exchange swap transactions, including a provision for a 15-minute delay for block trades. Second, the European proposal does not have components such as the Volcker Rule, which in the US will prohibit banks from proprietary trading. Third, the European proposal does not set a cap on ownership of clearinghouses, which in the US is set at 40% of clearinghouse ownership by financial institutions. Finally, the European proposal does not have position limits in their regulation but these are expected to be included later. The US CFTC is expected to announce its position limits for energy futures and swaps on 16 December 2010.

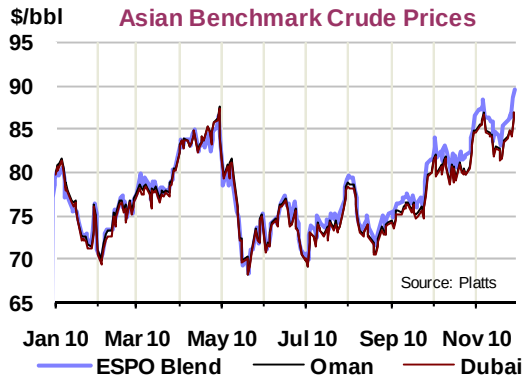
Regulating an inherently dynamic industry is a complex and difficult task. Regulators themselves express uncertainty over what the new rules will bring to the market. Market participants have already raised concerns over some of the issues in the rulemaking process. Their main concerns are:

- **Swaps are not futures:** They argue that the OTC market is different from the futures markets and therefore should not be regulated in an identical fashion.
- **Standardisation and exchange trading:** Swaps can trade infrequently, often in significant sizes, between dealers and end-users or speculators. If trading activity in the futures markets is any evidence, a relatively very small number of highly liquid instruments have been effectively traded on the exchange. The failure rate of exchange trading models especially in less liquid instruments has been very high.
- **Low liquidity:** Liquidity in OTC markets is generally provided by the dealers, who use their own capital to make the markets. Market participants contend that the Volcker rule has the potential to change the structure of the market by lowering liquidity. Notwithstanding the potential for diminished risk to lead to lower interest rates, if liquidity were to decline due to margin requirements, clearing costs or any other clause in the regulation, the process of price discovery and the risk transfer function of these markets would be significantly compromised.
- **Increase in end-user costs:** There are end-user complaints about costs possibly increasing due to the fact that the counterparty might transfer some of the clearing costs to end-users, in addition to uncertain margin requirements. As one regulator noted, if the regulatory framework replaces a system of 'too big to fail' with a system of 'too costly to clear', market efficiency is hardly likely to be improved. The debate continues.

Spot Crude Oil Prices

Spot crude prices rose in tandem with stronger refiner demand in November and strengthened further on the back of early-December cold weather. Distillate-rich crudes such as Nigerian grades were also bolstered by winter-related demand for heating oil and strong Chinese demand for diesel.





In November, spot prices for benchmark grades were up on average by 2.8% to 4.3%. Strong Asian demand for heavier Mideast crudes saw Dubai spot prices up by $3.44/bbl to $83.65/bbl in November, Dated Brent up by a smaller $2.58/bbl to an average $85.33/bbl while US WTI posted the smallest month-on-month increase at $2.31/bbl to $84.20/bbl.

Spot crude markets in Asia were relatively stronger than other major regions, in part due to higher seasonal demand but also to brisk spot purchases by China. Prices for distillate-rich crudes as well as other Mideast heavy crudes were supported further in early December after Saudi Aramco raised its prices for all grades to Asia amid a cutback of sales of its Arab Heavy crude.



Spot Crude Oil Prices and Differentials

(monthly and weekly averages, $/bbl)

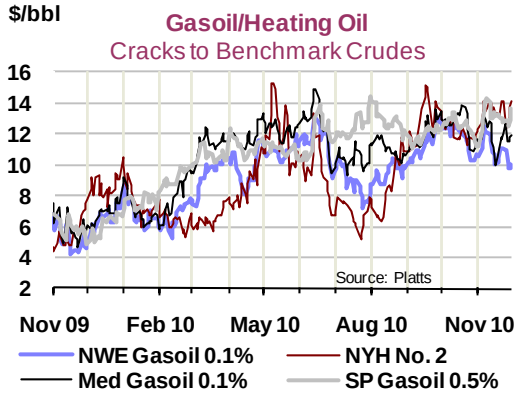
	Sep	Oct	Nov	Nov-Oct Avg Chg	%	Week Commencing: 01 Nov	08 Nov	15 Nov	22 Nov	29 Nov
Crudes										
Dated Brent	77.79	82.74	85.33	2.58	3.1	85.69	87.37	84.05	83.89	87.96
Brent (Asia) Mth1 adjusted	77.77	83.12	85.95	2.83	3.4	85.37	88.20	85.53	84.41	87.70
WTI (Cushing) Mth1 adjusted	75.17	81.89	84.20	2.31	2.8	84.99	86.81	82.10	81.60	86.75
Urals (Mediterranean)	77.38	81.53	84.74	3.21	3.9	84.88	86.74	83.58	83.46	87.08
Dubai Mth1 adjusted	75.12	80.22	83.65	3.44	4.3	82.62	85.57	83.34	82.52	85.22
Tapis (Dated)	80.65	86.48	89.98	3.50	4.0	88.97	92.23	89.69	88.43	92.21
Differential to Dated Brent										
WTI (Cushing) Mth1 adjusted	-2.62	-0.85	-1.13	-0.27		-0.70	-0.57	-1.94	-2.29	-1.21
Urals (Mediterranean)	-0.41	-1.21	-0.59	0.63		-0.81	-0.63	-0.47	-0.43	-0.88
Dubai Mth1 adjusted - Dated Brent	-2.67	-2.53	-1.67	0.85		-3.07	-1.80	-0.71	-1.37	-2.75
Tapis (Dated)	2.86	3.73	4.65	0.92		3.28	4.86	5.64	4.54	4.25
Prompt Month Differential										
Forward Cash Brent Mth1-Mth2 adj.	-0.16	-0.41	-0.36	0.05		-0.17	-0.20	-0.45	-0.52	-0.25
Forward WTI Cushing Mth1-Mth2 adj.	-1.35	-0.68	-0.56	0.12		-0.66	-0.53	-0.50	-0.55	-0.47

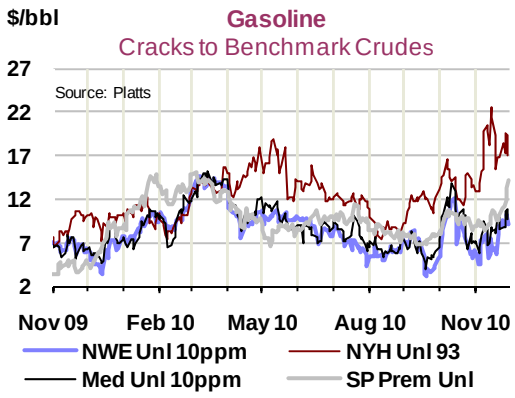
Source: Platts

Stronger demand for light sour crudes also supported increased spot prices for Russian ESPO crude. ESPO Blend's premium above Dubai crude has gone from strength to strength over the past six months and posted another record in early December, trading around $2.50/bbl compared to an average $1.89/bbl in November, $1.05/bbl in October, $0.64/bbl in September and $0.19/bbl in August.

Spot Product Prices

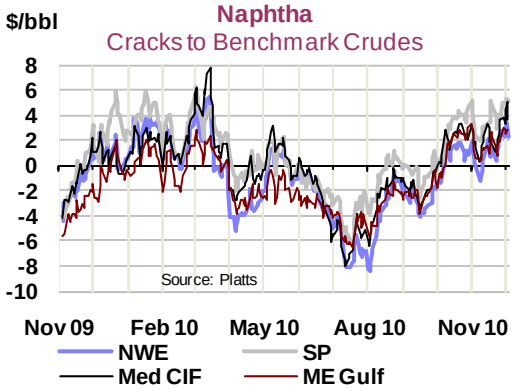
Gasoil prices surged with the onset of colder weather in the Northern Hemisphere but were still largely eclipsed by relatively stronger crude prices. As a result, crack spreads declined in Europe and only managed to post modest improvements on average in the US and Singapore for the month. Indeed, despite the colder weather, stubbornly high inventories are keeping a cap on European and US spot gasoil prices.





US gasoline cracks, especially for premium grades in New York, remained counter-seasonally robust, in part reflecting reduced refinery yields as refiners increased their heating oil output. The crack spread for unleaded gasoline in New York rose to $9.52/bbl in November compared with an average of $8.18/bbl in October. Cracks for premium grades were nearly double those levels, averaging $16.70/bbl in November compared to $13.57/bbl in October.

In Asia, crack spreads were mixed, with light ends and middle distillates improving month-on-month while fuel oil weakened further in November. China's surging demand for diesel and gasoil is also lending considerable support to regional middle distillate markets. Chinese government mandates to meet emissions reductions and energy efficiency targets by the year-ended in February have seen a surge in diesel and gasoil demand at the expense of coal. As part of the conservation efforts, power rationing has forced companies to burn diesel in their own generating sets.



Meanwhile, naphtha cracks in Asia continued to improve in November on the back of strong petrochemical demand in line with stronger economic activity. In Singapore, naphtha cracks rose to $3.61/bbl in November compared to $2.75/bbl in October and a loss of $0.60/bbl in September.

Spot Product Prices

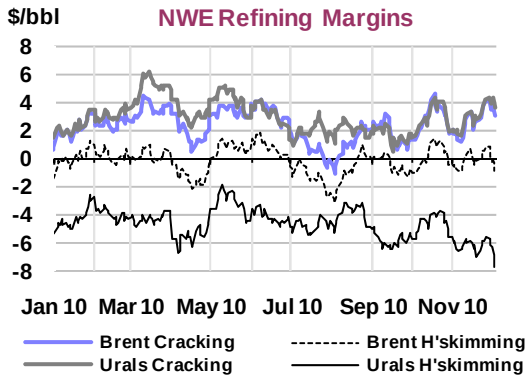
(monthly and weekly averages, $/bbl)

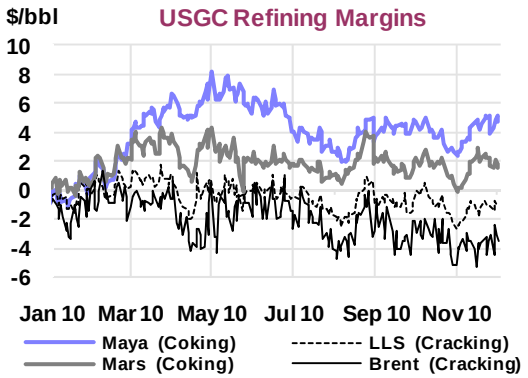
	Sep	Oct	Nov	Nov-Oct Chg	Nov-Oct %	Week Commencing: 01 Nov	08 Nov	15 Nov	22 Nov	29 Nov	Sep	Oct	Nov
Rotterdam, Barges FOB											**Differential to Brent**		
Premium Unl 10 ppm*	84.39	91.20	92.81	1.62	1.8	92.03	93.67	91.21	93.03	98.51	6.59	8.45	7.49
Naphtha	75.07	83.41	86.31	2.90	3.5	86.44	87.09	85.42	85.38	90.76	-2.72	0.67	0.99
Jet/Kerosene	89.73	95.86	98.57	2.71	2.8	97.66	100.92	97.30	97.83	101.39	11.94	13.12	13.25
ULSD 10ppm	91.25	97.55	99.59	2.04	2.1	99.44	101.88	98.38	98.25	102.04	13.46	14.81	14.26
Gasoil 0.1%	88.80	94.83	96.30	1.47	1.6	96.21	99.21	95.06	94.62	98.08	11.00	12.09	10.98
LSFO 1%	70.58	74.15	75.56	1.40	1.9	76.94	77.87	73.75	73.57	75.91	-7.22	-8.59	-9.77
HSFO 3.5%	67.28	71.37	73.51	2.13	3.0	74.01	75.59	72.07	72.26	74.39	-10.51	-11.37	-11.82
Mediterranean, FOB Cargoes											**Differential to Urals**		
Premium Unl 10 ppm	83.56	91.36	92.74	1.38	1.5	92.09	94.35	91.45	92.47	96.81	6.17	9.83	8.00
Naphtha	75.37	83.78	86.47	2.70	3.2	86.86	87.52	85.52	85.18	90.61	-2.02	2.24	1.73
Jet Aviation fuel	88.19	94.20	96.55	2.35	2.5	95.93	99.12	95.15	95.51	99.12	10.80	12.67	11.81
ULSD 10ppm	90.91	97.43	99.28	1.85	1.9	99.40	102.02	97.82	97.64	101.35	13.52	15.90	14.54
Gasoil 0.1%	88.92	94.70	96.07	1.37	1.4	96.05	98.70	94.72	94.40	98.46	11.54	13.17	11.33
LSFO 1%	70.56	73.27	74.74	1.47	2.0	76.46	77.20	72.87	72.47	75.27	-6.83	-8.26	-10.00
HSFO 3.5%	66.25	71.20	71.81	0.62	0.9	72.80	74.10	70.11	70.11	72.42	-11.13	-10.33	-12.93
New York Harbor, Barges											**Differential to WTI**		
Super Unleaded	86.38	95.46	100.90	5.44	5.7	98.40	102.20	102.61	98.86	105.09	11.21	13.57	16.70
Unleaded	82.61	90.07	93.72	3.65	4.1	90.91	94.93	95.39	92.60	98.64	7.44	8.18	9.52
Jet/Kerosene	90.51	95.46	99.07	3.60	3.8	98.38	102.36	97.60	96.93	101.77	15.34	13.57	14.87
No. 2 (Heating Oil)	87.90	94.21	97.29	3.08	3.3	96.88	100.33	95.86	95.14	99.97	12.73	12.32	13.09
LSFO 1%†	71.71	73.55	75.82	2.27	3.1	76.08	78.09	74.09	73.98	77.71	-3.46	-8.35	-8.39
No. 6 3%†	69.51	72.01	73.52	1.52	2.1	74.11	75.83	71.88	71.25	75.15	-5.66	-9.89	-10.68
Singapore, Cargoes											**Differential to Dubai**		
Premium Unleaded	82.55	89.71	93.21	3.51	3.9	91.31	94.69	92.95	92.59	97.46	7.43	9.49	9.56
Naphtha	74.52	82.97	87.26	4.29	5.2	86.27	88.09	87.51	86.20	90.30	-0.60	2.75	3.61
Jet/Kerosene	87.81	94.30	97.87	3.58	3.8	95.84	100.45	97.58	96.73	99.71	12.69	14.08	14.22
Gasoil 0.5%	87.04	92.86	96.52	3.66	3.9	94.06	99.00	96.74	95.55	98.20	11.92	12.64	12.87
LSWR Cracked	71.33	75.37	78.22	2.84	3.8	75.80	78.48	77.93	78.72	83.57	-3.79	-4.85	-5.44
HSFO 180 CST	68.71	73.23	76.35	3.12	4.3	75.17	78.35	76.12	75.13	77.69	-6.40	-6.99	-7.31
HSFO 380 CST 4%	69.83	74.01	76.84	2.84	3.8	75.35	78.80	76.51	75.82	78.62	-5.29	-6.21	-6.81

Source: Platts * CIF † Cargoes

Refining Margins

Refinery margins fell slightly on average in all regions in November. In general, volatility was high with margins dropping at the beginning of the month before strengthening again. While margins in Northwest Europe, US West Coast and Singapore were more or less unchanged versus last month, Mediterranean and US Gulf coast margins dropped by around $1/bbl.





Selected Refining Margins in Major Refining Centres

($/bbl)

		Monthly Average				Change	Average for week ending:				
		Sep 10	Oct 10	Nov 10		Nov 10-Oct 10	05 Nov	12 Nov	19 Nov	26 Nov	03 Dec
NW Europe	Brent (Cracking)	1.73	2.82	2.61	↓	-0.20	1.68	2.18	2.70	3.42	3.59
	Urals (Cracking)	1.63	2.95	2.84	↓	-0.12	1.90	2.59	2.86	3.51	4.03
	Brent (Hydroskimming)	-0.45	0.12	-0.08	↓	-0.20	-0.65	-0.24	0.04	0.35	-0.08
	Urals (Hydroskimming)	-3.12	-2.44	-2.61	↓	-0.17	-3.12	-2.64	-2.54	-2.29	-2.68
Mediterranean	Es Sider (Cracking)	0.14	1.80	0.97	↓	-0.83	0.54	0.89	0.84	1.39	1.33
	Urals (Cracking)	0.04	2.16	0.95	↓	-1.21	0.47	0.85	0.81	1.43	1.53
	Es Sider (Hydroskimming)	-4.09	-3.74	-4.57	↓	-0.82	-4.42	-4.51	-4.76	-4.60	-5.14
	Urals (Hydroskimming)	-5.82	-4.61	-6.11	↓	-1.50	-6.08	-6.08	-6.33	-6.01	-6.57
US Gulf Coast	Bonny (Cracking)	-1.34	-1.58	-2.58	↓	-1.00	-2.94	-1.96	-2.87	-2.58	-1.65
	Brent (Cracking)	-2.79	-2.99	-3.87	↓	-0.88	-4.36	-3.45	-4.11	-3.60	-3.32
	LLS (Cracking)	-0.85	-0.64	-1.48	↓	-0.83	-2.35	-1.38	-1.29	-0.95	-1.06
	Mars (Cracking)	-0.17	-0.14	-0.85	↓	-0.71	-1.75	-1.20	-0.21	-0.26	-0.93
	Mars (Coking)	1.71	1.79	1.48	↓	-0.31	0.18	1.06	2.33	2.31	1.74
	Maya (Coking)	4.26	3.90	3.99	↑	0.09	2.68	3.63	4.60	4.98	4.59
US West Coast	ANS (Cracking)	0.03	-1.13	-1.11	↑	0.02	-2.48	-2.39	-0.37	0.11	1.05
	Kern (Cracking)	4.12	1.27	1.34	↑	0.07	0.88	-1.66	1.77	3.72	3.81
	Oman (Cracking)	-0.81	0.24	-2.68	↓	-2.92	-2.19	-3.14	-3.79	-2.23	0.58
	Kern (Coking)	9.86	9.69	7.57	↓	-2.12	7.17	6.65	7.07	8.89	11.27
Singapore	Dubai (Hydroskimming)	-2.23	-1.96	-2.45	↓	-0.48	-3.36	-2.43	-2.23	-2.08	-1.70
	Tapis (Hydroskimming)	-4.89	-4.74	-4.79	↓	-0.05	-5.91	-5.53	-4.50	-3.66	-3.81
	Dubai (Hydrocracking)	-0.15	0.77	0.63	↓	-0.14	-0.46	0.56	0.88	1.14	1.77
	Tapis (Hydrocracking)	-3.47	-2.75	-2.40	↑	0.35	-3.57	-2.99	-2.11	-1.36	-1.65
China	Cabinda (Hydroskimming)	-4.72	-4.28	-4.33	↓	-0.05	-6.17	-5.07	-3.45	-3.35	-2.68
	Daqing (Hydroskimming)	-3.94	-3.72	-3.75	↓	-0.03	-4.55	-4.82	-3.64	-2.68	-1.95
	Dubai (Hydroskimming)	-2.01	-1.74	-2.23	↓	-0.49	-3.16	-2.22	-2.02	-1.86	-1.47
	Daqing (Hydrocracking)	-1.07	0.24	0.87	↑	0.63	0.05	-0.05	0.96	1.85	2.69
	Dubai (Hydrocracking)	0.14	1.08	0.95	↓	-0.13	-0.16	0.88	1.22	1.47	2.15

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

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

Sources: IEA, Purvin & Gertz Inc.

In Northwest Europe, November margins were nearly unchanged against October. Margins declined at the start of the month as the strike at the French refineries came to an end in late October, taking the pressure off products. However, they moved higher throughout November as especially middle distillates cracks improved due to increased weather-related heating oil demand. Gasoline crack spreads also improved, partly due to high import demand from Nigeria. In the Mediterranean though, margins fell on average as the Urals discount was lower than usual due to tight supply.

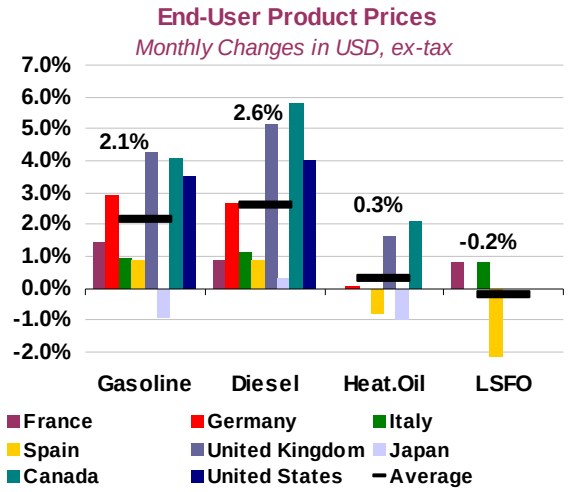
On the US Gulf, November cracking margins fell by around $1/bbl, whereas coking margins moved sideways. The large drop in margins in the beginning of the month was a result of products cracks, especially gasoline, increasing at a slower pace than crude feedstocks. Coking margins fared generally better as Mars and Maya crudes were trading at larger discounts in November. Generally, throughout the month margins were lifted by stronger gasoline and middle distillates cracks as supplies tightened with falling US stock levels for both products.

In the US West Coast, cracking margins based on domestic crudes moved sideways, but the Oman cracking margin fell almost $3/bbl. The Kern coking margin also dropped, by around $2/bbl. Oman was trading at a lower discount than usual, as strong demand from, among others, China pushed Middle East crude prices higher in November. Coking margins by contrast were depressed due to a weak gasoline crack in the first part of the month.

In Singapore, margins were roughly unchanged on average in November. Dubai hydroskimming margins decreased by around $0.50/bbl as fuel oil cracks improved less than gasoline and middle distillates cracks throughout the month. Also Chinese margins were broadly unchanged, following the same monthly pattern, with margins dropping at the start of the month before strengthening on the back of higher gasoline and middle distillates cracks.

End-User Product Prices in November

In November, IEA end-user prices rose by 1.19% in US dollars, ex-tax. On the same basis, average IEA prices rose for gasoline (+2.13%) and diesel (+2.59%), while heating oil (+0.28%) and low-sulphur fuel oil (-0.22%) stayed at similar levels as the previous month. Compared to a year ago, average IEA-region prices were 8.6% higher. In Europe, the largest average price changes were observed in the UK (+3.67%) and Germany (+1.87%). On the other side of the Atlantic, data indicate average price increases over the previous month in Canada (+3.98%) and the US (3.75%). In Japan gasoline prices decreased by 0.91% and diesel increased marginally by 0.29%.

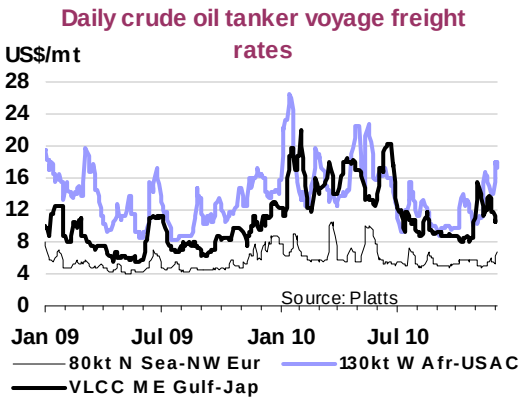


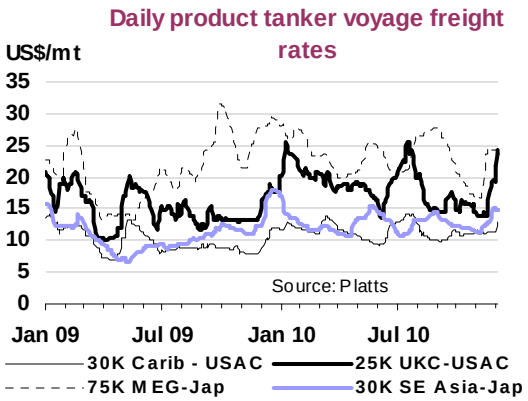
Gasoline and diesel price increases were nonetheless slower than in October. IEA end-user diesel prices observed a 7.0% and 2.59% increase, respectively, over the last two months showing pressure from a tighter market, due to higher than expected demand increases in China. Interestingly the Northern Hemisphere winter products, heating oil and low-sulphur fuel oil observed little change in most countries during November with the exception of Canada and the UK, where end-user heating oil prices gained 2.06% and 1.63% respectively.

Freight

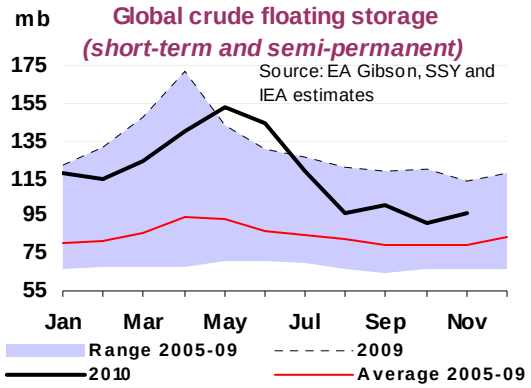
Benchmark dirty tanker rates maintained their recovery in November. Suezmax rates fared extremely well after weather-related delays in the Bosporus Straits tied up vessels in the Mediterranean, which had knock-on effects elsewhere. The benchmark West Africa – US Atlantic coast rate rose steadily from $10/mt to over $18/mt by month-end. In comparison, rates on the benchmark VLCC Mideast Gulf – Japan route were volatile, initially surging to over $15/mt by early-November on the back of increased Chinese demand, but then fading on low enquiries following the Eid-al-Adha holiday. By month-end, VLCC rates had fallen back to end-October levels. In the Aframax market, the aforementioned Bosporus delays buttressed rates mid-month in the Mediterranean and North West Europe. While in early December, rates soared on the North Sea – Northwest Europe trade after the market anticipated tight ice-class vessel availability with the onset of ice in the Baltic.

Product tankers experienced a similar resurgence in November as all benchmark rates strengthened over the course of the month with the typically volatile East of Suez and transatlantic trades experiencing the sharpest climbs. Rates on the benchmark Arabian Gulf – Japan route increased steadily from $17/mt to almost $25/mt by early December, reflecting increased shipments of gas/diesel oil into China and naphtha into Japan. The transatlantic North Sea – US Atlantic coast route surged from $14/mt in mid-month to $25/mt by early-December after an arbitrage window opened to send gasoline into PADD 1 with Atlantic basin tonnage consequently tightening.





Floating storage of crude and products experienced a slight rise of 5.8 mb to stand at 64.4 mb at end-November. This build was led by a 5.5 mb rise in crude to 37.6 mb, while products increased by 0.3 mb to 26.8 mb. On a regional basis, one ULCC began storing 3.1 mb of crude off Brazil and 2.2 mb was stored off Northwest Europe, with neither area having previously accounted for substantial crude floating storage. Data suggest that Iranian storage fell by 1.9 mb to 21.7 mb. Products held off West Africa increased to 10.9 mb (+3.2 mb), offsetting falls in the Mediterranean (-2.8 mb) and Northwest Europe (-0.1 mb). Following the increase in oil held at sea, the storage fleet expanded to 50 vessels, comprising 18 ULCC/VLCCs, 1 Suezmax, 28 LR2/Aframaxes and 3 LR1/Panamaxes.



REFINING

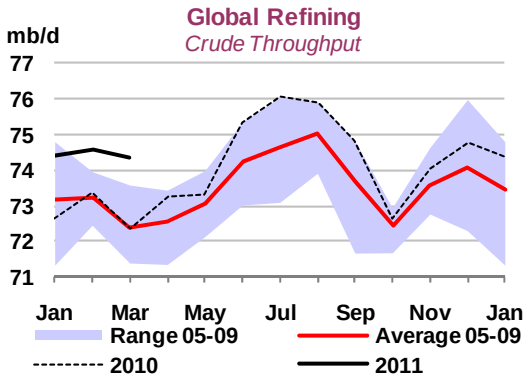
Summary

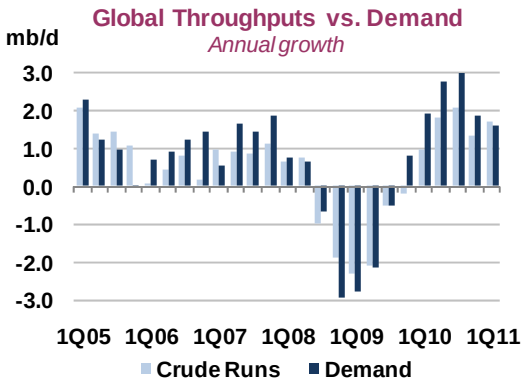
- **3Q10 global crude throughputs** have been revised lower by 90 kb/d since last month's report, on slightly weaker than expected runs in Brazil and Taiwan in September. At an average of 75.6 mb/d, 3Q10 global crude runs were nevertheless more than 2.0 mb/d higher than a year earlier, with gains evenly split between the OECD and the non-OECD.

- **Global crude runs are set to fall sharply in 4Q10**, in line with seasonal trends, but amplified by strikes in France in October and an expected slowdown in global demand growth. Global throughputs are estimated at 73.8 mb/d, 1.8 mb/d less than 3Q10, but still a healthy 1.3 mb/d above a year ago.

- **OECD refinery crude runs** fell by 2.3 mb/d in October, to average only 34.6 mb/d, or 45 kb/d below our previous forecast. Peak seasonal maintenance in the Pacific and North America coincided with industrial action in France, to take regional runs to their lowest level since June 1993. Weekly data point to a partial rebound in November, though constrained due to weak margins.

- Despite a few more refinery closures in the OECD and a continued bleak outlook for the refining industry, **global crude distillation capacity additions are now seen at 9.2 mb/d by 2015, or 200 kb/d higher than in the June 2010 *MTOGM*.** While significant surplus capacity persists, a higher demand profile and lower NGL supplies bypassing the refining system provide a slightly improved outlook for refiners in the medium term.





Global Refinery Throughput

Global refinery throughputs have been revised lower by about 100 kb/d for both 3Q10 and 4Q10 following weaker-than-expected non-OECD runs in September and October. In September, continued problems at Taiwan's 540 kb/d Formosa refinery following a fire in August seem to have lingered on, while Brazilian runs were lower on prolonged maintenance. In October, lower Russian and Indian runs, also due to maintenance, dragged down total levels, already depressed by French strikes. At 75.6 mb/d and 73.8 mb/d for 3Q10 and 4Q10, respectively, global crude runs are nevertheless showing significant annual growth. While 3Q10 was more than 2 mb/d higher than the same period a year earlier, and with gains evenly split between the OECD and the non-OECD, growth is expected to slow somewhat in 4Q10, to 1.3 mb/d. October OECD data were already exceptionally weak, both on a monthly and annual comparison, in part due to unplanned outages. While OECD runs have already partly recovered from October lows, and could be further boosted by freezing temperatures, 4Q10 annual OECD growth is seen slowing to just over 0.3 mb/d. The non-OECD, led by China, however, continued to post record runs in October sustained by high demand for diesel, and 4Q10 non-OECD runs are expected to retain 1 mb/d annual growth and reach 38.2 mb/d in the last quarter of the year, slightly higher than in 3Q10.

Global Refinery Crude Throughput[1]

(million barrels per day)

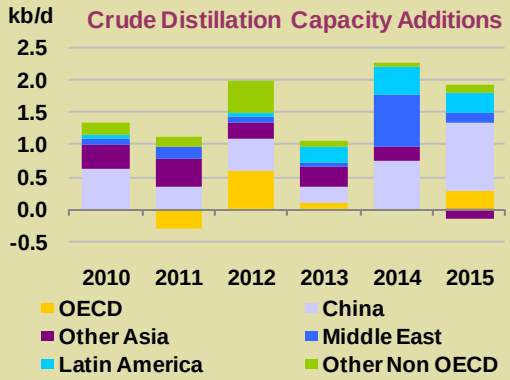
	Aug 10	Sep 10	3Q2010	Oct 10	Nov 10	Dec 10	4Q2010	Jan 11	Feb 11	Mar 11	1Q2011
North America	18.1	17.6	18.1	16.6	17.0	17.2	16.9	17.0	16.9	17.3	17.1
Europe	12.9	12.7	12.8	11.6	12.1	12.3	12.0	12.3	12.3	12.5	12.4
Pacific	6.8	6.6	6.5	6.3	6.8	7.0	6.7	7.0	7.0	6.6	6.9
Total OECD	**37.8**	**36.9**	**37.5**	**34.6**	**35.9**	**36.4**	**35.6**	**36.3**	**36.2**	**36.4**	**36.3**
FSU	6.7	6.6	6.6	6.3	6.3	6.4	6.4	6.4	6.5	6.4	6.4
Non-OECD Europe	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.2	8.5	8.4	8.8	8.8	8.7	8.8	8.6	8.7	8.8	8.7
Other Asia	8.6	8.5	8.7	8.8	8.6	8.8	8.8	8.8	8.9	8.8	8.8
Latin America	5.2	5.1	5.2	5.1	5.3	5.3	5.2	5.1	5.1	5.1	5.1
Middle East	6.3	6.2	6.2	6.1	6.1	6.0	6.1	6.1	6.1	5.9	6.0
Africa	2.5	2.4	2.5	2.4	2.3	2.3	2.3	2.3	2.3	2.2	2.3
Total Non-OECD	**38.2**	**37.9**	**38.1**	**38.1**	**38.2**	**38.3**	**38.2**	**38.1**	**38.4**	**38.0**	**38.1**
Total	**75.9**	**74.8**	**75.6**	**72.6**	**74.0**	**74.8**	**73.8**	**74.4**	**74.6**	**74.4**	**74.5**

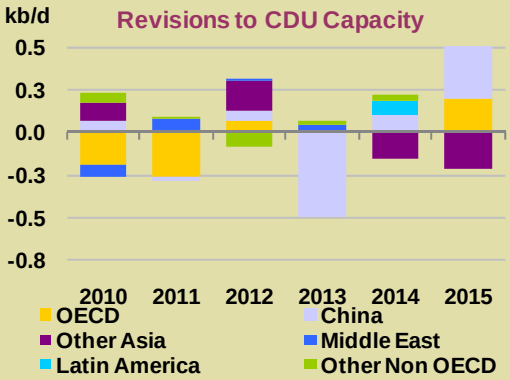
1Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

Medium-Term Update: Refinery Closures Fail to Dent Global Capacity Additions

Despite a few more refinery closures in the OECD since our June *MTOGM*, and a continued bleak outlook for the refining industry, global crude distillation capacity additions are revised slightly up for the forecast period. Total crude additions are now seen at 9.2 mb/d from 2009-2015, or 200 kb/d higher than our previous report. Global upgrading and desulphurisation additions are also significant, at 7.3 mb/d and 8.0 mb/d, respectively. While significant surplus capacity persists, a higher demand profile and lower NGL supplies bypassing the refining system provide a slightly improved outlook for refiners in the medium term.

Since our June report, a further 640 kb/d of capacity has been announced shut, mostly in the OECD. Total refinery closures now amount to 2.0 mb/d since 1Q2009, including Valero's Aruba refinery but excluding the Delaware (US) plant, which is set to restart in 2011. Since the last update, we have included the closure of Western Refining's 70 kb/d Yorktown (US) in 3Q10, Flying J's 70 kb/d Bakersfield (US) (2Q10), Tamoil's 94 kb/d Cremona (I) (2Q11), Petroplus' 80 kb/d Reichstett (Fr) from 1Q11 and an already idled 52 kb/d CDU at Fuji Oil's Sodegaura (J). Outside of the OECD, the planned closure of the 200 kb/d Kaohsiung refinery in Taiwan (4Q2015) has been incorporated in this assessment. State-run CPC Corp. pledged to close it by 2015 in exchange for local residents allowing the company to build an ethylene plant on the site and started decommissioning five units on 1 September of this year.





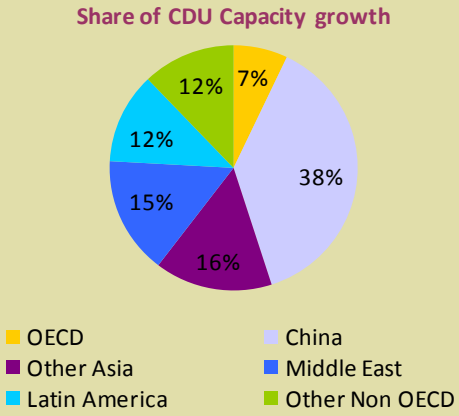
OECD crude distillation capacity is nevertheless expected to increase overall in the 6-year period. In addition to expansions already included (for Poland, Spain and Greece), a new grassroots project in Turkey has been included since the last report. The 200 kb/d Aliaga JV refinery between Turcas and Socar was finally approved and construction is due to start in 2011. It will be integrated with an existing petrochemical plant, and is slated to process Azeri BTC blend and is scheduled for completion in 2014/2015.

Medium-Term Update: Refinery Closures Fail to Dent Global Capacity Additions (continued)

Globally, growth in refinery distillation capacity remains dominated by **China**, which alone accounts for 38% of additions in the six-year period, but significant uncertainty remains. As before, we highlight the difficulty in tracking projects and their status, but assume that Beijing will aim to approve enough projects to remain self-sufficient in light product demand. Beijing's concern about oversupply means that regulators may delay approving new projects, however, and we have slipped a few projects as some approvals are still pending.

Yet many projects are moving ahead and China's Ministry of Environmental Protection (MEP) approved a further two involving foreign investors in September; the 300 kb/d Sinopec/KPC refinery in Zhanjiang and CNOOC's 200 kb/d expansion of its Huizhou refinery. While Huizhou is not expected to be completed until 2016 or later, we expect the Zhanjiang plant to be brought on line in 2015, one year later than in our last report. CNPC began levelling ground in the south-western Yunnan province in October and we have subsequently included the proposed 200 kb/d Anning refinery as likely for completion in 2014. The $3.4 billion project plans to source its feedstock from the new pipeline from Myanmar, scheduled for completion in 2013. Construction also started at the CNPC/Rosneft refinery in Tianjin in September. The refinery will receive 70% of its feedstock from Russia, via the ESPO pipeline and the rest from Middle Eastern countries. Although PetroChina does not yet have final approval for its 400 kb/d Jieyang refinery, a joint venture with Venezuela's PDV, the National Development and Reform Commission (NDRC) has given preliminary approval, and we continue to include the project in our capacity list (though now only assumed completed in 2015). Sinopec has reportedly dropped Caofeidian from its list of planned refineries in its next five-year plan. The company says another refinery would swamp regional markets so we have taken it out of our list (2015).

We have also made several changes to our estimates for **Other Asia**. Following a detailed project review, **India**'s Essar is planning to augment distillation capacity by 80 kb/d at its Vadinar refinery by 2011, and a further 40 kb/d in 2012 through debottlenecking and by optimising certain units. Indian Oil Corp completed its 60 kb/d expansion of its Panipat refinery in September, while Bharat Petroleum's new $2.5 billion Bina refinery started full commercial operations also in September (we expected it in 1Q11). BPCL's 40 kb/d expansion of the Kochi refinery was successfully completed in August 2010 and HPCL/Mittal's Bathinda grassroots refinery is on track to start processing from April 2011.



The completion of **Vietnam**'s second refinery, the proposed 80 kb/d Nghi Son plant, has officially been delayed from 2013 to 2014, but in line with our previous assumptions. State-owned PetroVietnam and Japanese Idemistu Kosan expect to award EPC (Engineering, Procurement and Construction) this month, three months later than originally planned. Although the country's third proposed refinery, the Vung Ro refinery in Phu Yen, seems to be progressing, we have shifted likely completion date from 2015 to 2016 or later.

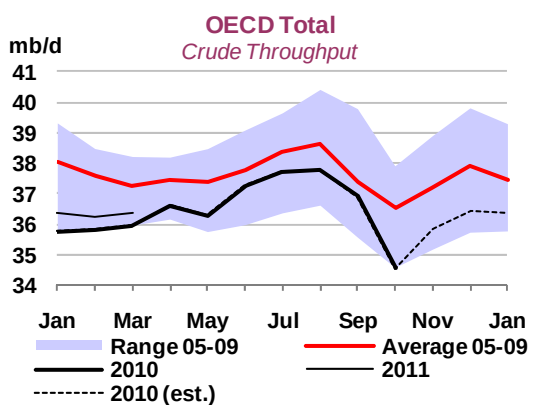
Elsewhere, although substantial changes are minimal, adjustments have been made to some likely completion dates. For instance, we only expected Tatneft's new Nizhnekamsk refinery, which was launched on 26 October, to start operations in 2012. The 140 kb/d refinery is the first large-scale refinery built since the dissolution of the Soviet Union and will be a 15 on the Nelson Complexity Index. Rosneft announced in November that its Board of Directors had approved the plan to build a 200 kb/d refinery as well as a petrochemical plant in Nakhodka, close to Kozmino, the end point of the second stage of the ESPO pipeline currently being built. The refinery is currently only slated for completion in 2017 however. The company also announced it is planning a 20 kb/d refinery in Grosny, in the Chechen Republic.

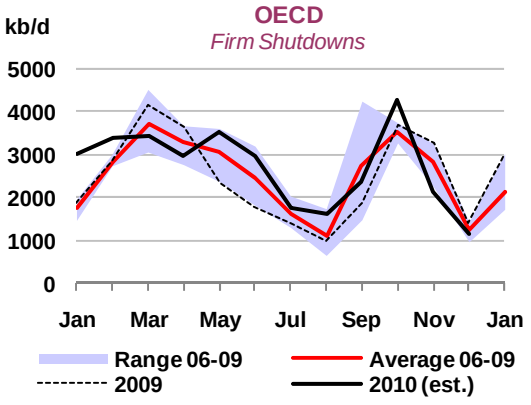
In Latin America, progress on **Brazil**'s impressive expansion projects seems to be in line with plans. We expect Brazil to add 0.8 mb/d by 2015, through the completion of the first phase of Comperj (165 kb/d in 2014), Abreu e Lima (230 kb/d in 2013) and the first phase of Maranhao in the northeast (300 kb/d in 2015). In **Cuba**, a unit of China's CNPC is set to begin a $6 billion expansion project at the Cienfuegos refinery, expanding capacity from 65 kb/d to 150 kb/d and including an LNG terminal. The construction will start in 2011 and completion is expected by the end of 2013. Despite some progress made on projects in Nigeria, Indonesia, Iraq and Mongolia, we continue to exclude these projects until more firm details materialise.

OECD Refinery Throughput

October **OECD crude throughputs** were sharply lower than a month earlier, as peak maintenance, poor margins and industrial action in France coincided to drag OECD runs to their lowest level since June 1993. At 34.6 mb/d, total OECD crude runs were an impressive 2.3 mb/d below September, and 3.2 mb/d below August's peak. Runs were lower in all regions, and only the Pacific maintained utilisation rates above a year earlier. North American throughputs fell sharply, on heavy maintenance outages and poor margins. Japanese autumn turnarounds equally peaked in October, though runs were sustained above year-ago, in part supported by strong export demand for diesel. In Europe, a complete halt to France's refining industry severely curtailed regional runs, and latest data suggests that refiners outside of France did not materially boost runs to fill the supply gap, but rather drew stocks instead.

OECD runs are expected to recover in November and December as refiners exit turnarounds and replenish stocks ahead of peak winter demand. Europe is already seeing very cold temperatures so far this year supporting gasoil demand, while the Pacific continues to export diesel to China and neighbouring countries. Weekly data for the US, Canada and Japan show throughputs recovering from the seasonal low by mid-November.





Processing Gains Update

Since the last *MTOGM* we have revisited our refinery Processing Gains estimates for the 2009-2015 period. Processing gains are the volumetric amount by which total refinery output exceeds input for a given period of time. This difference is due to the processing of crude oil and feedstocks into products, which, in total, have a lower specific gravity due to cracking and other upgrading processes. Processing gains are thus counted as supply in our global oil market balances (Table 1).

Normally, processing gains fall out from each run of the global/regional products supply model. Since the December update looks at capacity only, and therefore does not systematically re-calculate processing gains by region, we have recalculated based on expected changes in oil demand and investments in cracking capacity over the forecast period. Taking 2008 processing gains as a base, we have applied a composite index of the changes to global demand and the upgrading ratio, or all cracking capacity over total crude distillation capacity (in FCC equivalents), for subsequent years. Although this is a simplification, it does capture the key drivers of processing gains

In all, we have raised 2010 global processing gains by 105 kb/d, and increased the 2015 total by 195 kb/d. Processing gains now average 2.25 mb/d and 2.51 mb/d 2009 and 2015, respectively. A more comprehensive review of processing gains will be undertaken ahead of the June 2011 *MTOGM.*

Refinery Crude Throughput and Utilisation in OECD Countries

(million barrels per day)

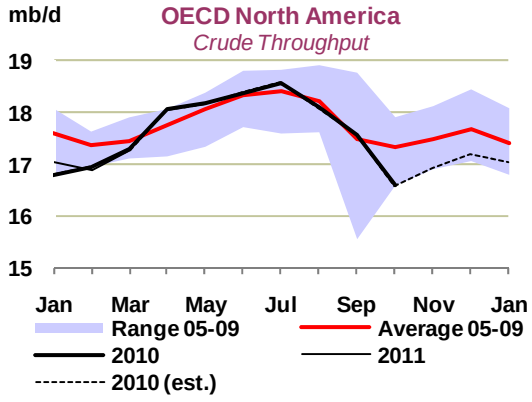
	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Change from Sep 10	Change from Oct 09	Utilisation rate[1] Oct 10	Utilisation rate[1] Oct 09
US[2]	15.22	15.39	15.52	15.11	14.74	13.99	-0.75	-0.06	79.3%	80.5%
Canada	1.73	1.81	1.86	1.84	1.64	1.52	-0.12	-0.05	83.2%	80.5%
Mexico	1.23	1.20	1.21	1.15	1.20	1.08	-0.11	-0.20	64.2%	83.6%
OECD North America	**18.18**	**18.40**	**18.59**	**18.10**	**17.58**	**16.60**	**-0.98**	**-0.32**	**78.4%**	**80.7%**
France	1.35	1.34	1.45	1.50	1.51	0.64	-0.86	-0.72	34.9%	68.5%
Germany	1.93	2.02	1.99	2.04	2.05	1.99	-0.06	0.00	83.5%	83.5%
Italy	1.58	1.81	1.76	1.69	1.73	1.69	-0.04	0.07	74.0%	70.9%
Netherlands	1.03	1.11	1.08	1.08	1.00	0.97	-0.02	0.02	80.6%	79.2%
Spain	0.90	1.20	1.14	1.11	1.11	1.02	-0.09	0.01	72.3%	77.3%
United Kingdom	1.45	1.49	1.47	1.45	1.43	1.41	-0.03	0.03	77.7%	77.2%
Other OECD Europe	3.70	3.99	4.07	4.02	3.86	3.91	0.04	0.13	80.0%	79.0%
OECD Europe	**11.93**	**12.97**	**12.96**	**12.90**	**12.69**	**11.62**	**-1.06**	**-0.46**	**73.5%**	**76.8%**
Japan	3.22	2.83	3.25	3.53	3.34	3.21	-0.14	0.07	70.7%	66.5%
South Korea	2.29	2.41	2.27	2.46	2.53	2.49	-0.04	0.16	91.1%	85.2%
Other OECD Pacific	0.66	0.68	0.68	0.77	0.76	0.64	-0.12	0.08	76.1%	69.4%
OECD Pacific	**6.17**	**5.92**	**6.20**	**6.76**	**6.63**	**6.34**	**-0.29**	**0.32**	**78.2%**	**73.0%**
OECD Total	**36.28**	**37.29**	**37.75**	**37.75**	**36.90**	**34.56**	**-2.34**	**-0.46**	**76.7%**	**78.0%**

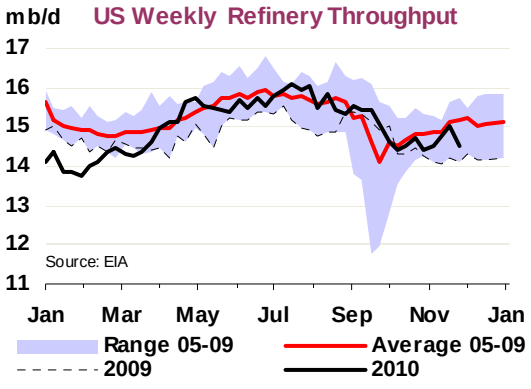
1 Expressed as a percentage, based on crude throughput and current operable refining capacity

2 US50

North American refinery runs were even lower than preliminary data had indicated in October, averaging 16.6 mb/d, or almost 1 mb/d below September (and a full 2 mb/d below July's high). The very steep monthly fall was due both to heavy maintenance and weak margins, and was spread across all three countries.

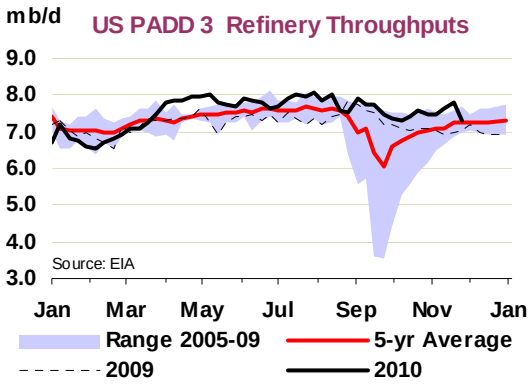
The 120 kb/d downward revision to regional runs from last month's report however came from **Mexico**, which also saw a dip in rates, to 1.1 mb/d, from 1.2 mb/d a month earlier. In **Canada,** weekly data from the National Energy Board show that Canadian crude throughputs fell by about 120 kb/d in the month, to average only 1.5 mb/d. Shell announced it started shutting its 130 kb/d Montreal refinery in mid-September, with the phased shutdown expected to be completed by the end of October. A six-week maintenance programme at Canada's largest refinery, Irving's 300 kb/d plant at St. John, also contributed to lower runs. Weekly data show Canadian runs recovering from the second half of November onwards.

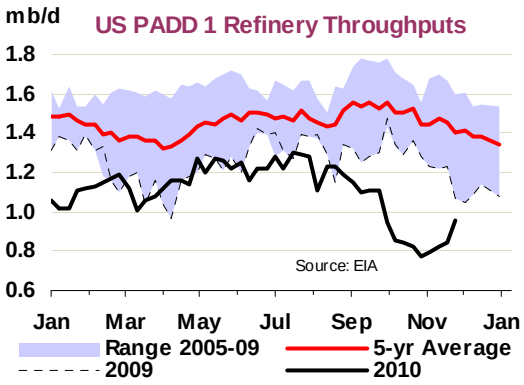




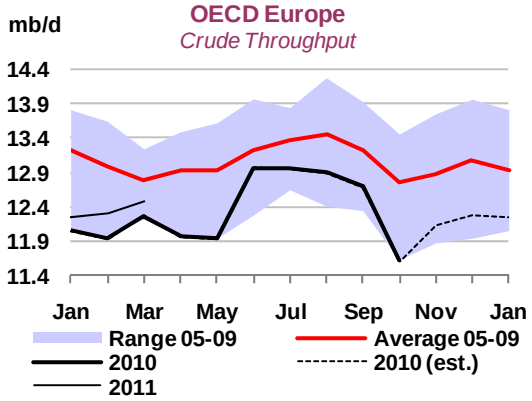
US crude runs dipped below 14 mb/d in early October for the first time in seven months, cutting capacity utilisation to just 82%, and trended sideways throughout the month. High product stocks (of both gasoline and diesel) capped refinery margins, while maintenance remained significant, at around 1.4 mb/d. The monthly decline of some 750 kb/d was almost evenly split between PADDs 1, 2 and 3, which each saw runs curtailed by 200-250 kb/d from September. Runs on the East Coast continued their steep declines and were only 765 kb/d at the end of October (and 520 kb/d lower than July highs).

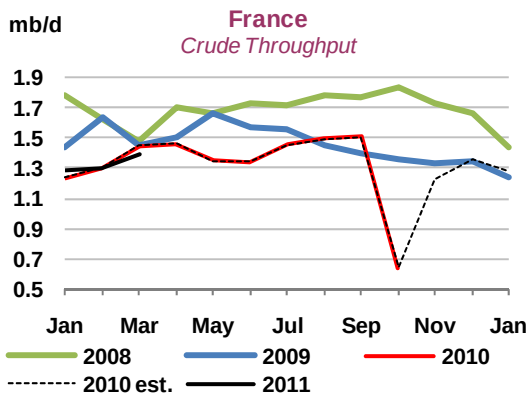
In November, total US crude runs were up by 190 kb/d, with the US Gulf Coast showing some strength, despite lower margins. US East Coast refinery runs recovered from their recent record-lows, as maintenance at ConocoPhillips' Trainer and Bayway refineries and United Refining's Warren refinery was completed. According to the EIA, crude distillation outages are expected to average 260 kb/d in December and 620 kb/d in January, compared to 505 kb/d and 995 kb/d the same months a year ago.





October **OECD European** throughputs were 80 kb/d higher than our previous estimates, averaging 11.6 mb/d. As highlighted in last month's report, the sharp decline from September (-1.1 mb/d) stemmed mostly from France where product supplies were severely disrupted due to industrial action at ports, refineries and storage depots. In **Spain**, CEPSA officially launched the expanded Huelva refinery on 27 October. The 100 kb/d addition doubled crude distillation capacity and was aimed at increasing the plant's middle distillate yields. The expansion was completed at the end of the second quarter, but a fatal accident at the plant on 4 August subsequently halted operations.





Europe Prepares to Switch Off-road Diesel to 10 ppm

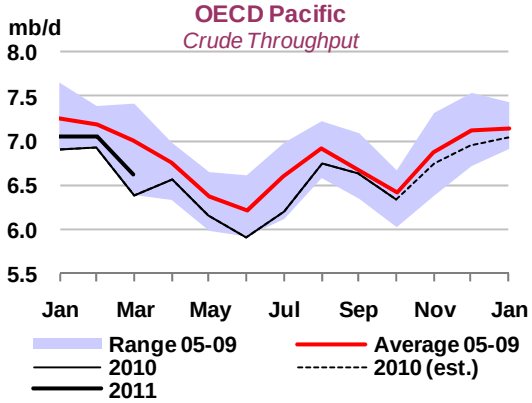
In line with the European Commission's Fuel Quality Directive (FQD), European refiners are preparing to switch off-road diesel from a maximum permissible sulphur content of 1 000 ppm (allowed since Jan 2008) to 10 ppm from 1 January 2011. The lower sulphur limits applies to gas oils intended for use by non-road mobile machinery (including inland waterway vessels), agricultural and forestry tractors and recreational craft.

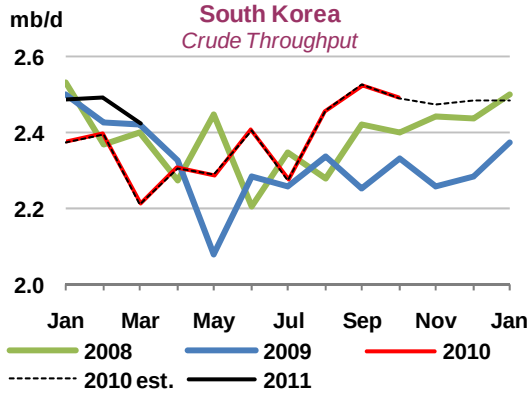
In order to accommodate minor contamination in the supply chain, member states may permit off-road diesel to contain up to 20 ppm of sulphur at the point of final distribution to end users. They may also allow, until 31 December 2011, sales of gasoil containing up to 1 000 ppm sulphur for rail vehicles and agricultural and forestry tractors, provided that they can ensure that the functioning of emissions control systems will not be compromised. Certain derogations are also possible for the outermost regions (such as the French overseas departments, the Canary Islands, Azores and Madeira), and for member states with severe winter weather.

Furthermore, a 6-month grace period (from January to June 2011) may be allowed by the authorities before officially starting sampling of off-road diesel to verify compliance. It seems, however, that fuel suppliers intend to comply with the start date without a delay.

Several countries, such as Italy and Greece, already switched all diesel for transport, including off-road diesel, to 10 ppm since 1 January 2009. Both Spain and Belgium have stated that the enforcement date for 10 ppm off-road diesel will be as scheduled and that they do not intend to use the FQD temporary derogation. In Belgium, however, the process to enforce the new fuel specifications is through a royal decree, and no such decree has yet been issued. Considering the current political situation in Belgium (that is, only caretaker governance), implementation might be delayed. In France, while no decision has been taken regarding a delay of the implementation of the higher fuel standards, the recent problems of the refinery sector, may cause some minor delays in full implementation.

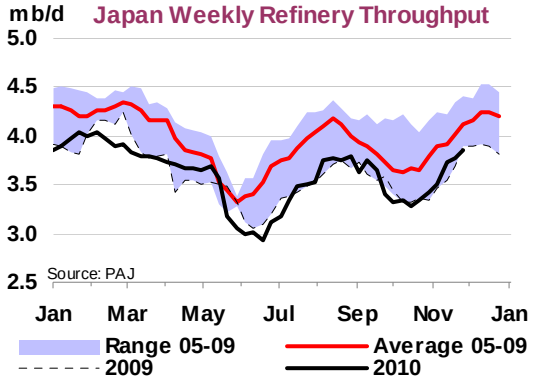
October **OECD Pacific** crude runs averaged 6.3 mb/d, down 290 kb/d from September. The decline was mostly accounted for by Japan, due to maintenance, but runs also slipped in the other countries. Australian throughputs fell 85 kb/d, to 575 kb/d. South Korean crude runs were also slightly lower, though sustained at relatively high rates. South Korea's crude imports hit 20-month highs in October as runs hovered around 2.5 mb/d, up 160 kb/d from a year-ago. Most of the higher output went to meet overseas demand as product exports rose to a two-year high, as both Japan and China increased imports.

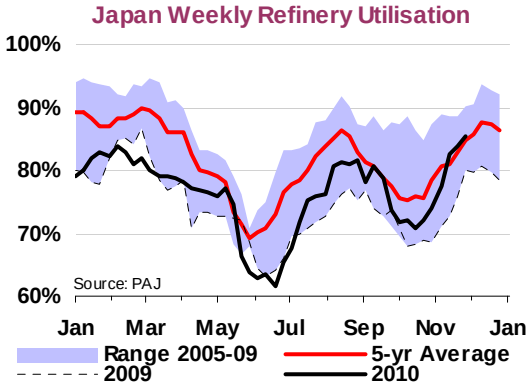




In **Japan**, crude throughputs fell to 3.2 mb/d in October, in line with seasonal trends and our previous assessment. According to weekly data from the Petroleum Association of Japan (PAJ), runs rebounded quite sharply in November as maintenance wound down and refiners started rebuilding stocks ahead of the peak-winter demand season. Runs were 355 kb/d higher than a month earlier, and 125 kb/d above the same month a year ago. Despite numerous reports of Japanese refiners running at their highest levels since February 2009, year-on-year gains in utilisation are exaggerated by lower capacity estimates. According to the PAJ data, Japanese refinery capacity was reduced further in November, to 4.06 mb/d, 100 kb/d lower than October and 320 kb/d below the same time last year.

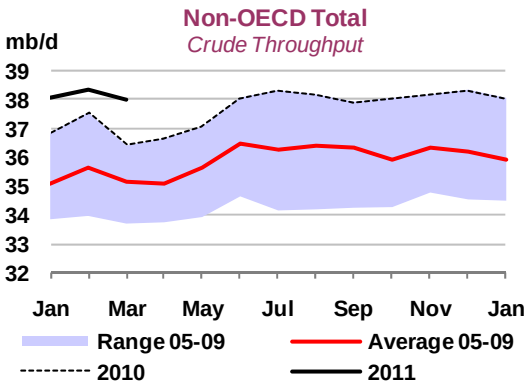
Refiners are reportedly planning to increase runs further in December, and Japan's largest refiner, JX Nippon Oil & Energy, announced its plans to raise runs by 2% above a year earlier, as domestic demand is proving more resilient than many had feared. Refiners normally increase runs at this time of year to build stocks and to meet the seasonal increase in demand for heating fuels. This year, however, kerosene stocks are trending below their five-year average and have not risen in line with seasonal trends. Kerosene stocks normally peak at the end of November before the heating season starts, though this year refiners have started drawing inventories earlier, perhaps suggesting that refiners will need to run at higher levels than normal during the winter season to keep up with demand.

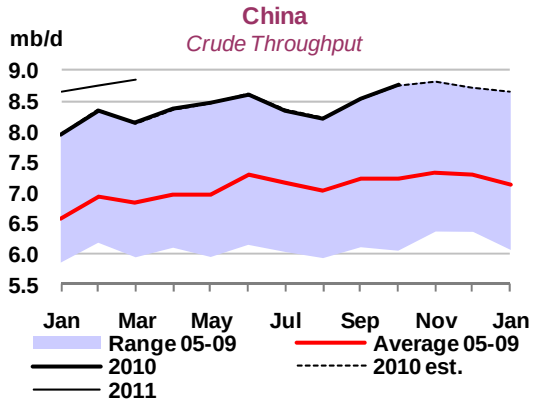




Non-OECD Refinery Throughput

Non-OECD refinery crude throughputs continue to trend at the top of their historical range, driven by strong demand growth and increased distillation capacity. 3Q10 non-OECD runs are estimated to have averaged 38.1 mb/d, almost 1 mb/d higher than a year earlier. Growth continues to be dominated by China, which accounted for 55% of non-OECD yearly growth in the quarter, but the FSU, Africa and the Middle East also recorded significant annual increases. In 4Q10, runs are expected to remain relatively flat, at just over 38 mb/d, as higher Chinese (and to a lesser extent Other Asian) runs are mostly offset by seasonally lower throughputs in the FSU and Africa.



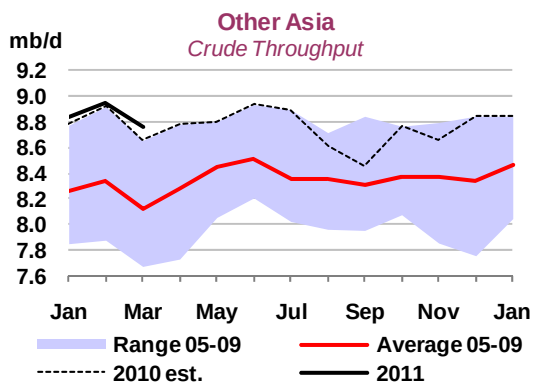


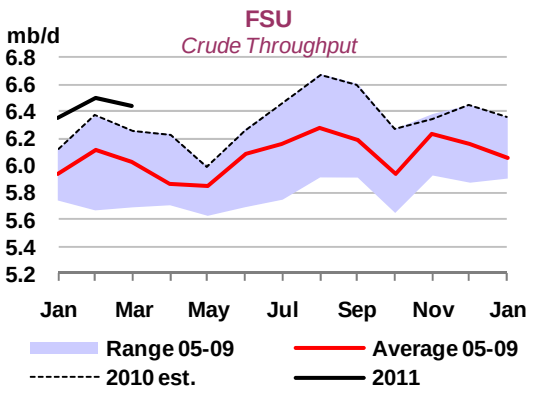
Chinese refinery throughputs reached yet another record high in October. At 8.8 mb/d, crude runs were 920 kb/d higher than a year earlier and 230 kb/d above the previous month. As highlighted in previous reports, refiners are maximising output amid strong domestic diesel demand and reported shortages in some regions. Diesel demand has surged largely as a result of a sharp increase in the use of stand-alone generators following power rationing by local governments trying to meet national energy conservation and emission targets. In its 2006-2010 Five Year Plan, China had aimed to cut energy consumption per unit of GDP by 20% compared with 2005, while reducing emissions of key pollutants by 10% in the same period. Runs are expected to have risen further in November, in part supported by higher domestic retail

prices. China raised official product prices at the end of October, for the first time in seven months. Gasoline and diesel prices rose by 3% while jet fuel was hiked by 4%, resulting in improved profit margins for refiners. State-owned refiners, Sinopec and PetroChina, both announced they were delaying maintenance and maintaining record runs to meet surging demand.

In **Other Asia**, runs recovered from their September-dip following stronger operating rates in India and Taiwan. **Indian** crude runs rebounded from September-lows to average 3.85 mb/d in October, 120 kb/d lower than a year ago and 240 kb/d up on a month earlier, due to lower maintenance activity. Runs are expected to dip again in November however, as Reliance reportedly shut half its 660 kb/d domestic Jamnagar refinery from the end of October to mid-November.

After averaging only 750 kb/d in September, or around 60% of capacity, **Taiwanese** crude runs are expected to have rebounded in October as Formosa likely ramped up runs at its Maillao refinery. The 540 kb/d plant has been running at reduced rates since the end of July, after a fire damaged a residue desulphurisation unit (RDS) and one of the plant's three crude distillation units (CDU). While the RDS remains offline, we expect the 180 kb/d CDU to have been restarted. The company has reported it will switch some of its crude oil to low-sulphur types pending the repair of the RDS unit.



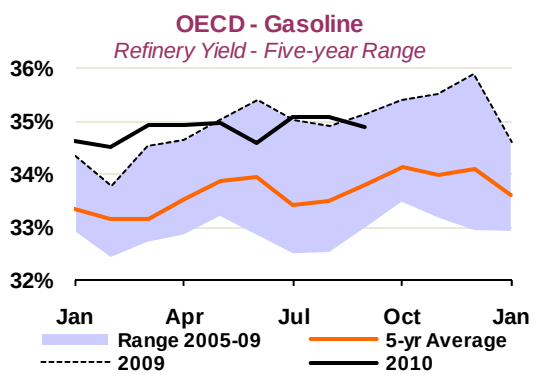


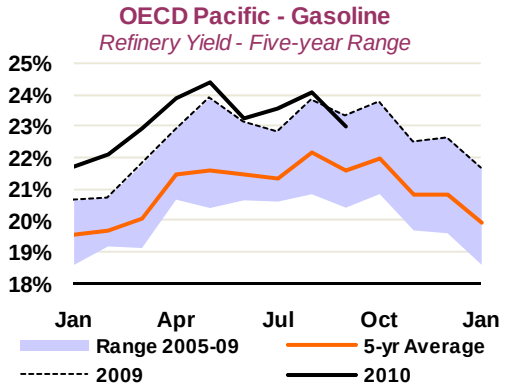
Russian crude throughputs fell by 140 kb/d, or 2.8% in October, due to maintenance and higher crude oil exports via Transneft. At an average 5.0 mb/d, runs were nevertheless 530 kb/d higher than a year earlier. Runs were also lower in Kazakhstan, as PetroKazakhstan's Shymkent plant started a 30-day maintenance programme on 15 October. Runs were 220 kb/d, 75 kb/d below September and 30 kb/d below year-ago. In the Ukraine, Lukoil announced in October that it has moved forward planned maintenance at its Odessa refinery, from 1Q2011 to 4Q2010, because of poor market conditions.

OECD Refinery Yields

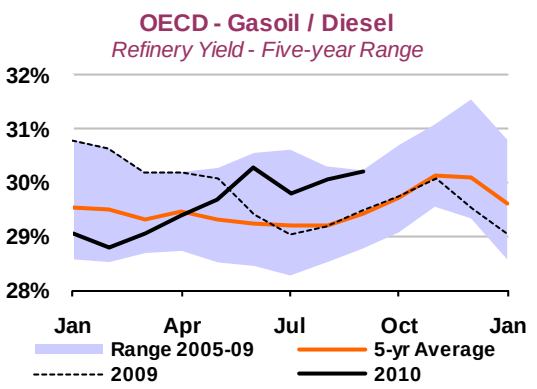
OECD refinery yields for September increased for most products except gasoline and jet fuel/kerosene. OECD gross output decreased by almost 800 kb/d compared to August, due to maintenance at both US refineries and in the Pacific.

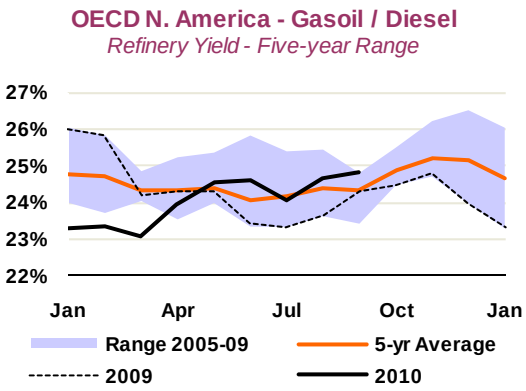
OECD September gasoline yields fell 0.19 percentage points (pp) from August as gasoline yields in the OECD Pacific dropped 1.1 pp to 23 %. This is the first time this year that the OECD Pacific gasoline yields have been below last year's level, reflecting high stock levels and lower gasoline crack spreads. Due to autumn maintenance, gross output of gasoline fell as well, but remained above last year's level. In OECD North America, gasoline yields rose 0.2 pp in September continuing their upward trend but at a somewhat slower pace than before. Also in OECD Europe gasoline yields increased (+0.2 pp) in line with seasonal patterns, but in the lower half of the five-year average range.





Gasoil/diesel yields in the OECD continued the up trend evident since the spring, and reached five-year highs in September. Although OECD Pacific gasoil/diesel yields fell 0.5 pp, this was offset by increased yields in both OECD North America and Europe.





After trending sideways over the summer, OECD naphtha yields rose 0.4 pp in September, in line with the 5-year average. The yields were lifted by a 1.0 pp increase in OECD Europe, where demand from petrochemical producers was high. OECD fuel oil yields were also slightly higher in September, lifted by higher yields in the North American and Pacific regions.

Table 1
WORLD OIL SUPPLY AND DEMAND

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.2	23.8	23.9	23.7	23.7	24.1	24.0	23.9
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.8	14.4	14.4	14.1	14.0	14.6	14.3	14.3
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	7.8	7.7	8.1	7.2	7.3	7.7	7.6
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.6	46.0	45.9	45.9	44.9	46.0	46.0	45.7
NON-OECD DEMAND																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.4	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	9.5	9.2	9.5	9.8	9.7	9.8	9.7
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.2	10.4	10.0	10.4	10.3	10.5	10.7	10.3	10.7	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.1	6.3	6.4	6.4	6.3	6.3	6.5	6.7	6.6	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.5	40.4	41.7	42.0	41.8	41.5	42.1	43.3	43.6	43.3	43.1
Total Demand[1]	86.7	86.1	84.4	84.2	85.4	85.9	85.0	86.4	87.0	88.6	87.8	87.4	88.0	88.2	89.6	89.3	88.8
OECD SUPPLY																	
North America[4]	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.2	14.1	14.0	13.7	13.7	14.0	13.9
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.7	4.1	4.1	4.3	4.0	3.9	4.1	4.1
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.4	19.0	18.8	18.9	18.4	18.3	18.8	18.6
NON-OECD SUPPLY																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.8	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia[2]	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.7	3.7	3.6	3.6	3.6	3.6
Latin America[2,4]	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa[2]	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.9	30.1	29.8	30.4	30.4	30.4	30.6	30.4
Processing Gains[3]	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.3
Global Biofuels[4]	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.6	2.0	2.4	2.1	2.0
Total Non-OPEC[2]	50.9	50.8	51.1	51.4	51.9	52.3	51.7	52.4	52.8	52.8	53.2	52.8	53.2	53.1	53.5	53.9	53.4
Non-OPEC: Historical Composition[2]	50.4	49.8	51.1	51.4	51.9	52.3	51.7	52.4	52.8	52.8	53.2	52.8	53.2	53.1	53.5	53.9	53.4
OPEC																	
Crude[5]	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0	29.2							
NGLs	4.3	4.4	4.7	4.7	4.9	5.0	4.8	5.1	5.2	5.4	5.5	5.3	5.7	5.8	5.9	6.0	5.8
Total OPEC[2]	34.6	35.6	33.3	33.2	33.7	33.9	33.5	34.2	34.2	34.6							
OPEC: Historical Composition[2]	35.1	36.6	33.3	33.2	33.7	33.9	33.5	34.2	34.2	34.6							
Total Supply[6]	85.5	86.4	84.4	84.6	85.6	86.3	85.2	86.5	87.0	87.4							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	0.9	-0.2							
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.2							
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9	-0.3							
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2							
Miscellaneous to balance[7]	-1.0	-0.1	-1.5	0.0	-0.1	1.1	-0.1	0.2	-0.9	-0.7							
Total Stock Ch. & Misc	-1.2	0.3	-0.1	0.5	0.2	0.3	0.2	0.2	0.0	-1.3							
Memo items:																	
Call on OPEC crude + Stock ch.[8]	31.5	30.9	28.7	28.0	28.6	28.6	28.5	28.9	29.0	30.5	29.1	29.4	29.1	29.3	30.2	29.4	29.5
Adjusted Call on OPEC + Stock ch.[9]	30.5	30.9	27.2	28.1	28.5	29.7	28.4	29.1	28.1	29.8	28.9	29.0	28.9	29.1	30.0	29.3	29.3

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.
Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.
3 Net volumetric gains and losses in the refining process (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.
6 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
7 Includes changes in non-reported stocks in OECD and non-OECD areas.
8 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.
9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1

(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	-	-	0.3	0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.2	-	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	-	0.2	0.3	0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	0.1	0.1	0.3	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	-	-	0.1	0.3	0.1
Total Demand	-	-	-	-	-	-	-	-	-	0.2	0.3	0.1	0.1	0.1	0.4	0.5	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.2	0.1	-	-0.2	-0.2	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.2	-	-	-0.2	-0.1	-	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Global Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.1	-	-	0.1	0.1
Non-OPEC: historical composition	-	-	-0.1	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.1	-	-	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-							
NGLs	-	-	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	-	-	0.1	0.1	0.1
Total OPEC	-	-	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2							
OPEC: historical composition	-	-	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2							
Total Supply	-	-	-	0.1	0.2	0.2	0.1	0.3	0.3	0.4							
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-0.1							
Government	-	-	-	-	-	-	-	-	-	-0.1							
Total	-	-	-	-	-	-	-	-	-	-0.1							
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-							
Miscellaneous to balance	-	-	-	0.1	0.2	0.2	0.1	0.3	0.3	0.4							
Total Stock Ch. & Misc	-	-	-	0.1	0.2	0.2	0.1	0.3	0.3	0.2							
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-0.1	-0.2	-0.2	-0.1	-0.3	-0.3	-0.2	-0.1	-0.2	-	-	0.2	0.3	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.2	0.2	0.4	0.5	0.3

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

Table 2

SUMMARY OF GLOBAL OIL DEMAND

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Demand (mb/d)																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.22	23.83	23.85	23.67	23.68	24.13	24.00	23.87
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.13	14.81	14.38	14.37	14.14	14.02	14.60	14.33	14.28
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	7.79	7.72	8.08	7.20	7.31	7.69	7.57
Total OECD	47.58	46.44	44.48	44.99	45.89	45.45	45.94	45.22	46.62	45.99	45.95	45.89	44.91	46.05	46.02	45.72
Asia	17.37	17.44	18.57	18.54	18.92	18.37	19.17	19.77	19.25	19.89	19.52	19.99	20.47	20.00	20.57	20.26
Middle East	7.01	6.77	7.28	7.74	7.10	7.23	7.15	7.55	7.97	7.32	7.50	7.48	7.93	8.34	7.65	7.85
Latin America	6.00	5.80	5.99	6.09	6.13	6.00	6.05	6.30	6.44	6.40	6.30	6.28	6.52	6.66	6.61	6.52
FSU	4.23	3.98	3.87	4.11	4.04	4.00	4.19	4.14	4.41	4.24	4.24	4.30	4.22	4.51	4.38	4.35
Africa	3.19	3.25	3.23	3.17	3.11	3.19	3.18	3.28	3.24	3.23	3.23	3.32	3.39	3.34	3.33	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.71	0.71	0.71	0.72	0.72	0.73	0.72	0.72
Total Non-OECD	38.55	37.99	39.69	40.39	40.02	39.53	40.44	41.74	42.03	41.77	41.50	42.10	43.26	43.58	43.26	43.05
World	86.13	84.43	84.17	85.38	85.91	84.98	86.38	86.96	88.65	87.77	87.45	87.99	88.16	89.63	89.28	88.77
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.57	19.14	19.19	18.99	19.02	19.47	19.29	19.19
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.07	8.72	8.81	8.76	8.58	8.88	8.67	8.72
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.23	9.47	9.25	9.47	9.80	9.67	9.84	9.70
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.37	4.38	4.65	3.90	4.05	4.27	4.22
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.14	3.39	3.34	3.53	3.54	3.21	3.49	3.44
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.22	3.00	3.03	3.02	2.99	3.28	3.11	3.10
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.79	2.81	2.72	2.72	2.81	2.89	2.93	2.84
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.05	2.49	2.66	2.49	2.91	3.20	2.63	2.81
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.24	2.25	2.23	2.21	2.19	2.23	2.23	2.22
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.27	2.23	2.31	2.18	2.13	2.26	2.22
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.13	2.14	2.16	2.18	2.14	2.17	2.16
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.81	1.82	1.81	1.93	1.87	1.89	1.86	1.89
Total	60.83	59.49	59.07	59.99	60.70	59.82	61.18	61.40	62.72	61.86	61.79	62.24	61.99	63.05	62.75	62.51
% of World	70.6%	70.5%	70.2%	70.3%	70.7%	70.4%	70.8%	70.6%	70.8%	70.5%	70.7%	70.7%	70.3%	70.3%	70.3%	70.4%
Annual Change (% per annum)																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	4.1	1.2	2.4	0.4	-0.4	-0.4	0.7	0.1
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.9	-1.0	2.3	0.2	-0.8	-0.2	-0.8	-1.4	-0.3	-0.7
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.8	-2.4	0.9	-1.3	-1.5	-3.8	-1.3	-2.0
Total OECD	-3.6	-5.2	-6.1	-3.6	-2.9	-4.5	-1.1	1.7	3.6	0.2	1.1	-0.1	-0.7	-1.2	0.1	-0.5
Asia	1.7	-0.8	4.8	6.7	12.5	5.8	9.9	6.5	3.8	5.1	6.3	4.3	3.6	3.9	3.4	3.8
Middle East	5.7	1.6	3.2	3.7	3.8	3.1	5.6	3.7	3.0	3.0	3.8	4.7	5.0	4.6	4.6	4.7
Latin America	5.6	0.0	-1.1	-0.6	2.2	0.1	4.4	5.2	5.7	4.3	4.9	3.8	3.6	3.4	3.3	3.5
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.2	7.0	7.3	5.0	6.1	2.7	2.0	2.1	3.3	2.5
Africa	3.9	1.5	1.0	0.9	-3.4	0.0	-2.2	1.6	2.0	3.7	1.3	4.3	3.3	3.3	3.1	3.5
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-6.4	-6.4	-2.7	-0.8	-4.1	2.2	2.7	2.2	1.6	2.2
Total Non-OECD	3.3	-0.6	1.9	3.0	5.8	2.5	6.5	5.2	4.0	4.4	5.0	4.1	3.6	3.7	3.6	3.7
World	-0.6	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.8	2.2	2.9	1.9	1.4	1.1	1.7	1.5
Annual Change (mb/d)																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.94	0.27	0.55	0.09	-0.10	-0.08	0.17	0.02
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.72	-0.14	0.34	0.02	-0.12	-0.03	-0.11	-0.20	-0.05	-0.10
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.35	-0.20	0.07	-0.11	-0.11	-0.29	-0.10	-0.15
Total OECD	-1.77	-2.56	-2.91	-1.68	-1.38	-2.13	-0.50	0.74	1.63	0.10	0.50	-0.05	-0.31	-0.57	0.03	-0.23
Asia	0.29	-0.14	0.85	1.17	2.11	1.00	1.73	1.20	0.71	0.97	1.15	0.82	0.70	0.75	0.68	0.74
Middle East	0.38	0.11	0.23	0.28	0.26	0.22	0.38	0.27	0.23	0.21	0.27	0.34	0.38	0.37	0.33	0.35
Latin America	0.32	0.00	-0.07	-0.04	0.13	0.01	0.25	0.31	0.35	0.26	0.29	0.23	0.23	0.22	0.21	0.22
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.30	0.20	0.25	0.11	0.08	0.09	0.14	0.11
Africa	0.12	0.05	0.03	0.03	-0.11	0.00	-0.07	0.05	0.06	0.11	0.04	0.14	0.11	0.11	0.10	0.11
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.02	-0.01	-0.03	0.02	0.02	0.02	0.01	0.02
Total Non-OECD	1.22	-0.23	0.76	1.16	2.18	0.98	2.45	2.05	1.64	1.76	1.97	1.65	1.52	1.56	1.48	1.55
World	-0.55	-2.78	-2.16	-0.52	0.80	-1.15	1.95	2.79	3.27	1.86	2.47	1.61	1.21	0.98	1.51	1.32
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.14	0.06	0.07	0.02	0.04	0.27	0.10
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	-0.03	0.01	0.00	0.03	0.17	0.01	0.05
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.04	-0.01	-0.01	0.00	0.03	-0.03	0.00
Total OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.14	0.08	0.06	0.06	0.05	0.23	0.25	0.15
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.06	0.05	0.07	0.05	0.30	0.12
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.03	-0.01	0.00	-0.01	0.03	-0.03	0.00
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	0.00	-0.01	0.02	-0.01	0.00
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.02	0.00	-0.01	-0.01	-0.01	0.03	0.00
Africa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.01	0.00	-0.01	-0.01	0.02	-0.01	0.00
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Total Non-OECD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.23	0.07	0.03	0.02	0.12	0.28	0.11
World	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.31	0.13	0.08	0.07	0.36	0.53	0.26
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.31	0.13	0.08	0.07	0.16	0.22	0.13

* France, Germany, Italy, Spain and UK

Table 2a

OECD REGIONAL OIL DEMAND[1]

(million barrels per day)

	2008	2009	4Q09	1Q10	2Q10	3Q10	Jul 10	Aug 10	Sep 10 [2]	Latest month vs. Aug 10	Latest month vs. Sep 09
North America											
LPG&Ethane	2.70	2.79	3.17	3.18	2.53	2.68	2.60	2.67	2.76	0.09	0.12
Naphtha	0.36	0.33	0.32	0.40	0.42	0.42	0.44	0.42	0.40	-0.02	0.08
Motor Gasoline	10.54	10.56	10.52	10.22	10.81	10.91	10.97	11.01	10.73	-0.28	0.25
Jet/Kerosene	1.77	1.62	1.57	1.62	1.66	1.70	1.70	1.74	1.65	-0.09	0.05
Gasoil/Diesel Oil	5.00	4.61	4.72	4.80	4.70	4.76	4.55	4.83	4.90	0.07	0.38
Residual Fuel Oil	1.07	0.93	0.93	0.99	0.96	0.94	0.98	0.90	0.96	0.06	0.15
Other Products	2.73	2.46	2.31	2.36	2.70	2.81	2.72	2.95	2.78	-0.17	0.06
Total	24.18	23.30	23.55	23.58	23.78	24.22	23.96	24.52	24.18	-0.34	1.08
Europe											
LPG&Ethane	1.02	0.92	0.89	0.98	0.94	0.85	0.85	0.87	0.84	-0.03	-0.01
Naphtha	1.16	1.11	1.15	1.27	1.15	1.21	1.23	1.19	1.21	0.02	0.06
Motor Gasoline	2.36	2.29	2.20	2.06	2.27	2.33	2.38	2.31	2.31	0.01	-0.07
Jet/Kerosene	1.32	1.27	1.24	1.20	1.24	1.37	1.39	1.36	1.37	0.01	0.01
Gasoil/Diesel Oil	6.27	6.02	6.09	6.12	5.87	6.16	6.10	5.85	6.55	0.69	0.37
Residual Fuel Oil	1.66	1.43	1.40	1.33	1.21	1.29	1.29	1.26	1.34	0.07	-0.09
Other Products	1.57	1.45	1.38	1.21	1.44	1.58	1.57	1.52	1.64	0.12	0.00
Total	15.36	14.49	14.35	14.17	14.13	14.81	14.81	14.36	15.26	0.90	0.28
Pacific											
LPG&Ethane	0.88	0.86	0.87	0.90	0.83	0.79	0.72	0.81	0.84	0.03	-0.03
Naphtha	1.60	1.63	1.71	1.76	1.60	1.65	1.58	1.68	1.68	0.00	0.01
Motor Gasoline	1.53	1.55	1.57	1.52	1.52	1.66	1.65	1.72	1.60	-0.12	0.06
Jet/Kerosene	0.89	0.85	0.99	1.15	0.71	0.65	0.61	0.64	0.70	0.05	0.07
Gasoil/Diesel Oil	1.69	1.60	1.68	1.64	1.55	1.56	1.56	1.54	1.57	0.03	0.06
Residual Fuel Oil	0.91	0.75	0.71	0.77	0.67	0.74	0.74	0.73	0.73	0.00	0.13
Other Products	0.54	0.42	0.45	0.45	0.42	0.56	0.52	0.57	0.59	0.02	0.11
Total	8.04	7.66	7.99	8.19	7.32	7.60	7.38	7.70	7.72	0.02	0.42
OECD											
LPG&Ethane	4.60	4.58	4.93	5.05	4.30	4.32	4.17	4.35	4.44	0.09	0.08
Naphtha	3.12	3.06	3.18	3.43	3.16	3.28	3.25	3.29	3.29	0.00	0.15
Motor Gasoline	14.43	14.39	14.30	13.79	14.60	14.90	15.00	15.04	14.65	-0.39	0.24
Jet/Kerosene	3.98	3.73	3.80	3.98	3.62	3.72	3.70	3.74	3.72	-0.03	0.14
Gasoil/Diesel Oil	12.95	12.23	12.49	12.57	12.12	12.48	12.21	12.23	13.02	0.80	0.81
Residual Fuel Oil	3.64	3.12	3.04	3.10	2.85	2.97	3.01	2.89	3.02	0.13	0.19
Other Products	4.85	4.33	4.14	4.02	4.56	4.95	4.80	5.04	5.01	-0.03	0.17
Total	47.58	45.45	45.89	45.94	45.22	46.62	46.15	46.58	47.16	0.58	1.78

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

2 Latest official OECD submissions (MOS).

Table 2b

OIL DEMAND IN SELECTED OECD COUNTRIES[1]

(million barrels per day)

	2008	2009	4Q09	1Q10	2Q10	3Q10	Jul 10	Aug 10	Sep 10 [2]	Latest month vs. Aug 10	Latest month vs. Sep 09
United States[3]											
LPG	1.95	2.05	2.41	2.39	1.80	2.00	1.95	2.00	2.06	0.06	0.13
Naphtha	0.25	0.25	0.25	0.27	0.28	0.28	0.31	0.28	0.25	-0.04	-0.02
Motor Gasoline	8.99	9.00	8.94	8.68	9.22	9.31	9.36	9.40	9.17	-0.23	0.26
Jet/Kerosene	1.55	1.41	1.39	1.42	1.46	1.48	1.48	1.51	1.46	-0.05	0.05
Gasoil	3.95	3.63	3.70	3.79	3.70	3.76	3.56	3.81	3.90	0.09	0.34
Residual Fuel Oil	0.62	0.51	0.51	0.58	0.53	0.54	0.58	0.48	0.56	0.08	0.22
Other Products	2.19	1.92	1.73	1.80	2.11	2.19	2.12	2.31	2.15	-0.16	-0.04
Total	19.50	18.77	18.93	18.93	19.10	19.57	19.36	19.80	19.55	-0.25	0.96
Japan											
LPG	0.53	0.49	0.51	0.53	0.46	0.43	0.40	0.43	0.45	0.02	-0.05
Naphtha	0.75	0.73	0.80	0.84	0.71	0.74	0.70	0.77	0.74	-0.02	-0.06
Motor Gasoline	0.98	0.99	1.00	0.96	0.97	1.08	1.07	1.13	1.04	-0.09	0.06
Jet/Kerosene	0.59	0.55	0.64	0.81	0.43	0.36	0.34	0.35	0.40	0.05	0.04
Diesel	0.48	0.40	0.43	0.38	0.35	0.38	0.37	0.37	0.40	0.04	0.02
Other Gasoil	0.44	0.44	0.46	0.53	0.43	0.42	0.42	0.41	0.44	0.03	0.05
Residual Fuel Oil	0.54	0.40	0.38	0.39	0.36	0.42	0.42	0.42	0.43	0.00	0.11
Other Products	0.49	0.37	0.38	0.34	0.33	0.50	0.44	0.51	0.53	0.02	0.11
Total	4.79	4.37	4.60	4.79	4.04	4.33	4.17	4.39	4.44	0.05	0.29
Germany											
LPG	0.09	0.09	0.09	0.10	0.10	0.10	0.10	0.11	0.10	-0.01	0.01
Naphtha	0.38	0.37	0.38	0.43	0.37	0.41	0.42	0.41	0.39	-0.02	0.00
Motor Gasoline	0.48	0.47	0.47	0.42	0.48	0.49	0.49	0.47	0.49	0.02	-0.01
Jet/Kerosene	0.19	0.19	0.19	0.17	0.19	0.20	0.21	0.20	0.20	0.00	0.01
Diesel	0.65	0.64	0.66	0.60	0.68	0.71	0.71	0.68	0.75	0.06	0.02
Other Gasoil	0.48	0.41	0.36	0.46	0.33	0.45	0.37	0.44	0.55	0.11	0.17
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.13	0.15	0.15	0.14	0.15	0.00	0.01
Other Products	0.14	0.11	0.11	0.05	0.11	0.12	0.13	0.10	0.13	0.03	0.01
Total	2.57	2.44	2.39	2.38	2.39	2.63	2.58	2.56	2.76	0.20	0.21
Italy											
LPG	0.10	0.10	0.12	0.14	0.10	0.09	0.09	0.09	0.10	0.01	0.01
Naphtha	0.10	0.09	0.09	0.11	0.12	0.12	0.12	0.12	0.11	0.00	0.03
Motor Gasoline	0.26	0.25	0.24	0.22	0.24	0.25	0.26	0.24	0.24	0.00	-0.01
Jet/Kerosene	0.09	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.12	-0.01	0.02
Diesel	0.51	0.49	0.50	0.47	0.50	0.51	0.55	0.44	0.53	0.09	0.00
Other Gasoil	0.13	0.13	0.16	0.13	0.10	0.11	0.11	0.10	0.13	0.03	0.00
Residual Fuel Oil	0.25	0.21	0.19	0.15	0.14	0.15	0.16	0.14	0.14	0.00	-0.06
Other Products	0.19	0.16	0.14	0.13	0.16	0.21	0.20	0.21	0.21	0.00	0.02
Total	1.63	1.53	1.54	1.45	1.47	1.55	1.62	1.47	1.58	0.12	0.00
France											
LPG	0.13	0.09	0.09	0.14	0.09	0.09	0.08	0.09	0.10	0.01	0.02
Naphtha	0.17	0.14	0.14	0.15	0.15	0.13	0.13	0.14	0.13	-0.01	-0.04
Motor Gasoline	0.21	0.20	0.19	0.17	0.20	0.20	0.21	0.20	0.20	0.00	-0.01
Jet/Kerosene	0.16	0.15	0.14	0.14	0.15	0.16	0.17	0.16	0.16	0.00	0.02
Diesel	0.66	0.66	0.68	0.64	0.69	0.70	0.73	0.65	0.72	0.06	0.02
Other Gasoil	0.33	0.31	0.33	0.35	0.21	0.26	0.22	0.23	0.33	0.10	0.03
Residual Fuel Oil	0.10	0.10	0.10	0.11	0.09	0.08	0.08	0.07	0.08	0.01	-0.01
Other Products	0.19	0.18	0.15	0.16	0.19	0.19	0.19	0.18	0.21	0.03	0.02
Total	1.95	1.83	1.82	1.85	1.77	1.82	1.81	1.72	1.93	0.20	0.04
United Kingdom											
LPG	0.17	0.16	0.14	0.13	0.15	0.11	0.11	0.11	0.11	0.00	-0.01
Naphtha	0.02	0.02	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.00	-0.01
Motor Gasoline	0.39	0.37	0.35	0.35	0.36	0.35	0.35	0.35	0.36	0.01	-0.01
Jet/Kerosene	0.34	0.34	0.34	0.35	0.30	0.33	0.32	0.33	0.34	0.01	-0.02
Diesel	0.44	0.45	0.44	0.47	0.46	0.47	0.47	0.47	0.47	0.01	0.05
Other Gasoil	0.14	0.10	0.09	0.11	0.10	0.13	0.13	0.13	0.12	0.00	-0.01
Residual Fuel Oil	0.09	0.07	0.07	0.06	0.06	0.06	0.07	0.06	0.06	0.00	-0.01
Other Products	0.15	0.16	0.15	0.14	0.16	0.16	0.15	0.17	0.15	-0.02	-0.02
Total	1.73	1.67	1.61	1.65	1.62	1.63	1.63	1.64	1.64	0.00	-0.04
Canada											
LPG	0.34	0.34	0.34	0.35	0.35	0.29	0.27	0.29	0.31	0.02	-0.01
Naphtha	0.08	0.05	0.05	0.08	0.08	0.09	0.08	0.09	0.10	0.00	0.06
Motor Gasoline	0.72	0.73	0.72	0.70	0.75	0.76	0.77	0.77	0.74	-0.03	-0.02
Jet/Kerosene	0.12	0.12	0.10	0.11	0.11	0.12	0.13	0.13	0.11	-0.02	0.00
Diesel	0.23	0.23	0.23	0.23	0.23	0.21	0.21	0.20	0.21	0.01	-0.03
Other Gasoil	0.33	0.28	0.31	0.32	0.29	0.32	0.30	0.34	0.32	-0.02	0.06
Residual Fuel Oil	0.11	0.09	0.09	0.11	0.10	0.09	0.09	0.10	0.09	-0.01	0.00
Other Products	0.32	0.30	0.32	0.30	0.32	0.36	0.35	0.37	0.36	-0.01	0.04
Total	2.24	2.15	2.17	2.19	2.23	2.24	2.20	2.29	2.24	-0.05	0.10

1 Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.

2 Latest official OECD submissions (MOS).

3 US figures exclude US territories.

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2009	2010	2011	2Q10	3Q10	4Q10	1Q11	2Q11	Sep 10	Oct 10	Nov 10
OPEC											
Crude Oil											
Saudi Arabia	7.92			7.96	8.04				8.01	7.97	8.07
Iran	3.74			3.75	3.69				3.68	3.70	3.72
Iraq	2.43			2.35	2.41				2.52	2.44	2.48
UAE	2.27			2.30	2.33				2.31	2.33	2.32
Kuwait	2.01			2.03	2.03				2.03	2.03	2.02
Neutral Zone	0.54			0.54	0.54				0.54	0.54	0.54
Qatar	0.80			0.79	0.80				0.80	0.80	0.82
Angola	1.77			1.81	1.71				1.65	1.68	1.66
Nigeria	1.82			1.96	2.15				2.15	2.20	2.12
Libya	1.55			1.56	1.56				1.55	1.56	1.56
Algeria	1.25			1.24	1.26				1.27	1.27	1.27
Ecuador	0.47			0.46	0.46				0.46	0.47	0.47
Venezuela	2.15			2.24	2.23				2.23	2.21	2.19
Total Crude Oil[6]	28.71			28.99	29.21				29.20	29.19	29.24
Total NGLs[1,6]	4.81	5.29	5.84	5.19	5.37	5.48	5.70	5.79	5.37	5.48	5.48
Total OPEC[6]	33.52			34.18	34.58				34.56	34.67	34.71
OPEC: Historical Composition[6]	33.52			34.18	34.58				34.56	34.67	34.71
NON-OPEC[2]											
OECD											
North America	13.62	14.06	13.88	14.05	14.09	14.18	14.04	13.69	14.10	14.05	14.37
United States[5]	7.44	7.78	7.71	7.74	7.80	7.91	7.75	7.75	7.92	7.94	7.96
Mexico	2.97	2.96	2.90	2.96	2.94	2.94	2.94	2.92	2.94	2.94	2.94
Canada	3.22	3.32	3.27	3.34	3.35	3.33	3.35	3.02	3.24	3.17	3.46
Europe	4.52	4.14	4.07	4.18	3.74	4.15	4.25	4.02	3.71	4.16	4.08
UK	1.47	1.37	1.31	1.40	1.21	1.33	1.39	1.31	1.31	1.30	1.33
Norway	2.39	2.15	2.15	2.14	1.92	2.19	2.24	2.10	1.80	2.22	2.12
Others	0.67	0.63	0.60	0.63	0.61	0.63	0.62	0.61	0.61	0.63	0.62
Pacific	0.65	0.62	0.67	0.62	0.61	0.64	0.63	0.64	0.59	0.64	0.63
Australia	0.55	0.53	0.57	0.52	0.51	0.54	0.53	0.54	0.50	0.54	0.54
Others	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.09	0.10	0.09
Total OECD	18.80	18.83	18.61	18.84	18.44	18.96	18.93	18.35	18.41	18.84	19.08
NON-OECD											
Former USSR	13.28	13.59	13.77	13.53	13.55	13.79	13.83	13.80	13.51	13.75	13.82
Russia	10.21	10.46	10.57	10.43	10.44	10.56	10.56	10.56	10.49	10.58	10.56
Others	3.07	3.13	3.20	3.10	3.11	3.23	3.27	3.25	3.02	3.17	3.27
Asia	7.49	7.75	7.84	7.70	7.84	7.80	7.90	7.81	7.94	7.84	7.82
China	3.89	4.09	4.21	4.06	4.14	4.17	4.24	4.18	4.21	4.21	4.19
Malaysia	0.74	0.71	0.65	0.72	0.70	0.69	0.67	0.66	0.73	0.71	0.68
India	0.80	0.86	0.89	0.84	0.88	0.89	0.89	0.89	0.88	0.90	0.88
Indonesia	0.98	0.98	0.95	1.00	0.98	0.97	0.97	0.96	0.98	0.93	0.99
Others	1.08	1.10	1.13	1.09	1.13	1.09	1.13	1.12	1.14	1.10	1.09
Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
Latin America	3.88	4.07	4.36	4.09	4.08	4.08	4.21	4.33	4.03	3.97	4.11
Brazil[5]	2.03	2.12	2.31	2.15	2.13	2.13	2.19	2.27	2.08	2.06	2.15
Argentina	0.72	0.71	0.70	0.71	0.70	0.70	0.71	0.70	0.70	0.69	0.71
Colombia	0.67	0.79	0.90	0.78	0.79	0.81	0.85	0.90	0.80	0.80	0.81
Others	0.45	0.45	0.45	0.45	0.45	0.43	0.45	0.45	0.45	0.42	0.44
Middle East[3]	1.68	1.69	1.69	1.68	1.68	1.69	1.70	1.69	1.69	1.69	1.69
Oman	0.81	0.87	0.91	0.86	0.87	0.89	0.90	0.90	0.88	0.89	0.89
Syria	0.38	0.37	0.35	0.37	0.37	0.36	0.36	0.35	0.36	0.36	0.36
Yemen	0.29	0.26	0.25	0.27	0.26	0.25	0.26	0.25	0.26	0.26	0.25
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.18	0.19	0.19	0.19
Africa	2.61	2.60	2.64	2.59	2.60	2.59	2.61	2.63	2.60	2.59	2.59
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.63	1.62	1.66	1.62	1.61	1.60	1.62	1.65	1.61	1.60	1.60
Total Non-OECD	29.08	29.83	30.43	29.73	29.89	30.09	30.39	30.39	29.91	29.99	30.17
Processing Gains[4]	2.25	2.30	2.35	2.29	2.33	2.31	2.33	2.34	2.33	2.31	2.31
Global Biofuels[5]	1.57	1.82	2.01	1.95	2.14	1.82	1.55	1.99	2.10	1.93	1.85
TOTAL NON-OPEC[6]	51.69	52.79	53.41	52.82	52.79	53.19	53.20	53.07	52.73	53.07	53.41
Non-OPEC: Historical Composition[6]	51.69	52.79	53.41	52.82	52.79	53.19	53.20	53.07	52.73	53.07	53.41
TOTAL SUPPLY	85.21			86.99	87.37				87.30	87.74	88.12

1 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production reportedly ceased from January 2007.
2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources
3 Includes small amounts of production from Israel, Jordan and Bahrain.
4 Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.
5 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.
6 Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Table 4
OECD INDUSTRY STOCKS[1] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jun2010	Jul2010	Aug2010	Sep2010	Oct2010*	Oct2007	Oct2008	Oct2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	509.9	502.9	502.1	503.6	510.1	449.6	464.2	482.2	-0.09	0.40	0.04	-0.07
Motor Gasoline	245.3	251.3	252.1	249.6	241.3	225.8	225.0	240.0	0.11	0.06	-0.15	0.05
Middle Distillate	230.9	243.0	247.5	243.9	233.6	207.0	197.1	245.4	-0.12	-0.26	0.16	0.14
Residual Fuel Oil	50.8	49.5	46.7	48.7	49.5	47.0	47.7	43.1	0.01	0.05	0.02	-0.02
Total Products[3]	711.7	735.3	737.7	730.6	708.0	666.5	656.0	724.2	-0.54	-0.25	0.42	0.21
Total[4]	1376.9	1394.8	1399.7	1396.1	1381.2	1277.8	1289.2	1370.2	-0.88	0.14	0.61	0.21
Europe												
Crude	342.5	335.1	348.0	318.9	334.2	323.4	331.6	323.4	0.03	-0.02	0.13	-0.26
Motor Gasoline	94.9	94.3	94.6	95.2	94.2	94.8	93.0	97.5	0.05	0.03	-0.09	0.00
Middle Distillate	286.0	286.1	288.9	280.1	280.4	235.5	256.0	283.8	-0.03	-0.04	0.03	-0.06
Residual Fuel Oil	77.3	72.6	72.8	73.9	72.6	72.7	74.7	66.0	0.03	0.02	0.04	-0.04
Total Products[3]	568.0	563.7	567.0	560.6	557.6	512.1	540.2	558.2	0.04	-0.04	0.00	-0.08
Total[4]	979.7	967.1	983.7	945.1	956.0	911.3	945.8	951.8	0.04	0.01	0.08	-0.38
Pacific												
Crude	166.3	170.6	161.7	155.9	154.2	174.0	163.1	165.5	-0.06	0.05	0.02	-0.11
Motor Gasoline	26.2	24.4	23.9	23.9	25.1	22.1	23.9	24.9	-0.02	0.02	0.01	-0.03
Middle Distillate	57.7	59.1	63.8	66.4	68.1	72.8	74.2	68.6	-0.11	-0.05	0.00	0.09
Residual Fuel Oil	20.9	20.1	20.6	21.9	20.1	21.8	20.7	21.1	-0.03	0.02	0.01	0.01
Total Products[3]	168.0	169.2	177.0	177.7	183.3	187.1	194.1	180.1	-0.26	-0.03	0.11	0.11
Total[4]	405.1	409.4	409.1	402.8	407.5	431.8	433.2	410.2	-0.39	0.03	0.21	-0.02
Total OECD												
Crude	1018.7	1008.6	1011.7	978.5	998.4	947.0	958.9	971.1	-0.12	0.43	0.19	-0.44
Motor Gasoline	366.3	370.0	370.5	368.6	360.6	342.8	341.9	362.3	0.14	0.11	-0.23	0.03
Middle Distillate	574.6	588.2	600.1	590.4	582.1	515.3	527.3	597.8	-0.26	-0.35	0.19	0.17
Residual Fuel Oil	149.0	142.2	140.1	144.5	142.1	141.5	143.1	130.2	0.00	0.09	0.07	-0.05
Total Products[3]	1447.7	1468.2	1481.6	1469.0	1448.9	1365.7	1390.3	1462.5	-0.76	-0.33	0.53	0.23
Total[4]	2761.7	2771.3	2792.4	2744.0	2744.7	2620.9	2668.2	2732.2	-1.23	0.18	0.90	-0.19

OECD GOVERNMENT-CONTROLLED STOCKS[5] AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS[2] in Million Barrels					PRIOR YEARS' STOCKS[2] in Million Barrels			STOCK CHANGES in mb/d			
	Jun2010	Jul2010	Aug2010	Sep2010	Oct2010*	Oct2007	Oct2008	Oct2009	4Q2009	1Q2010	2Q2010	3Q2010
North America												
Crude	726.6	726.6	726.6	726.5	726.7	694.1	701.8	725.1	0.02	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	185.4	185.3	182.9	182.0	187.7	180.6	185.5	185.6	-0.02	0.04	-0.03	-0.04
Products	237.3	234.7	235.3	235.4	227.0	234.7	229.5	239.7	-0.01	-0.01	-0.03	-0.02
Pacific												
Crude	390.9	388.9	387.0	381.9	381.9	385.0	384.7	388.4	0.01	0.00	0.02	-0.10
Products	20.0	20.0	20.0	20.0	20.0	18.4	19.2	20.0	0.01	0.00	0.00	0.00
Total OECD												
Crude	1302.9	1300.7	1296.4	1290.5	1296.3	1259.7	1272.0	1299.1	0.00	0.04	0.00	-0.13
Products	259.3	256.7	257.3	257.4	248.9	255.0	250.6	261.8	0.00	-0.01	-0.03	-0.02
Total[4]	1563.5	1558.8	1555.1	1549.3	1546.7	1515.8	1523.6	1562.3	0.00	0.03	-0.04	-0.15

* estimated

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

2 Closing stock levels.

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

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

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

Table 5

TOTAL STOCKS ON LAND IN OECD COUNTRIES[1]

('millions of barrels' and 'days')

	End September 2009		End December 2009		End March 2010		End June 2010		End September 2010 [3]	
	Stock Level	Days Fwd[2] Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	194.5	90	192.6	87	195.1	83	188.3	80	194.7	-
Mexico	50.4	23	44.7	21	51.5	24	54.4	26	49.0	-
United States[4]	1850.3	98	1778.4	95	1781.4	94	1840.7	94	1858.7	-
Total[4]	2117.3	90	2037.7	87	2050.1	86	2105.5	87	2124.6	89
Pacific										
Australia	44.9	46	40.3	43	41.5	44	42.7	45	41.3	-
Japan	607.3	132	588.8	123	581.5	144	597.1	138	581.8	-
Korea	167.0	74	155.0	67	163.6	75	167.3	78	173.5	-
New Zealand	7.5	49	8.1	51	8.1	59	8.9	57	8.2	-
Total	826.7	104	792.2	97	794.7	109	816.0	107	804.8	103
Europe[5]										
Austria	20.8	78	21.2	80	22.7	84	20.1	68	19.8	-
Belgium	34.2	52	34.4	53	35.3	69	37.8	64	35.3	-
Czech Republic	21.8	104	21.5	124	21.7	106	20.4	99	21.1	-
Denmark	25.0	153	25.5	154	27.2	171	28.2	160	24.3	-
Finland	29.3	143	33.1	151	32.5	171	28.5	138	28.5	-
France	174.0	96	174.9	94	171.8	97	170.1	93	163.4	-
Germany	276.7	116	284.1	120	287.7	120	281.0	107	283.9	-
Greece	35.5	90	35.1	85	35.6	104	33.9	97	36.3	-
Hungary	14.4	89	14.3	115	16.8	115	17.0	107	15.9	-
Ireland	12.4	71	11.4	66	12.7	74	12.8	77	12.2	-
Italy	129.0	84	125.6	87	129.2	88	132.5	85	126.8	-
Luxembourg	0.8	15	0.8	14	0.8	13	0.7	12	0.7	-
Netherlands	138.1	137	135.7	135	131.0	123	138.8	135	120.9	-
Norway	24.7	128	21.9	112	21.1	93	22.1	112	20.8	-
Poland	64.0	115	63.2	125	62.5	115	63.8	106	64.2	-
Portugal	24.5	92	26.2	99	23.4	85	24.9	88	22.8	-
Slovak Republic	8.3	103	8.3	109	9.5	122	9.3	99	8.6	-
Spain	135.0	94	132.6	91	132.0	93	134.1	94	133.0	-
Sweden	38.5	117	39.5	110	39.3	109	35.4	99	34.4	-
Switzerland	38.2	137	37.0	155	37.8	158	38.1	142	37.7	-
Turkey	57.8	111	57.6	119	58.1	96	58.4	87	58.5	-
United Kingdom	94.2	59	94.4	57	93.3	58	96.0	59	94.7	-
Total	1397.5	97	1398.2	99	1402.0	99	1403.7	95	1363.9	95
Total OECD	4341.6	95	4228.1	92	4246.8	94	4325.1	93	4293.3	93
DAYS OF IEA Net Imports[6]	-	133	-	144	-	145	-	147	-	146

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.
2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.
3 End September 2010 forward demand figures are IEA Secretariat forecasts.
4 US figures exclude US territories. Total includes US territories.
5 Data not available for Iceland.
6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see www.iea.org/netimports.asp). Net exporting IEA countries are excluded

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government[1] controlled	Industry	Total	Government[1] controlled	Industry
	Millions of Barrels			*Days of Fwd. Demand[2]*		
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4297	1547	2750	97	35	62
2Q2009	4319	1561	2758	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4247	1567	2680	94	35	59
2Q2010	4325	1563	2762	93	34	59
3Q2010	4293	1549	2744	93	34	60

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.
2 Days of forward demand calculated using actual demand except in 3Q2010 (when latest forecasts are used).

Table 6

IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS[1]

(million barrels per day)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Jul 10	Aug 10	Sep 10	Year Earlier Sep 09	Year Earlier change
Saudi Light & Extra Light												
North America	0.73	0.70	0.52	0.53	0.56	0.69	0.73	0.65	0.85	0.70	0.41	0.30
Europe	0.70	0.70	0.59	0.61	0.55	0.64	0.74	0.72	0.75	0.77	0.61	0.16
Pacific	1.19	1.22	1.28	1.32	1.25	1.17	1.15	1.20	1.14	1.13	1.18	-0.05
Saudi Medium												
North America	0.56	0.64	0.40	0.34	0.38	0.36	0.33	0.30	0.31	0.39	0.44	-0.05
Europe	0.05	0.05	0.02	0.02	-	0.00	-	-	-	-	0.02	-
Pacific	0.34	0.39	0.34	0.33	0.33	0.37	0.30	0.30	0.33	0.28	0.38	-0.10
Saudi Heavy												
North America	0.09	0.07	0.03	0.03	0.02	0.02	0.03	0.04	0.02	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.01	0.00	0.00	0.00	-	-	0.00	0.02	-0.02
Pacific	0.20	0.24	0.15	0.12	0.23	0.19	0.23	0.21	0.24	0.25	0.11	0.14
Iraqi Basrah Light[2]												
North America	0.50	0.60	0.40	0.40	0.42	0.43	0.28	0.34	0.27	0.25	0.46	-0.21
Europe	0.30	0.21	0.12	0.06	0.06	0.09	0.13	0.13	0.23	0.04	0.05	-0.02
Pacific	0.17	0.15	0.24	0.27	0.35	0.19	0.26	0.19	0.25	0.32	0.19	0.13
Iraqi Kirkuk												
North America	-	0.08	0.06	0.04	0.01	0.03	0.05	0.05	0.05	0.04	0.14	-0.10
Europe	0.11	0.23	0.31	0.29	0.33	0.27	0.25	0.27	0.18	0.31	0.34	-0.03
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Iranian Light												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.16	0.20	0.24	0.33	0.40	0.41	0.18	0.15	0.03
Pacific	0.09	0.08	0.07	0.06	0.06	0.07	0.04	0.04	0.02	0.04	0.04	0.00
Iranian Heavy[3]												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.37	0.35	0.47	0.70	0.80	0.64	0.66	0.44	0.23
Pacific	0.64	0.61	0.57	0.56	0.61	0.44	0.53	0.63	0.38	0.57	0.58	-0.02
Venezuelan Light & Medium												
North America	0.76	0.62	0.39	0.09	0.11	0.21	0.08	0.13	0.02	0.10	0.16	-0.06
Europe	0.08	0.06	0.07	0.02	0.01	0.02	0.05	0.03	0.09	0.01	0.04	-0.02
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
Venezuelan 22 API and heavier												
North America	0.68	0.65	0.75	0.75	0.89	0.83	0.96	0.99	1.07	0.83	1.01	-0.18
Europe	0.07	0.07	0.07	0.08	0.07	0.06	0.06	0.07	0.05	0.04	0.04	0.00
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Maya												
North America	1.22	1.02	0.93	0.82	0.82	0.96	0.94	0.90	1.18	0.73	0.86	-0.13
Europe	0.14	0.14	0.10	0.12	0.12	0.11	0.11	0.08	0.14	0.11	0.10	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Mexican Isthmus												
North America	0.01	0.01	0.01	0.00	0.03	0.02	0.02	0.01	0.01	0.05	-	-
Europe	0.02	0.01	0.01	-	-	0.02	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Russian Urals												
North America	0.06	0.05	0.15	0.06	0.08	0.13	0.08	-	0.22	0.02	0.18	-0.15
Europe	1.86	1.81	1.72	1.80	1.76	1.86	1.88	1.88	1.79	1.97	1.81	0.16
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Nigerian Light[4]												
North America	0.88	0.68	0.54	0.67	0.55	0.64	0.64	0.61	0.69	0.64	0.61	0.03
Europe	0.24	0.29	0.32	0.34	0.26	0.29	0.31	0.26	0.35	0.32	0.15	0.17
Pacific	0.01	-	0.00	0.01	-	-	-	-	-	-	-	-
Nigerian Medium												
North America	0.23	0.27	0.21	0.21	0.24	0.29	0.25	0.23	0.26	0.25	0.18	0.07
Europe	0.07	0.14	0.13	0.15	0.07	0.09	0.09	0.11	0.11	0.06	0.21	-0.14
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.
IEA North America includes United States and Canada.
IEA Europe includes all countries in OECD Europe except Hungary. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.
IEA Pacific data includes Australia, New Zealand, Korea and Japan.

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
REGIONAL OECD IMPORTS[1,2]
(thousand barrels per day)

	2007	2008	2009	4Q09	1Q10	2Q10	3Q10	Jul-10	Aug-10	Sep-10	Year Earlier Sep-09	Year Earlier % change
Crude Oil												
North America	8214	8046	7327	6717	7057	7902	7715	7968	7836	7329	7107	3%
Europe	9691	9776	8910	8676	8562	9157	9493	9548	9812	9105	8890	2%
Pacific	6718	6605	6082	6102	6445	5899	6159	6061	6177	6243	5984	4%
Total OECD	24622	24427	22319	21495	22063	22958	23367	23577	23826	22677	22211	2%
LPG												
North America	28	31	13	5	12	7	7	7	7	5	0	100%
Europe	278	268	249	261	286	269	226	216	229	234	234	0%
Pacific	557	589	529	529	534	600	533	516	579	503	654	-23%
Total OECD	863	887	792	795	832	876	766	739	816	742	888	-16%
Naphtha												
North America	40	56	22	12	23	28	59	65	61	50	8	507%
Europe	283	298	312	388	444	393	346	419	294	322	326	-1%
Pacific	794	776	841	896	953	899	855	918	798	849	866	-2%
Total OECD	1116	1130	1176	1296	1421	1320	1260	1403	1153	1221	1200	2%
Gasoline[3]												
North America	1128	1077	878	785	697	838	924	1031	976	759	763	-1%
Europe	179	215	193	62	163	196	207	228	190	202	271	-25%
Pacific	73	90	96	99	70	73	44	43	49	42	136	-69%
Total OECD	1380	1382	1166	946	931	1107	1175	1302	1215	1003	1171	-14%
Jet & Kerosene												
North America	183	64	61	55	69	59	85	83	86	85	67	28%
Europe	373	401	451	444	439	358	478	375	510	550	522	5%
Pacific	43	34	53	48	46	37	29	32	26	30	32	-7%
Total OECD	599	500	566	546	553	454	591	490	621	665	621	7%
Gasoil/Diesel												
North America	132	74	56	44	114	43	27	26	33	21	74	-72%
Europe	783	871	1033	1038	1132	885	931	952	831	1012	810	25%
Pacific	91	119	87	114	88	121	88	106	64	95	80	19%
Total OECD	1005	1064	1177	1196	1333	1048	1046	1085	928	1128	964	17%
Heavy Fuel Oil												
North America	323	288	270	226	277	293	285	297	232	326	231	41%
Europe	436	458	534	544	564	545	504	437	488	591	568	4%
Pacific	95	125	113	79	136	104	127	118	136	126	94	35%
Total OECD	854	871	918	848	978	941	916	852	857	1043	892	17%
Other Products												
North America	1050	1078	870	756	676	782	853	864	901	791	981	-19%
Europe	771	734	718	696	622	605	699	680	729	689	688	0%
Pacific	254	298	325	356	330	276	382	374	373	400	342	17%
Total OECD	2074	2110	1913	1809	1628	1664	1934	1918	2002	1880	2011	-6%
Total Products												
North America	2883	2667	2171	1882	1868	2049	2238	2374	2297	2038	2125	-4%
Europe	3102	3245	3491	3432	3650	3252	3391	3308	3271	3601	3418	5%
Pacific	1906	2032	2045	2121	2157	2110	2059	2106	2025	2045	2204	-7%
Total OECD	7891	7944	7707	7436	7675	7411	7688	7788	7592	7683	7747	-1%
Total Oil												
North America	11097	10713	9497	8600	8924	9952	9953	10342	10133	9367	9461	-1%
Europe	12793	13022	12401	12109	12211	12408	12884	12856	13083	12706	12309	3%
Pacific	8623	8637	8127	8223	8602	8008	8218	8167	8202	8288	8188	1%
Total OECD	32513	32371	30026	28931	29738	30368	31055	31365	31418	30360	29958	1%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.
2 Excludes intra-regional trade.
3 Includes additives.

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