

10 June 2004

HIGHLIGHTS

- Crude oil prices peaked on 1 June with WTI Cushing reaching above \$42/bbl. The rally was fuelled by security concerns and uncertainty surrounding OPEC's meeting in Beirut. NYMEX gasoline prices dropped 20% from their May peak on increased runs and imports as well as perceptions of lower US gasoline demand growth.
- OPEC-10 boosted May crude supply by 680 kb/d to 26.1 mb/d. OPEC agreed to raise production targets by 2.0 mb/d to 25.5 mb/d from July and by a further 500 kb/d from August. Actual June physical supplies are likely to increase further from May. Iraqi production fell 210 kb/d to 2.1 mb/d in May as export flows were disrupted.
- World oil output in May was up 460 kb/d to 82.0 mb/d. Total OPEC crude supply rose by 470 kb/d but non-OPEC held level. Higher Russian and African output offset a fall in the OECD. Non-OPEC 2004 growth stays at 1.2 mb/d, driven by the FSU, Africa and Asia. The 2004 'call on OPEC crude and stock change' is revised up 500 kb/d.
- World oil demand growth for 2004 has been revised up by 360 kb/d, to 2.3 mb/d. New March data show demand surged in Brazil and India, helping to lift world growth in the first quarter by 340 kb/d. The second quarter growth estimate has been revised upwards by 900 kb/d to 3.5 mb/d in light of strong FSU and North American spring demand.
- OECD industry oil stocks closed April at 2473 mb, up 9 mb and ending 29 mb above last year. While the OECD's crude stock position has improved, products remain tight and forward demand cover remains depressed for a third month at 51 days. US gasoline stocks are expected to close June above a year-ago as both imports and domestic output rise.

Dear Subscriber,

CHANGES TO THE OIL MARKET REPORT

As indicated last month, we are introducing several changes to the OMR with this report.

IEA Refining Margins

We have revised our refinery margin calculations to provide you with more comprehensive coverage of refinery operations. For the first time, we are reporting US West Coast and Chinese refinery margins. In addition, we are calculating US Gulf Coast and West Coast coking margins and are adding to the number of crude streams that we use in margin calculations at our existing four refining centres of North West Europe, Mediterranean, US Gulf Coast and Singapore. These new calculations have been prepared in conjunction with leading petroleum industry consultants Purvin & Gertz.

To facilitate analysis, we are publishing a historical series of monthly refining margins dating back to 1994. This information is available in a spreadsheet that you can download from the Special Feature section of our website at: www.oilmarketreport.org.

Tables Section

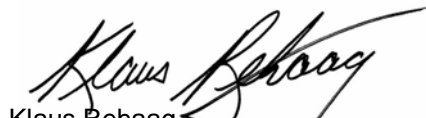
You will find a streamlined version of the tables section at the back of the report. A number of tables have been moved from the published version of the Report, but are still available for download from the Tables section on our website: www.oilmarketreport.org.

In addition, a new Trade table (Regional OECD Imports) has been added to the report and the Summary of Global Oil Demand table, previously featured in the Demand Section, has been moved to the Tables section.

OMR Archive

We receive a number of requests each month for misplaced copies of old OMR reports. To facilitate your analysis, we are expanding our archive of back issues of OMR publications to 1994, and eventually back to 1990. These reports are available for download in PDF format from our website: www.oilmarketreport.org.

Best regards,



Klaus Rehaag
Editor – Oil Market Report

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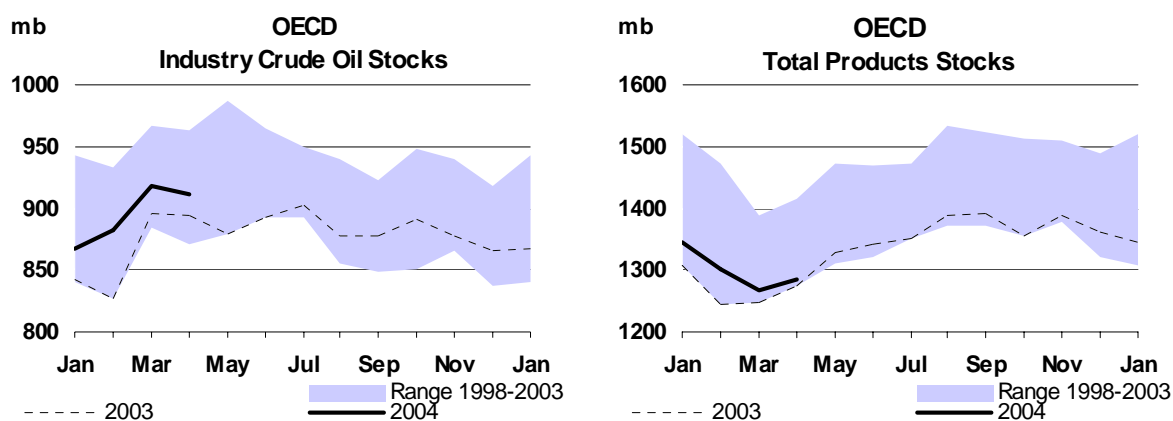
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A SHOW OF GOOD FAITH

Producers have reconfirmed their intention to increase crude oil supply. All things being equal, this should moderate prices by allowing stocks to build. Higher crude stocks will dissipate pressure on near-term supply and will help to deflate expectations of higher medium-term prices by diminishing the price-risk associated with uncertainty. Notwithstanding the rhetoric about quotas and production capacity, the commitment and visibility of fresh oil on the market is welcome.

OECD industry stocks are building. While crude stocks fell marginally in April, they have risen over the first quarter. The April reduction in crude was more than offset by a gain of 620 kb/d in product stocks. In aggregate, OECD total oil stocks in April rose by just under 300 kb/d. This trend follows seasonal patterns. It leaves crude stocks higher than they were this time last year, and closer to mid-range, while product stocks are still trending at the bottom of their five-year range. Unfortunately, the pace of the stock build is modest. OECD total oil stocks normally rise by over 1.0 mb/d in April to ensure adequate inventories as refiners prepare for winter. The system is still undersupplied.

The pattern of stock movements in April is consistent with a surge in global demand, pressuring product inventories, and a ramp-up in throughputs, pulling on crude, as North American and European refiners return from maintenance. High product prices and strong Atlantic Basin refining margins are providing additional support for throughputs. These dynamics are characteristic of a product-driven market.



There are those who question the ability of key producers to increase supply, suggesting that no fresh oil will enter the market as the result of the Amsterdam and Beirut announcements. The IEA does not fall into this camp. We take the commitments of these producers seriously, and are convinced that countries such as Saudi Arabia can easily produce 9.1 mb/d and beyond.

Producers have the ability to surge production over the short-term. The extent and duration of this surge capacity is limited by safe reservoir practices, environmental restrictions on flaring and transportation and infrastructure logistics. Saudi Aramco states that it can surge production up to 10.5 mb/d within a week, but that it requires time and resources to tie-in infrastructure (pipelines, gas plants), issue tenders and contracts and relocate rigs from other regions to sustain this capacity. The latter is consistent with our treatment of sustainable production capacity. The IEA definition refers to production capacity that can be brought on *within 30 days* and can be sustained for *90 days*. We support the view that Saudi Arabia can surge production above 10 mb/d. Sustaining this level over 90 days, however, requires some observable reconfiguration of infrastructure and a further commitment to drilling.

Producers recognise that current oil prices are too high and that high oil prices risk undermining economic development, and oil demand, especially in developing nations. While the pace of economic growth remains strong, it has been driven by a number of one-off factors including low interest rate policies and stimulative tax cuts, major infrastructure projects in China, depleted industrial inventories and expenditures associated with the war on terrorism. In this respect, price effects have been overwhelmed by wealth effects. This cannot last, and the move to add physical barrels constitutes a responsible action on the part of producers to help stabilise the market.

DEMAND

Summary

- The forecast of global demand growth for 2004 has been raised by 360 kb/d, to 2.3 mb/d, or 2.9%, the steepest annual increase since 1980. Demand for the year is assessed at 81.1 mb/d.
- Latest oil statistics for key non-OECD economies and revisions to preliminary data for the OECD reveal several areas of previously unidentified product demand for the first quarter. Upward adjustments to North American estimates lift the assessment for the OECD by 100 kb/d. Demand growth picked up momentum in Brazil and India in March, accounting for the bulk of a 250 kb/d increase in the non-OECD first quarter estimate. Downward revisions to US estimates for the year-earlier period further boost the assessment of first quarter global growth, to 2.12 mb/d.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q02	77.0	-0.8	-0.7	-
2Q02	75.3	-0.4	-0.3	-
3Q02	76.7	0.8	0.6	-
4Q02	79.1	1.5	1.2	-
1Q03	79.2	2.8	2.2	-
2Q03	76.3	1.3	1.0	0.2
3Q03	78.6	2.5	1.9	0.3
4Q03	81.0	2.4	1.9	-
1Q04	81.3	2.7	2.1	0.3
2Q04	79.7	4.5	3.5	1.1
3Q04	80.6	2.5	2.0	0.4
4Q04	82.6	2.1	1.7	0.1
2002	77.0	0.3	0.2	-
2003	78.8	2.3	1.7	0.1
2004	81.1	2.9	2.3	0.5

* year-on-year change

- The forecast of second-quarter global demand has been raised by a combined 1.06 mb/d, to 3.47 mb/d, offsetting comparatively weak growth in the second quarter last year. The bulk of the adjustment is in North America and the FSU. Stronger-than-expected preliminary US oil delivery estimates for April and May account for most of the North American adjustment. In the FSU, apparent demand surged counter-seasonally in the same period, as export growth failed to keep up with the increase in production.

Estimated Annual World Oil Demand Growth 1999-2004

(million barrels per day)

	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.15	0.55	0.52
Latin America	0.02	-0.01	0.02	-0.09	-0.11	0.14
FSU	-0.15	0.09	-0.01	-0.20	0.11	0.01
Europe	-0.15	-0.12	0.21	-0.15	0.15	0.24
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.13	-0.12
China	0.21	0.26	0.12	0.27	0.55	0.79
Other Asia	0.41	0.09	0.16	0.12	0.19	0.42
Subtotal, Asia	0.90	0.28	0.20	0.35	0.86	1.09
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.02	0.04	0.05
World	1.48	0.72	0.63	0.21	1.74	2.31

- Chinese demand continues to drive global growth. Oil product consumption from the power generation, transportation and petrochemical sectors is expected to surge by 1.2 mb/d in the second quarter, extending a first quarter gain of 1.0 mb/d. In addition, expansion of pipeline and commercial oil storage capacity is absorbing substantial volumes of incremental crude and products for line-fill and minimum operational stocks. Such one-off crude and product requirements associated with infrastructure expansions are not considered as demand and, when in the non-OECD region, are not reflected as stocks in OMR supply/demand balances, but fall instead under the 'miscellaneous-to-balance' category.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.71	0.15	0.55	0.52	0.6	2.3	2.1
Europe	16.01	-0.15	0.15	0.24	-1.0	0.9	1.5
OECD Pacific	8.63	-0.04	0.13	-0.12	-0.5	1.5	-1.4
China	5.49	0.27	0.55	0.79	5.9	11.1	14.3
Other Asia	7.87	0.12	0.19	0.42	1.6	2.4	5.4
Subtotal Asia	21.99	0.35	0.86	1.09	1.7	4.1	5.0
FSU	3.57	-0.20	0.11	0.01	-5.5	3.3	0.2
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.61	0.02	0.04	0.05	0.9	1.7	1.7
Latin America	4.68	-0.09	-0.11	0.14	-1.9	-2.4	3.1
World	78.77	0.21	1.74	2.31	0.3	2.3	2.9

- A run-up in crude and product prices, partly mitigated in early June by word of OPEC's commitment to production increases, so far does not appear to have tangibly slowed demand growth, but price effects would likely be felt if recent levels were to be sustained.

Non-OECD

China

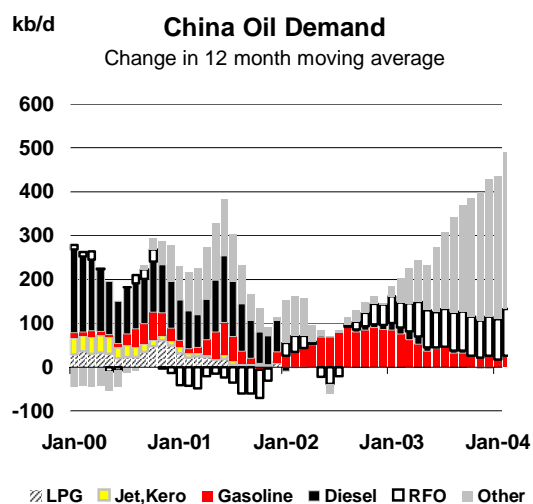
Preliminary assessments show Chinese apparent demand – defined as domestic output of refined products plus net product imports and adjustment factors – reached an all-time high of 6.53 mb/d in April, a gain of roughly 430 kb/d from March and of 1.13 mb/d from a year earlier. Total refinery crude throughputs, as reported by the National Bureau of Statistics, rebounded to 5.39 mb/d, after dipping to 5.27 mb/d in the previous month, despite continued seasonal refinery maintenance. Rather than from the extended upward creep in Chinese refining activity, however, the surge in demand stems primarily from a dramatic upward leap in product imports, to a provisional 992 kb/d – also a record. Residual fuel oil led the gain, with imports up 500 kb/d from the same month last year to an all-time high of 780 kb/d, and up 230 kb/d from the previous record of last September.

Although Chinese consumption growth continues to steam ahead, the latest reported year-on-year gain does not appear to be sustainable in the short term. Demand in the second quarter of 2003 had been undermined by the Severe Acute Respiratory Syndrome (SARS) outbreak. Discounting for that, this year's March increase would look less dramatic. Year-on-year comparisons should show slower growth in the third quarter, as the SARS effect on year-ago consumption subsides.

April residual fuel oil imports seem equally unsustainable. Although statistical data for May had yet to be released at the time of writing, anecdotal evidence suggested overall fuel imports fell in May compared to April, and would further decrease in June. In Guangdong province, China's largest residual fuel oil market, importers' tank farms were reported brimming in May amid subdued end-user buying, curtailing new imports. A sharp rise in prices also has been limiting buying interest from power generators, industrial users and from small refineries that use residual fuel oil as feedstock to make low-grade gasoil. Several power plants in South China were said to be shutting generators at night to cut costs. Slower imports in Guangdong in May were reportedly partly offset by rising shipments to Shandong province, where port congestion delayed deliveries. But June imports were expected to decline nationwide.

While government efforts to slow economic growth may not immediately affect oil demand patterns, the authorities are taking steps to directly curb oil consumption growth. In a bid to dampen soaring demand from the transportation sector, the issuing of credit for automobile purchases has been reportedly restricted. April implied gasoline demand growth was surprisingly modest by Chinese standards, at roughly 3% above last year. Trucking demand for diesel reportedly slowed as the government started enforcing truck loading limits more stringently. Delays in issuing electricity tariffs in the south reportedly undermined residual fuel oil consumption from power generators unsure of recovering their costs.

While end-user gasoil demand for back-up electricity generators and industrial users continues to rise relentlessly, refining capacity constraints are also limiting product availability, restraining consumption through lack of supply. Higher imports can, up to a point, compensate for the shortfall in domestic output. Indeed, net gasoil imports have been on the rise, and in April reportedly exceeded 30 kb/d, a five-year high. But transportation capacity, including rail and pipeline, is being equally stretched, limiting suppliers' ability to bring supply to inland and remote markets. Dwindling gasoil inventories in parts of the south reportedly forced several distributors to suspend or limit sales in May, as they had done in the fall. Although Chinese product demand is expected to keep rising, the pace of growth is thus likely to slow in the second half of the year from the first half's sizzling rates.



Yet oil product demand may not fully account for China's impact on the global petroleum market. Chinese crude supply, as measured by IEA estimates of domestic production plus net crude imports, exceeded National Bureau of Statistics estimates of total crude oil refinery throughputs by an average 350 kb/d in the first quarter (see graph). The difference is an implied inventory build that is not accounted for separately in OMR balances, as the latter do not itemise crude demand nor non-OECD stock movements. The build, however, is reflected in OMR balances as a component of the 'miscellaneous-to-balance' item.

While first-half implied crude stock builds are not unprecedented in China, a rise in commercial inventories would appear counter-intuitive given the high prices and strong refinery demand prevalent so far this year. New Chinese crude and product pipelines and recent commercial port storage capacity expansion projects may provide part of the explanation, with line-fill and minimum operating level requirements accounting for a sizeable rise in unreported Chinese crude and product operating stocks (see Grey Box below).

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Latest month vs. Mar 04 Apr 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1556	1731	1716	2290	2547	2079	2400	320	751
Products & Feedstocks	361	442	415	586	445	600	616	568	992	424	687
Gasoil/Diesel	-16	-28	-32	-42	-9	22	23	23	34	11	57
Gasoline	-142	-175	-191	-184	-151	-95	-139	-140	-157	-18	-4
Heavy Fuel Oil	281	407	401	531	361	448	509	461	780	319	497
LPG	197	202	209	211	203	172	195	151	228	77	43
Naphtha	-16	-22	-25	-22	-24	-21	-35	-13	-6	7	35
Jet & Kerosene	9	1	4	15	-6	21	12	22	33	11	12
Other	48	58	50	77	70	54	51	64	80	16	48
Total	1609	2106	1972	2317	2161	2890	3163	2647	3391	744	1438

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Impact of Infrastructure Developments on Global Balances

After shrinking sharply in the 1990s, global oil storage capacity is on the rebound. Rising demand for commercial storage in areas of rapidly growing oil consumption, along with new pipelines built to supply crude and refined products to those growth markets, have themselves contributed to the momentum of oil demand growth, as transportation and storage facilities require a substantial injection of oil to sustain operations.

Stock requirements associated with the start-up of new storage capacity in China and elsewhere account for a significant share of the "miscellaneous to balance" item shown in first-quarter OMR balances. More oil supply will be "sterilised" in conjunction with storage capacity expansions as new tank farms start up in the second and third quarters of this year and later on.

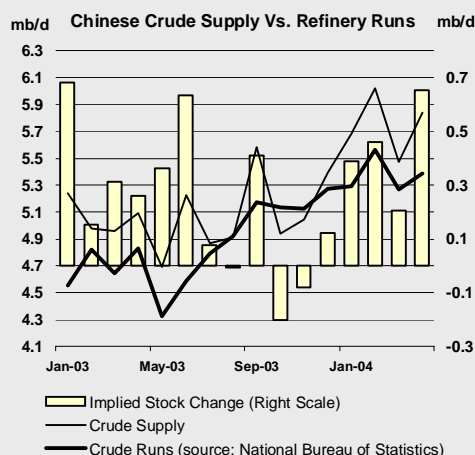
The decommissioning of storage capacity in the 1990s mostly affected OECD countries and the FSU. In the OECD, the drop initially resulted from the oil industry's embrace of just-in-time inventory management techniques. The effect of those techniques was compounded by industry rationalisation and consolidation during the subsequent wave of corporate mergers and acquisitions and advances in information technology. Lower OECD storage capacity paved the way to lower OECD stock holdings and registered as such in OMR balances.

In contrast, accounting for the current wave of storage expansion and new pipelines is something of a statistical challenge, and not just because keeping track of new tank farms' completion schedule, storage expansion plans and new pipeline projects – and translating those projects into minimum operating storage requirements – can be tricky. As most new storage projects are in non-OECD economies, and given commercial sensitivities, it is difficult to obtain accurate data on timing and magnitude. In addition, while storage capacity additions would normally be recorded as an inventory change in the OECD, OMR balances do not include any such category for non-OECD countries. The IEA does not have any systematic means of collecting such information, and most non-OECD economies do not officially report their own stock movements.

In essence, storage injections associated with the start-up of new facilities are more akin to a one-off demand increase reflecting structural market changes than to commercially available inventory, as the oil put in storage is essentially 'sterilised' and becomes operationally unavailable to the market. But the IEA reports product demand as deliveries from primary storage. Line-fill and minimum operating stocks do not fit that definition and thus cannot simply be counted as demand.

China's major oil companies and the Government have publicly stated their goal of boosting storage capacity in conjunction with the sharp rise in Chinese oil demand and China's growing dependence on oil imports. Several large tank farms, and a few smaller ones, were completed in the first quarter, with others due for completion in the second and third quarters, and many more expected to come on line later on. For the January-August period, by one count, more than 16 million barrels of fresh storage capacity was due to open. In addition, two major pipelines started commercial operations in the year to date, including the Guangdong product pipeline and the East Coast crude pipeline from the eastern port of Ningbo to Nanjing on the Yangtze River.

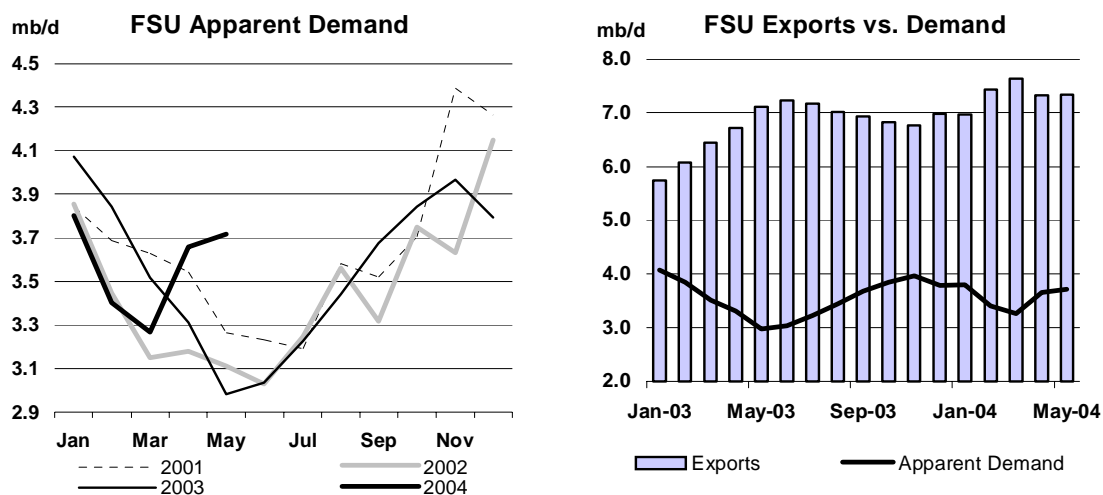
Most of the new storage facilities are designed to handle residual fuel oil, reflecting soaring fuel imports, rising demand from power plants and independent refiners and faltering output as refiners maximise gasoil yields at the expense of heavier products. Some of the facilities are for crude, including the 600,000 cubic meter terminal in the Northern port city and refining centre of Dalian. In aggregate, crude and product flows to meet minimum operating levels at the current crop of storage facilities could be as high as 8 million barrels. In addition, line-fill for the Guangdong and East Coast pipelines is estimated at over 1 million barrels each, not including terminal and breakout storage requirements.



FSU

After contracting sharply in the first quarter, FSU apparent demand – derived from FSU crude output minus net exports – surged counter-seasonally so far in the second quarter, posting year-on-year gains of 10% in April and 25% in May. As a result, apparent demand for the second quarter has been adjusted upwards by 360 kb/d, showing year-on-year growth of 410 kb/d.

With FSU production growth roughly in line with recent patterns, the recent surge in apparent demand essentially reflects a sudden slowdown in the pace of FSU export growth. Exports fell by more than 300 kb/d in April from the record high of 7.64 mb/d achieved in March. Exports moved higher in May, but failed to fully reverse their April drop, so that the second-quarter average, contrary to seasonal patterns, appears unlikely to rise substantially over the first quarter. On a year-on-year basis, export growth slowed to 610 kb/d in April and 220 kb/d in May, from a first-quarter average of roughly 1.3 mb/d, even as monthly output continued to surge by about 950 kb/d.



Apparent demand is, of course, an imperfect indication of final consumption. Historically, weather-related export constraints, coupled with a political preference for building stocks and lowering product prices ahead of winter, have caused FSU apparent demand to surge in the fourth and first quarters, only to fall back later on as inventories built in the winter were run down in the spring and summer. This time, the timing of the rise in apparent demand is counter-cyclical but occurs in a markedly different context. On one hand, export constraints, which threaten to choke relentlessly rising production, reflect infrastructure capacity limits rather than seasonal or weather-related factors. On the other hand, a prolonged period of steadily rising exports and high oil prices has helped boost FSU economies, potentially setting the stage for a rebound in end-user demand.

Does the latest up-tick in apparent demand signal that the FSU export infrastructure has reached its limits, or that domestic demand is rising in earnest after plunging following the demise of the Soviet Union? Although FSU export constraints have been a key issue hanging over the outlook for FSU output, the latest dip in exports does not appear to signal that the limits have been reached just yet. Most of the drop was in product exports, which, in theory, could rebound to earlier levels. Product exports arguably are also somewhat less infrastructure-constrained than crude exports. Meanwhile, several expansion programmes are also expected to boost crude export capacity in the short term. There has been no report of rising domestic stocks or falling prices, suggesting that the gain in apparent demand might correspond with a real up-tick in end-user consumption, rather than merely reflect a backlog of exports. Strong international grain prices may have spurred an increase in agricultural activity and a corresponding spike in diesel demand, as has been the case in other markets.

But while it is possible that domestic demand is finally rising, it is too early to tell. The second-quarter demand increase may simply represent an offset against surprisingly low demand in the first quarter. Rather than an increase in overall underlying consumption, the latest pattern may point to a shift in the seasonal patterns of FSU demand. That would be consistent with the gradual alignment of FSU and international oil markets and with the lightening of the FSU demand barrel. With transportation fuels accounting for a rapidly rising share of FSU demand and natural gas having partly displaced oil as boiler fuel for power generation and industrial use, expanding spring agricultural and summer driving demand might compound the effects of declining winter heating demand for oil to rebalance the FSU demand curve.

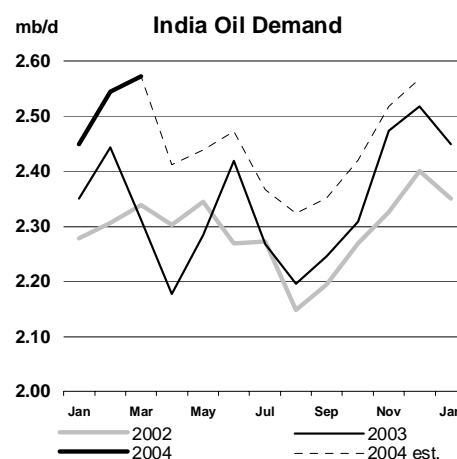
India

Indian oil demand surged by an estimated 11.3% in March, to an all-time high of 2.57 mb/d, following growth of 4.2% in January and February. First-quarter demand has been revised upwards by 90 kb/d in light of the stronger-than-expected March data. The adjustment brings Indian oil

consumption patterns more closely in line with the country's strong economic growth and a recovery in agricultural activity following last year's abundant monsoon rains.

The recovery spanned the product barrel, with gasoil (the mainstay of Indian oil consumption), gasoline, LPG and 'other products' all rising at double-digit rates. LPG, one of two products for which state-subsidies have been maintained despite the broader deregulation of the oil market, has seen steadily rising demand for the last few years, and lately has benefited from a marketing push into previously underserved rural areas. The product is used primarily for home heating and mostly cooking. The recovery in gasoil demand is far more recent, and goes back only to the tail end of last year, when the agricultural sector started reaping the benefits of improved rainfall compared to the previous year while the broader economy found additional support from Chinese economic expansion and the global recovery.

In contrast, demand for naphtha has been rising more slowly, reflecting the greater availability of natural gas for use as petrochemical and fertiliser feedstock. However, despite the conversion of petrochemical and fertiliser plants to natural gas, for the time being, naphtha demand continues to expand, albeit at a comparatively lower rate. That suggests that stronger economic activity and demand recovery have led to greater utilisation of the remaining oil-based petrochemical and fertiliser plants. Demand for kerosene, the other state-subsidised product, has been faltering, reflecting government efforts to curtail the abuse of state subsidies resulting from the mixing of imported kerosene into the diesel pool.



India Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04 ¹	Latest month vs. Feb 04 Mar 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1957	1801	1943	1938	1974	1800	2033	233	247
(by Public Oil Cos)	1088	1243	1317	1137	1379	1105	1218	1003	1088	86	-57
Products & Feedstocks	-83	-152	-185	-205	-91	-132	21	-186	-234	-49	-66
Gasoil/Diesel	-53	-119	-120	-144	-99	-137	-62	-154	-197	-43	-86
Gasoline	-48	-72	-71	-88	-62	-77	-54	-98	-80	17	4
Heavy Fuel Oil	6	5	24	13	-8	-12	26	-33	-30	3	-18
LPG	22	55	28	38	79	90	89	88	94	6	15
Naphtha	4	-1	-43	-3	30	19	42	18	-4	-21	-11
Jet & Kerosene	10	-22	-3	-28	-42	-29	-35	-16	-37	-20	-6
Other	-23	1	-1	7	11	14	14	9	19	10	36
Total	1005	1091	1771	1596	1852	1807	1995	1614	1799	184	181

¹ Preliminary

Sources: Indian Ministry of Commerce, Indian Port Authorities and IEA estimates

Yearly data for net imports of crude oil for 2002 are not available.

For 2002, 'Total' indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint-venture companies.

Other Non-OECD

Latest data show Brazilian demand surged by 11.4% in March, to 2.2 mb/d, following growth of 1.4% in January and contraction of 1.3% in February. First-quarter demand has been revised upwards by 100 kb/d, to 2.14 mb/d, on the basis on the new March figures. The demand growth recovery partly reflects improved economic performance on the back of soaring Chinese demand for Brazilian commodities. The adjustment has been carried forward through 2004.

Adjustments to historical Brazilian demand have been applied to prior years, lifting 2002 and 2003 averages by roughly 20 kb/d.

OECD

Early Indications of Current Demand

The OECD demand forecast has been adjusted upwards for most of 2004, compounding the effects of last month's revisions to preliminary first-quarter estimates. Preliminary reports of March OECD demand have been raised by an aggregate 350 kb/d, the bulk of which was in North America. That revision, partly offset by smaller, downward adjustments to January demand assessments, lifts the first-quarter average by 100 kb/d. As year-earlier demand was revised downwards by 30 kb/d, OECD demand growth for the first quarter has been increased by 130 kb/d, to 520 kb/d.

Preliminary Inland Deliveries – April 2004

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	Mb/d	% pa	mb/d	% pa	Mb/d	% pa
United States ³	9.14	3.9	1.55	-2.3	2.75	-2.5	1.22	6.6	0.82	-2.6	4.38	-10.7	19.85	-1.2
Canada	0.68	3.7	0.11	14.4	0.39	5.4	0.09	-4.3	0.10	-25.2	0.23	12.5	1.60	3.0
Mexico	0.63	5.0	0.06	3.5	0.30	0.3	0.00	Na	0.32	-27.3	0.38	6.1	1.69	-3.7
Japan	1.02	2.1	0.41	-8.5	0.64	1.4	0.48	2.8	0.45	-19.9	1.52	-7.9	4.52	-5.0
Korea	0.15	-6.2	0.06	40.0	0.39	4.6	0.08	-3.7	0.26	-8.5	1.03	10.0	1.96	4.9
France	0.29	-3.9	0.13	14.0	0.65	1.7	0.29	10.2	0.05	-0.7	0.47	-2.7	1.88	1.6
Germany	0.59	-6.4	0.15	2.4	0.58	-0.8	0.40	-37.9	0.11	-4.5	0.52	9.3	2.34	-9.5
Italy	0.36	-6.0	0.08	-7.7	0.49	8.5	0.08	-1.6	0.17	-14.4	0.49	-6.5	1.66	-3.2
Total	12.84	2.6	2.55	-1.1	6.19	0.3	2.63	-4.9	2.27	-13.2	9.02	-5.4	35.51	-1.9

Sources: US EIA, Statistics Canada, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry
Percentage change is calculated from the same month of the previous year

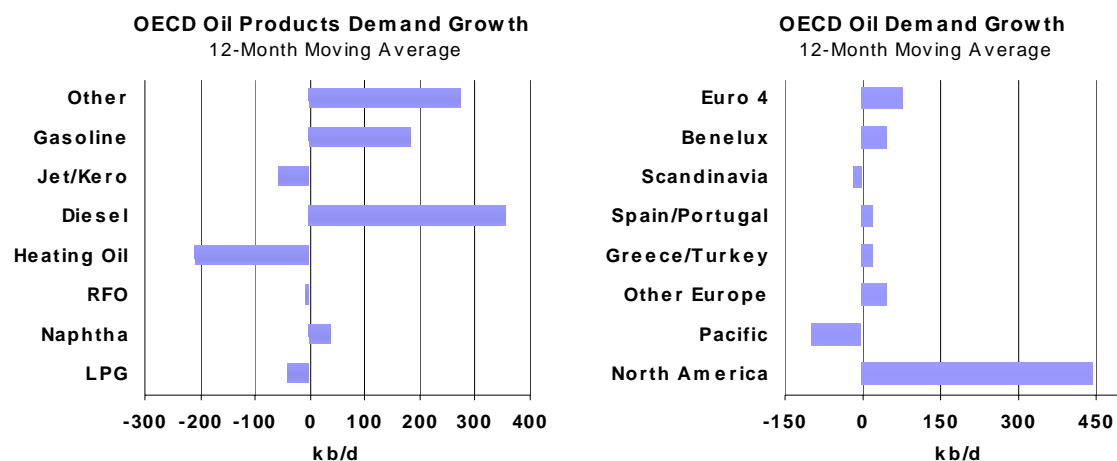
1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

3 fifty states only. Diesel's share of total distillate is estimated. Percentage change is calculated versus last year.

Second-quarter demand has been more substantially revised. Provisional oil delivery data for eight of the largest OECD economies have lifted the April aggregate by 120 kb/d, again primarily in North America. The largest single adjustment comes from US demand for May, which has been raised by roughly 820 kb/d, in light of preliminary weekly data showing demand growth of more than 6%. Much of the US adjustment is in other products, reflecting recovering petrochemical demand for LPG and new transportation demand for gasoline blending components classified as other products following the switch from oxygenate methyl tertiary butyl ether (MTBE) to ethanol in key consumer states. A smaller downward adjustment to European demand was offset by upward revisions in the Asia-Pacific region.

Considerable volatility continues to affect data submissions from Member countries. This partly reflects broader shifts in the underlying economies, which adversely affects the predictive value of conventional forecasting models. Also, as patterns are shifting, analysts and statisticians tend to compensate by being more 'conservative' in their judgment, causing data inputs to significantly lag market changes.



As expected, aggregate revisions for the first quarter have been upwards. This has led to a corresponding reduction in the amount of unreported demand reflected in the relatively large 'miscellaneous-to-balance' item in OMR balances. If the pattern of recent adjustments to OECD preliminary estimates is any guide, provisional data for April and May remain subject to further revisions. There is also the 'year-later' effect of erratic supply and demand numbers before and after the major offensive in Iraq.

Despite upward adjustments of roughly 210 kb/d from last month's Report, preliminary inland delivery data for eight of the largest OECD economies, shown in the table above, continue to reflect mild demand contraction in April versus last year. The dip had been expected to be somewhat deeper, given comparatively high demand in the year-ago period, and is more than offset by robust growth in March and May. That slight decrease notwithstanding, overall OECD demand is expected to expand by an average 670 kb/d, or 1.4%, in the second quarter.

Moving Annual Average Change in Oil Demand* – April 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-3.2%	3.0%	1.9%	-0.2%	4.3%	-5.2%	7.2%	5.2%	1.7%	331
Canada**	6.4%	-1.2%	2.1%	6.9%	-0.7%	6.8%	18.2%	5.0%	4.8%	102
Mexico	0.6%	3.8%	6.0%	1.0%	5.8%	5.8%	-10.2%	28.0%	2.9%	59
Japan	-5.2%	-2.1%	1.0%	-5.7%	-3.1%	-1.1%	-0.3%	-6.2%	-2.5%	-135
Korea	-4.9%	4.8%	-5.3%	-8.3%	8.9%	-8.0%	-1.5%	-39.5%	0.2%	4
France	3.4%	26.8%	-6.9%	5.1%	0.5%	3.2%	0.4%	15.6%	3.9%	77
Germany	2.9%	4.0%	-3.6%	1.4%	8.6%	-14.7%	0.1%	6.5%	-1.7%	-47
Italy	2.2%	2.0%	1.1%	19.7%	14.1%	-26.2%	-6.5%	-0.9%	0.9%	16
UK	9.3%	1.0%	-3.2%	1.3%	4.0%	4.0%	4.8%	2.1%	1.1%	19
Total	-1.5%	3.2%	1.2%	-0.9%	4.3%	-5.1%	0.1%	5.4%	1.1%	427
kb/d	-63	84	162	-32	255	-184	4	200	427	

* defined as the percentage change between the demand average for the 12 months up to April and that of the same period a year earlier

** near-month data are estimated

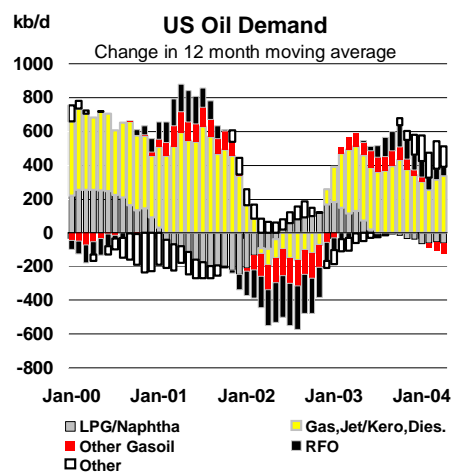
North America

North America continues to drive OECD demand growth for the first and second quarters, with estimated year-on-year gains of 560 kb/d and 630 kb/d, respectively. US demand growth is expected to rise from 380 kb/d in the first quarter to 610 kb/d in the second quarter, reversing the year-earlier trend, when growth slowed to 50 kb/d in the second quarter from 450 kb/d in the first quarter.

Preliminary data continue to be subject to large upward revisions. The US raised unadjusted preliminary estimates for March by roughly 400 kb/d. Part of that increase had been anticipated in last month's Report, so that the change in this Report comes to a slightly milder 250 kb/d. Most of that adjustment is in diesel (+180 kb/d) and 'other products' (+250 kb/d), with large increases in those categories partly offset by smaller, downward adjustments for LPG, other gasoil, residual fuel oil and gasoline.

The March revisions bring average US growth for the first quarter to 380 kb/d, or 1.9%. Surging demand for transportation fuels led the increase, with gasoline and diesel posting gains of 270 kb/d and 180 kb/d.

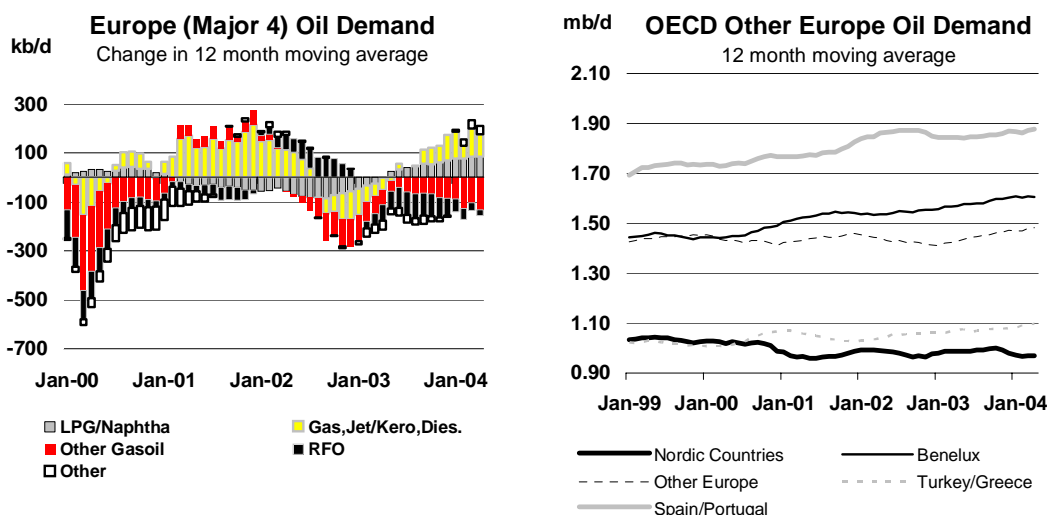
Preliminary US demand data for April and May are also lifting second-quarter estimates. Provisional oil delivery data for April came in 260 kb/d above previous estimates, with virtually all of the increase in the broad 'other products' category comprised of LPG, naphtha and the narrower 'other products' category used in IEA monthly surveys. For May, the adjustment from forecast levels reaches 820 kb/d, the bulk of which also is in 'other products'. While delivery estimates in that category tend to be subject to large revisions, there is anecdotal evidence of recovering petrochemical demand. The ban of MTBE in New York state and Connecticut also has led to a rise in 'other products' demand at the expense of gasoline, as blending substitutes are now mixed at the tertiary storage level rather than the refinery gate.



Resubmissions of monthly data have led to major revisions to 2003 demand estimates, ranging from minus 150 kb/d for November to plus 340 kb/d for August. On average, the revised data raise North American demand estimates for 2003 by 70 kb/d, with upward adjustments of 90 kb/d and 240 kb/d for the second and third quarters partly counter-balanced by cuts of 90 kb/d and 20 kb/d in the first and fourth quarters.

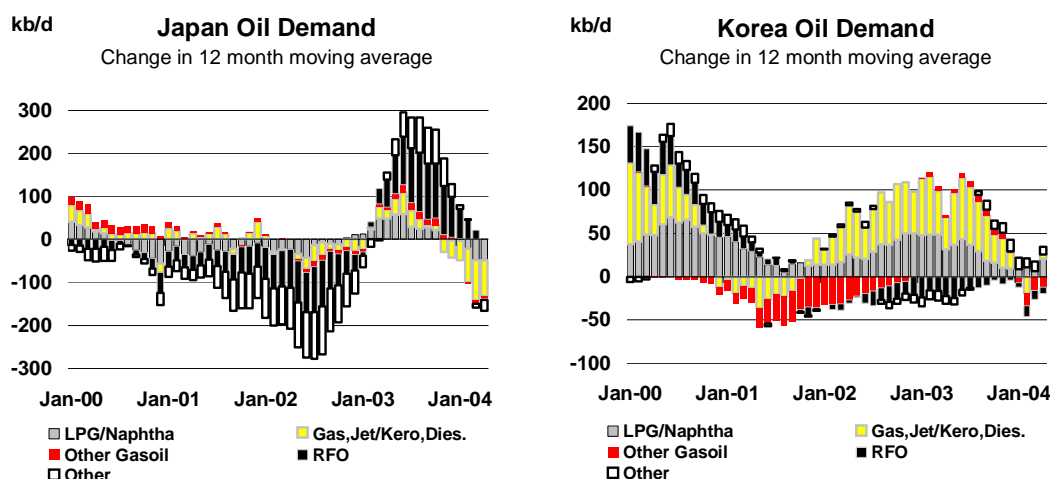
Europe

OECD Europe was adjusted upwards for the first quarter, but slightly downwards for the second quarter, in light of March data and preliminary oil delivery statistics for April for three of the largest European economies. A large cut to German heating oil demand forecasts, partly offset by upward changes in French demand and German naphtha demand, accounts for the bulk of the April adjustment. Overall OECD European demand is expected to have remained roughly flat from last year, with contraction in the largest western European economies being offset by moderate growth elsewhere. Diesel remains the single largest driver of demand growth for the leading European economies as for the region as a whole.



Pacific

OECD Asia-Pacific data were little changed from last month. Deliveries contracted in March by an aggregate 170 kb/d on the back of falling Japanese demand, partly offset by gains in Korea and Australia. Preliminary data for April showed a 180 kb/d contraction in Japan, counterbalanced by growth of 70 kb/d in Korea.

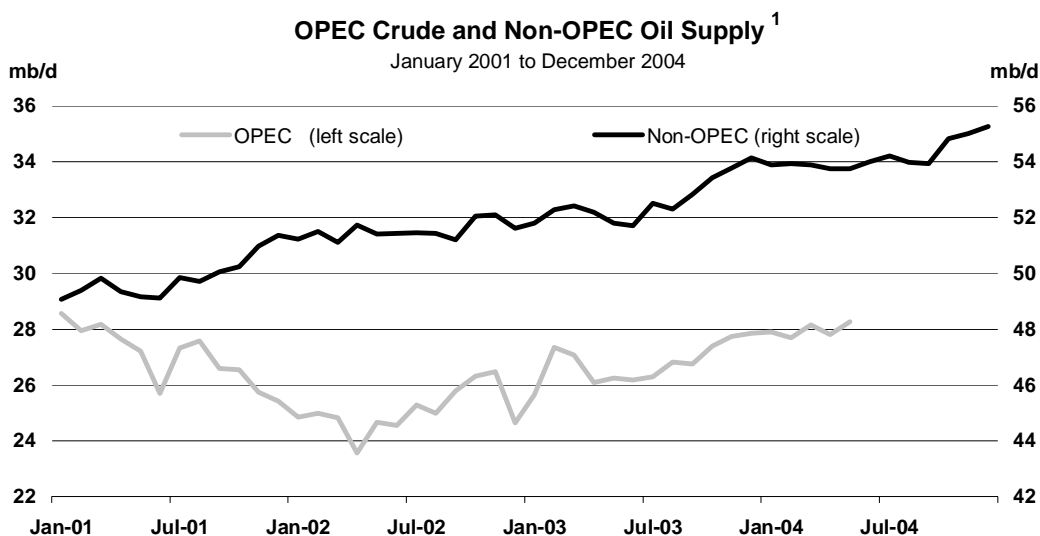


Falling power generation demand for oil following the restart of idled nuclear power plants continued to drive the Japanese contraction. Japanese demand for residual fuel oil fell by 90 kb/d in April following a 100 kb/d drop in the first quarter, while demand for 'other products', including crude oil for direct burn at power plants, shed 80 kb/d, extending first-quarter contraction of 50 kb/d. All of Tokyo Electric Company's (Tepco) 17 nuclear power units were shut after a controversy erupted in September 2002 regarding safety inspections and records. Twelve have now been restarted, bringing Japanese utilisation of overall nuclear power generation capacity to roughly 75% as of early June.

SUPPLY

Summary

- **World oil supply** in May was up by 460 kb/d, exactly mirroring April's decline. Total supply regained 82.0 mb/d. OPEC crude output was 470 kb/d higher than in April while both OPEC NGLs/non-conventional and non-OPEC oil production were marginally down in May. Amongst the non-OPEC producers, OECD output was down by 135 kb/d, while non-OECD production rose by 130 kb/d. Year-on-year growth in world supply reached 3.9 mb/d, split 2.0 mb/d for OPEC crude, 1.5 mb/d for non-OPEC supply and 400 kb/d for other OPEC liquids.
- **May non-OPEC supply**, largely unchanged from April's 49.7 mb/d in aggregate, showed divergent trends between OECD and non-OECD producers. Ongoing spring maintenance in the North Sea and constrained output from the US, Canada and Mexico led to a 135 kb/d OECD decline in May. However, persistent Russian growth and the build-up of new field production in Africa saw non-OECD supply up by 130 kb/d last month. Non-OPEC supply could now resume a rising trend overall, increasing by 150-200 kb/d in both June and July.
- **OPEC crude supply for May** averaged 28.3 mb/d, an increase of 470 kb/d from April. Key increases were seen from Saudi Arabia and the UAE, who added a combined 530 kb/d, while supplies from Algeria, Nigeria, Kuwait, Libya and Qatar also rose. Iraqi production fell by 210 kb/d, to average 2.1 mb/d. Pipeline disruptions to southern terminals cut Basrah Light exports by 150 kb/d and liftings of Kirkuk crude from Ceyhan averaged 145 kb/d, 100 kb/d less than April.
- **OPEC-10** (excluding Iraq) produced 26.1 mb/d in May, a rise of 680 kb/d from April. The continued rise of crude prices through mid-May ensured that the organisation's target production level of 23.5 mb/d, in force from 1 April, was redundant. Actual May production by the OPEC-10 averaged 2.6 mb/d above target levels. Further supply increases are expected for June.
- Late-May terrorist attacks in Saudi Arabia stoked further upward price pressures, despite the fact that oil operations in the Kingdom remained un-affected. The **3 June OPEC meeting** in Beirut resulted in a ministerial decision to boost production targets by 2.0 mb/d from July and by a further 500 kb/d from August. An extraordinary meeting has been convened for Vienna on 21 July to review market developments.
- The **'call on OPEC crude and stock change'** has been increased by 500 kb/d for 2004 and by 100 kb/d for 2003. Changes are driven by demand-side developments. Notably, in 2Q 2004 the call has been revised up by 1.1 mb/d to reflect higher projected demand in North America and the FSU. The call now follows a flatter path through 2004, rising from a low of 25.9 mb/d in 2Q, to reach 27.6 mb/d by 4Q. The call averages 26.9 mb/d for 2004, up 700 kb/d from 2003.



¹ Non-OPEC Oil Supply includes OPEC NGLs, condensate and non-conventional oil

All world oil supply figures for May discussed in this Report are IEA estimates. Estimates for OPEC countries and Alaska, Egypt, Russia and Peru are supported by preliminary May crude 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. No contingency allowance for random events is subtracted from the supply forecast. Although upside variations can occur, experience in recent years indicates that, roughly speaking, the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.

OPEC

Total OPEC crude production increased by 470 kb/d in May to reach 28.3 mb/d. With output from Iraq assessed to have fallen by 210 kb/d to 2.1 mb/d, OPEC-10 produced 26.1 mb/d, 680 kb/d above April's average. Saudi Arabia and UAE boosted production by a combined 530 kb/d, while more limited gains of 20-50 kb/d each were recorded by Algeria, Nigeria, Kuwait, Libya and Qatar. Netting out the nominal levels of spare production potential in Nigeria, Indonesia, Venezuela and Iraq, all producers bar Saudi Arabia and UAE were producing close to capacity in May.

OPEC-10 May production was 2.6 mb/d higher than the 23.5 mb/d production target in place since 1 April. However, as noted in last month's Report, the April production target was already being disregarded as producers raised production in the face of high prices. Attacks on expatriate oil workers in Saudi Arabia at the beginning and end of May, and continued disruptions to Iraqi supply, kept oil markets jittery, with prices rising 10-15% compared to April's average. The run-up to the 3 June OPEC meeting in Beirut therefore saw growing calls for an increase in production, with a figure of 2.5 mb/d being widely touted as the most likely increment for production target. Saudi Arabia in particular appeared to be leading the proponents of both increased actual supply and production targets. It suggested around the third week of May that it was increasing production to 9.1 mb/d and would sustain that level or higher in June.

Initial signs are that both Saudi Arabia and the UAE in particular will follow up on their May production increases, putting extra barrels on the market in June. Purely for the sake of illustration, assuming:

- Saudi Arabia were to produce at its claimed current level around 9.1 mb/d;
- Indonesia, Nigeria and Venezuela produce close to May levels and;
- other members produce at capacity,

OPEC-10 production in June would average at or slightly above 27.0 mb/d. Whether all producers would be willing to sustain these levels, with an eye on rising OECD inventories, remains to be seen.

OPEC Crude Production

(million barrels per day)

	Apr 2004 Target	Jul 2004 Target	May 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. May 2004 Production	Prod.vs. Apr Target	Prod. vs. July Target
Algeria	0.75	0.81	1.18	1.25	0.08	0.43	0.36
Indonesia	1.22	1.32	0.97	1.00	0.04	-0.25	-0.36
Iran	3.45	3.74	4.00	4.00	0.00	0.55	0.26
Kuwait ²	1.89	2.05	2.30	2.30	0.00	0.41	0.25
Libya	1.26	1.37	1.51	1.55	0.04	0.25	0.15
Nigeria	1.94	2.10	2.33	2.55	0.22	0.40	0.23
Qatar	0.61	0.66	0.79	0.85	0.06	0.18	0.13
Saudi Arabia ^{2,3}	7.64	8.29	8.65	9.50	0.85	1.01	0.36
UAE	2.05	2.23	2.25	2.45	0.20	0.20	0.02
Venezuela ⁴	2.70	2.93	2.17	2.35	0.18	-0.53	-0.76
Subtotal	23.50	25.50	26.14	27.80	1.66	2.64	0.64
<i>excl. Ven/Nig/Ind</i>					1.23		
Iraq ⁵			2.13	2.80	0.67		
Total			28.27	30.60	2.33		

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

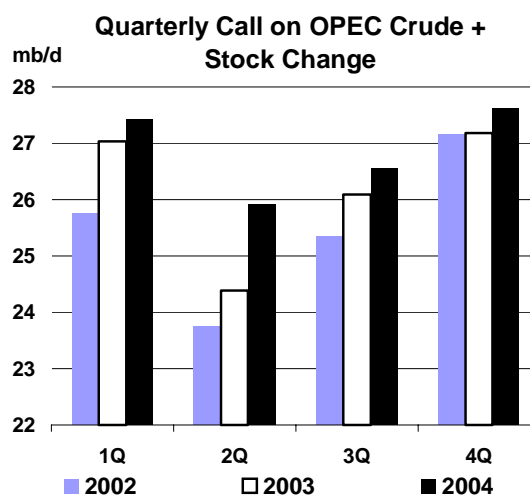
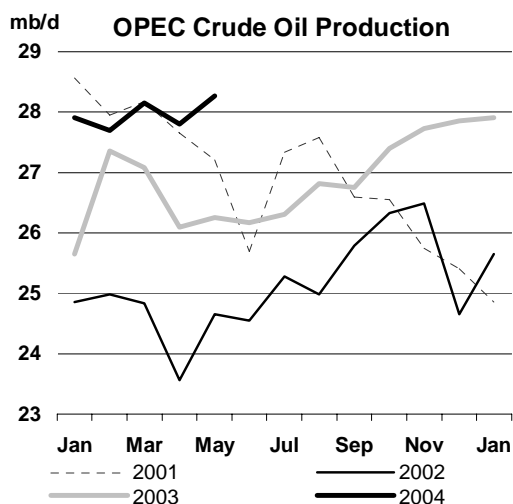
2. Includes half of Neutral-Zone production

3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, but requires incremental drilling to sustain this level over 90 days

4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in May

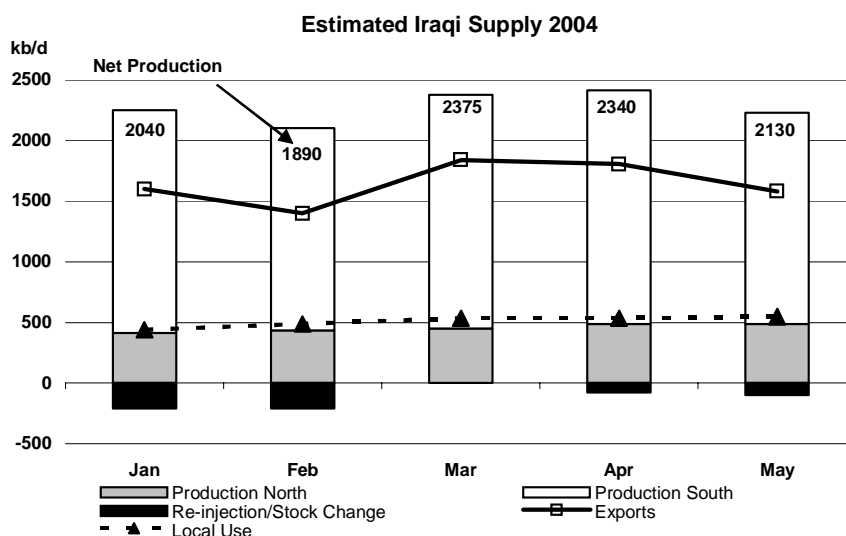
5. Iraqi capacity represents pre-war estimate

The Beirut meeting established a new target of 25.5 mb/d in place for July and a further rise to 26.0 mb/d scheduled for 1 August. An extraordinary meeting will be held to review market developments on 21 July in Vienna. While key Gulf producers such as Saudi Arabia, UAE and Kuwait lobbied for an 'all-in-one' increase, more hawkish producers including Iran, Nigeria and Venezuela called for a lesser increase, of perhaps only 1.5 mb/d, in the target. Calls for a complete suspension of target production levels, believed to have been made by Algeria, were also over-ridden. Markets initially weakened in the aftermath of the decision but the extent of price falls has been moderated as the market awaits clear signs of actual June output and export nominations for July.



Although agreement on the need to moderate \$40/bbl-plus prices was fairly easily reached in Beirut, differences seem to persist within OPEC on the next steps to be taken as regards target production and price levels. Proponents of an increase in the target price band from the existing, albeit disregarded, \$22-\$28/bbl level, including Iran, Nigeria and Venezuela (plus apparently the OPEC President) appear to be keeping the issue warm for potential inclusion in discussions at the next OPEC Ordinary meeting in September. These producers have also suggested that August's proposed increase of 500 kb/d in the target should be made dependent upon prices remaining above \$28/bbl. For its part, Kuwait has said the increase should be automatic.

Crude exports and implied production from **Iraq** fell for the second month running in May, to 1.58 mb/d and 2.13 mb/d respectively. The latter figure is net of shipments into storage and/or re-injection at oilfields. In spite of early-month attacks on the Daura refinery, overall domestic use of crude by refineries and for power generation is thought to have nudged higher by around 15 kb/d to 550 kb/d based on reports of refinery operating levels.



The decline in production and exports derived from continued disruptions to pipeline flows, not only of Kirkuk crude northwards to Ceyhan, but also of Basrah Light from southern fields to the southern export terminals. Exports via the Basrah Oil Terminal (BOT) and Khor al-Amaya averaged 1.44 mb/d, down from 1.55 mb/d in April. Sabotage on the pipeline feeding BOT around 8 May cut exports to 1.1 mb/d until 19 May. Thereafter, flows increased towards earlier prevailing 1.65 mb/d levels. Liftings from Ceyhan were restricted to 4.5 mb during 28-30 May, averaging 145 kb/d for the month compared to 250 kb/d in April. Flows along the northern pipeline to Ceyhan remained disrupted throughout May, averaging around 200 kb/d, despite at times attaining 450 kb/d.

Early-June saw Iraqi sources report current exports at 2.0 mb/d, with a target of 2.2-2.3 mb/d by end-year. Existing production capacity was cited as around 2.8 mb/d. This apparent export level for early-June appeared to suggest southern flows around 1.6 mb/d and those to Turkey of around 400 kb/d. However, this looks inconsistent with reports from 24 May that the Kirkuk-Ceyhan pipeline had been bombed and would require two weeks to repair. The State Oil Marketing Organisation (SOMO) indicated that term supply contracts amounting to 1.5 mb/d for Basrah Light had been signed for the second half of the year, and that a further rise to 1.65 mb/d is possible. This suggests that the end-year total export target depends upon Ceyhan exports rising in excess of 600 kb/d, an ambitious target given the recent record of disruption.

Saudi Arabian crude supply is estimated to have risen 360 kb/d from April to average 8.65 mb/d in May. Rising export volumes were evident at both the start and end of the month, alongside a net rise in domestic refinery runs with reactivation of the Yanbu and Rabigh refineries, which counteracted maintenance at the Ras Tanura plant. Aramco informed Asian customers mid-May that June term lifting would be made at full contract volumes, as in May. In addition, spot chartering of vessels to move crude to the US in June, over and above term volumes, amounted to 16 mb. As mentioned previously however, such volumes, in part discretionary, do not automatically represent incremental production and can reflect logistical considerations depending on the geographical deployment of Vela's own fleet at a given point in time. Nonetheless, extra supply volumes in June versus May's average look a likely bet.

Attacks on foreign oil workers near the western city of Yanbu on 1 May and at Khobar in the east on 29 May raised concerns about security at oil facilities in the Kingdom. However, to date, no operational facilities have been damaged and security around oilfields, refineries, pipelines and ports has always been accorded high priority. Claims through the month that Saudi Arabia could increase production to 10-10.5 mb/d in June, subject to market requirements, appeared to recede by early-June. This Report would not doubt Saudi capability to raise production, but notes recent statements to the effect that any short-term rise to 10.5 mb/d is not sustainable for 90 days *immediately*, and would require further drilling to maintain this level. This Report employs a definition of sustainable production capacity as that which can be activated within 30 days and sustained for 90 days.

Supply from the **UAE** increased by 170 kb/d in May to reach 2.25 mb/d. However, this was from a lower April base than estimated in last month's Report. Curbs on production at Abu Dhabi's Lower Zakum and Umm Shaif fields due to maintenance at gas processing facilities now appear to have been steeper than first thought. As a result April UAE production has been revised down by 70 kb/d to 2.08 mb/d. Partial re-instatement of production from these fields underpins May's rise, with further production recovery likely in June. Abu Dhabi National Oil Company (ADNOC) has also allocated an extra 100 kb/d of crude above term volumes to customers for July lifting.

Some market sources in early June suggested the UAE could boost production by 400 kb/d compared to May. That would imply production of 2.65 mb/d, higher than the country's sustainable capacity and raising questions about contravention of restrictions on associated gas flaring. Whilst surge production above capacity is possible for most producers, the 400 kb/d increase is more likely to have been measured from a starting point of the UAE's target production of 2.05 mb/d. It is quite conceivable on this basis that the UAE will make extra volumes available in June, up to sustainable production capacity of 2.45 mb/d, should customers so require.

May supplies also remained high from elsewhere in the Gulf region, with both **Iran** and **Kuwait** thought to have been producing close to capacity levels of 4.0 mb/d and 2.3 mb/d respectively. April's estimate of Iranian production was in fact revised up by 90 kb/d to 4.0 mb/d on the basis of latest export indications. Iranian export volumes are thought to have been sustained in May. In the case of Kuwait, lower production from the Neutral/Partitioned Zone, and also at the northern Raudhatain field due to an outage at a gathering centre, were countered by increased supplies from the giant Burgan field. Overall, Kuwait production increased by some 20 kb/d versus the April average.

Nigerian production recovered from an April dip, rising 50 kb/d to 2.33 mb/d. April disruptions to Shell output in the Niger delta were believed resolved. Furthermore, as expected, lower initial May export loading schedules were augmented by extra cargoes made available through the course of the month. Initial June export volumes also appear to have been augmented, suggesting modestly higher production this month. Inter-religious strife and a state of emergency declared in the Plateau state in May were remote from key oil producing regions. Early June saw a military offensive against criminal gangs in the Niger delta, with similarly no impact reported on oil operations. However, renewed calls by the Nigerian Labour Congress for a strike from 9 June emerged after local fuel price rises. While this added to a prevailing nervousness about security of oil supplies, it should again be noted that ethnic violence and smuggling, rather than labour unrest, appear to present a greater threat to Nigerian production at present.

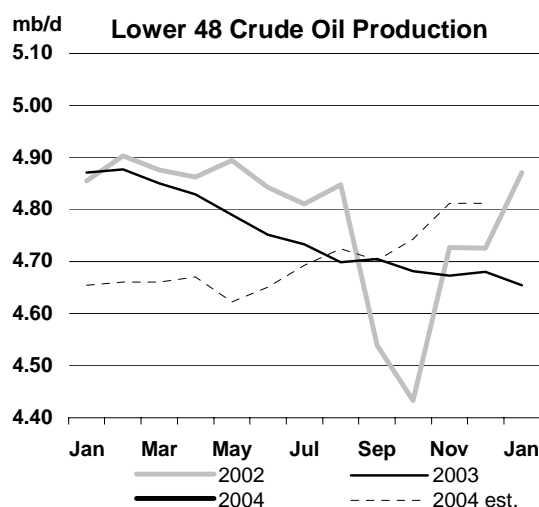
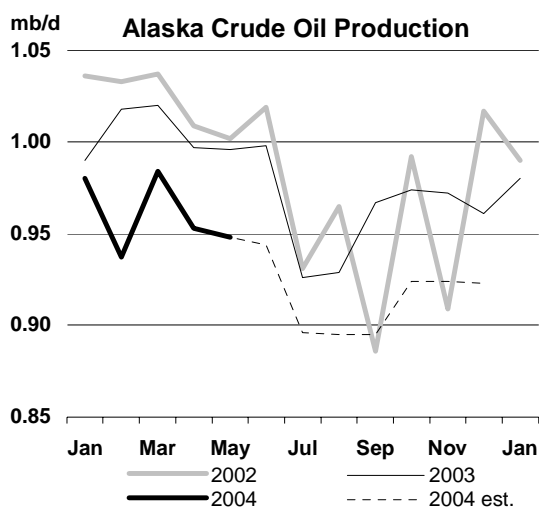
In contrast to the gains seen from Arab Gulf and North African producers, **Indonesia** continued to struggle to arrest prevailing decline in output. Production slipped to an estimated 965 kb/d of crude in May, the sixth straight month of production below 1.0 mb/d. Energy Minister (and OPEC President) Purnomo Yusgiantoro alluded in late May to the fact that Indonesia had become a net crude importer in March and April. Decline rates in older fields are such that his claim that this deteriorating trade position was a temporary phenomenon have been questioned by some industry insiders. Exports could increase in June and July, but more due to refinery maintenance rather than any production rebound. Furthermore, the government plans to lower its oil production (crude and condensate) assumption for this year's budget from 1.15 mb/d to 1.07 mb/d, consistent with recent crude output levels of 960-980 kb/d. In light of these recent developments, this Report's assessment of sustainable production capacity has been lowered from 1.1 mb/d to 1.0 mb/d.

OECD

North America

US – May Alaska actual, others estimated: March monthly data submitted by the US showed crude production at 5.6 mb/d largely as reported in last month's Report, as too did weekly data indications for April. In contrast, weekly indications for May production indicated a shortfall versus expectation from the US Gulf of Mexico (GOM). Total US crude production is estimated to have declined by some 50 kb/d in May, largely as a result of a valve leak at the GOM's 150 kb/d Mars platform. This glitch could curb Mars production through mid-June. However, late-April/early-May did see the start-up of production at the Llano and Devil's Tower fields, which together helped offset the Mars loss and these two fields could build to output of 85 kb/d by end-2004.

May **Alaskan** crude supply came in largely as expected, flat at 950 kb/d April levels. High early-month production slipped back, firstly with maintenance work at the Northstar field on 11-12 May and then again around 23-25 May with disrupted supply both here and at the Alpine field. So far in 2004, Alaskan production has been running around 45 kb/d, or 4%, below 2003 levels, a trend which could persist for 2004 as a whole.

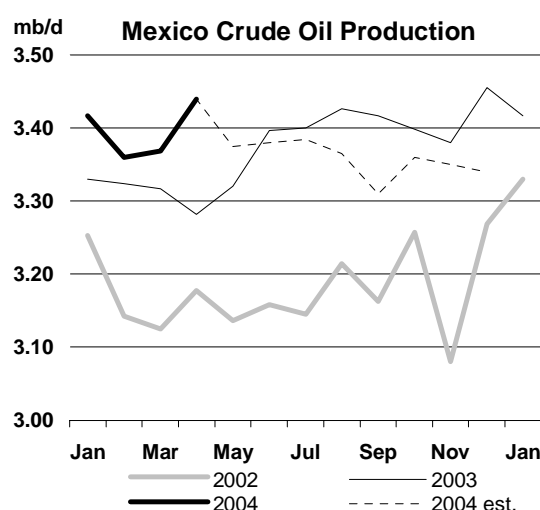
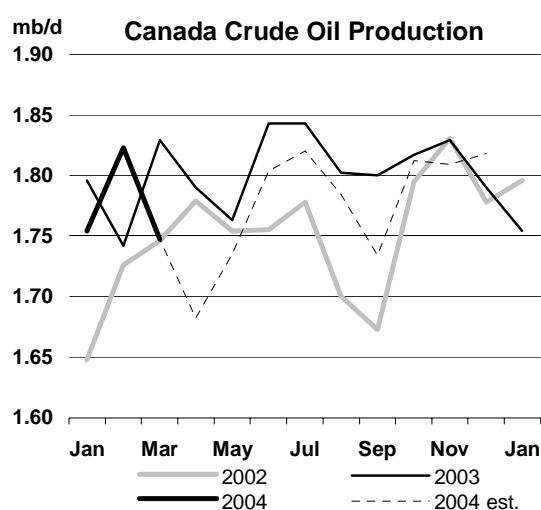


Uncertainty persists for the outlook for US **NGL supply** in 2004. On the up-side, since March NGL production has risen to levels at least 100 kb/d above year-ago. However, based on provisional

weekly data, NGL production in April and May appears to be running some 50 kb/d below expectations from the last Report. The April through June period represented the low point for 2003 US NGL supply as high natural gas prices reduced the extraction of liquids at processing plants. Final monthly data for 2Q, when available, will go a long way towards settling the likely profile for the year as a whole. Nonetheless it is worth noting that gas storage at end-May was some 30% above 2003 levels and close to the five year average, so the potential for a sustained dip in 2Q 2004 NGL supply looks less than in 2003. 2Q output of NGL has been revised down by 50 kb/d compared to last month's Report but 2004 supply is assumed to recover through end-year, albeit remaining below higher 2001/2002 levels.

Canada – April Newfoundland actual, others March actual: Canadian conventional crude supply declined by 75 kb/d in March to 1.75 mb/d and by a further 65 kb/d in April. Seasonal production declines for conventional crude in Alberta and Saskatchewan, plus maintenance at Terra Nova offshore Newfoundland, accounted for April's estimated decline. Synthetic crude production also fell by some 50 kb/d in April to below 600 kb/d as supplies from both the Suncor and Syncrude units declined. Conventional crude supply overall is thought to have rebounded by 20 kb/d in May, assuming full production again from Terra Nova. Seasonal recovery for western Canadian conventional output plus the resumption of syncrude output after maintenance are likely to lead to increases of some 60 kb/d in June and July total liquids output. 1Q NGLs output has been revised up by an average 20 kb/d compared to the last Report, in line with Canadian government data revisions. However, forecast NGL supply is held unchanged, showing a generally flat profile from 2003's average 680 kb/d.

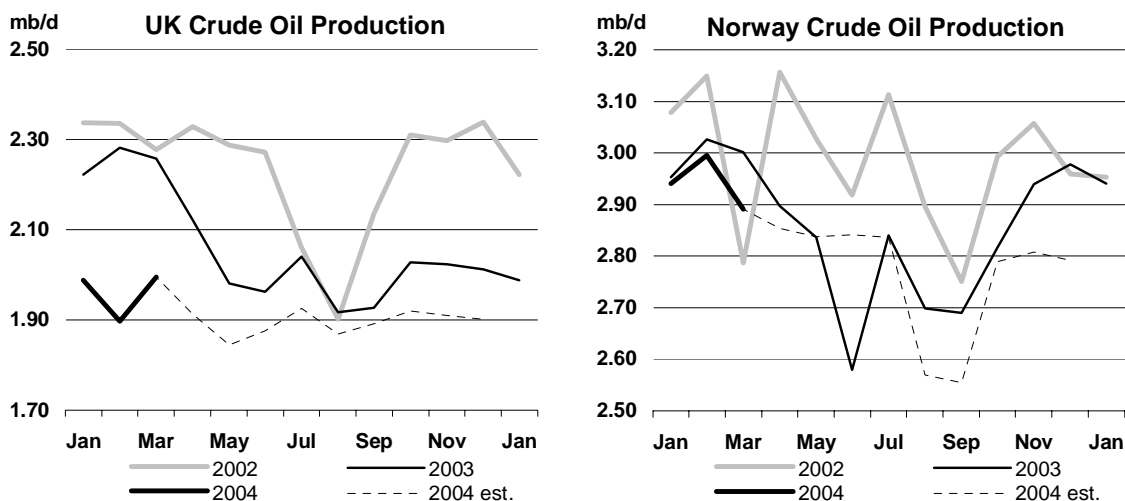
The focus for Canadian supply growth in future, as for 2004, remains on oil sands. The National Energy Board released a study showing output doubling by 2015. Offshore prospects remain more uncertain however, and May saw the Newfoundland authorities announcing a 50 mmbbl downward revision for total recoverable reserves at the Terra Nova field, in line with PetroCanada's earlier announcement concerning reserves in the field's eastern extension (*see Report dated 9 April 2004*).



Mexico – April actual: Crude production in April increased by 70 kb/d to 3.4 mb/d, while exports again averaged 1.86 mb/d. April's higher than anticipated (by this Report) production performance, allied to claims that Mexican exports would rise to 1.95 mb/d in light of higher OPEC supply, could be taken as signalling markedly higher Mexican production in months ahead. However, outgoing Energy Secretary Felipe Calderon suggested the country's actual ability to boost production and exports was restricted. An influx of foreign capital and expertise is widely seen as necessary for Mexico to open up deepwater areas for exploitation in an effort to stem potential production decline from the mature Cantarell complex. However, resource privatisation faces intense political opposition in Mexico. This Report retains its forecast showing Mexican crude output remaining at or slightly below 3.4 mb/d through to the end of 2004.

North Sea

UK – March actual: March UK offshore crude production data confirmed the rise indicated by earlier monthly loading schedules. However, March NGL production fell sharply, and after successive downward revisions through 1Q, NGL output for 2004 has been revised down by 15 kb/d in this Report. Crude loading schedules also point to a fall in production of 150 kb/d between March and May, with the Flotta and Forties systems leading the decline. In the Forties system, the Britannia gas and condensate field was adversely affected by a one week outage towards end-May. A recovery in total production is now expected for June, contrary to last month's expectation of decline. Loading schedules, notably for Forties, while an imperfect proxy for production, nonetheless suggest that earlier maintenance estimates may have been over-stated. Overall however, projections for total 2004 UK liquids supply are similar to those in last month's Report, output declining 140 kb/d year-on-year to reach 2.15 mb/d, the fifth straight year of decline.



Norway – March actual, April provisional: Latest government data show Norwegian crude production fell from just under 3.0 mb/d in February to 2.85 mb/d in April. Higher production from the Statfjord, Gullfaks, Sleipner and Frigg systems is believed to have stabilised output in May and should continue to do so into June and July. However, as noted last month, heavy field maintenance in August and September could push crude output below 2.6 mb/d, before a slight recovery through end-year. In total Norwegian liquids supply is expected to decline by 30 kb/d in 2004, to average 3.2 mb/d, in line with the latest government forecast. The only new field increments henceforward in 2004 are the Kvitebjorn and Oseberg South projects, and these are insufficient to prevent the slight decline for total Norwegian liquids supply.

A government white paper released in May contained provisions for speeding up tax relief on exploration expenditures (believed to be worth \$218 million pa over 2006-2008) and the setting up of a \$120 million investment fund. No provision for reducing petroleum corporation tax was included however, as the industry had been lobbying for. Greater exploration activity is required to counter mature field decline, but industry cites the relatively high costs of Norwegian shelf activity and restricted access to environmentally sensitive northern areas as disincentives to greater investment.

Former Soviet Union (FSU)

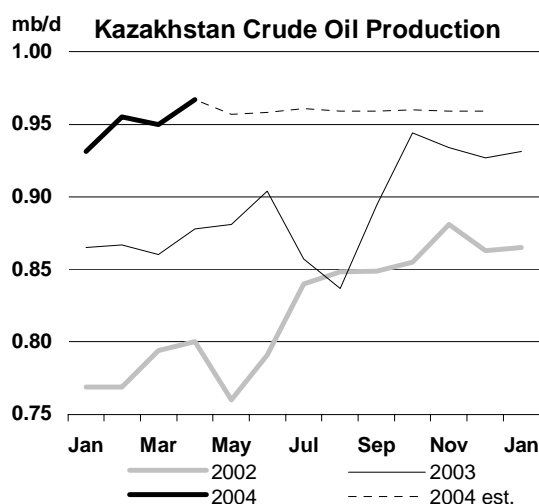
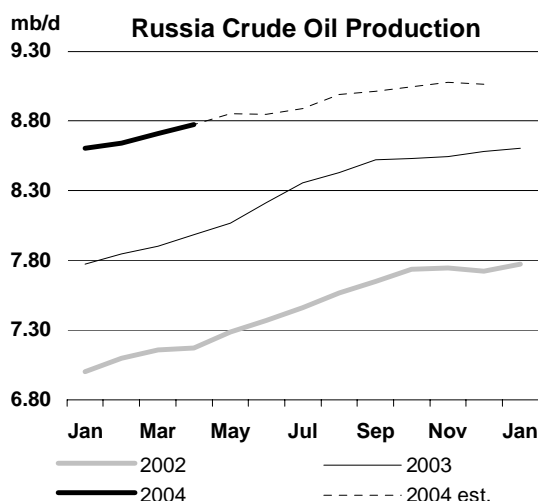
Russia – April revised, May partly estimated: Russian production again increased, with month-on-month gains of 60 kb/d in April and a provisional 72 kb/d in May. Crude output reached 8.9 mb/d in May, and total oil, including condensates, a provisional 9.1 mb/d. Growth for the five months through May compared to 2003 remains over 800 kb/d and in excess of 10% per annum. However, there are signs that Russian growth is beginning to slow. Data for year-on-year production growth on a rolling three month average basis point to underlying growth slipping from a peak of 11.5% in August 2003, to 10.6% in January 2004 and 9.9% in May 2004.

This Report sees production growth slowing to average 7.8% in 2004 compared to the 10.8% seen in 2003. Nonetheless, this still amounts to over 650 kb/d of incremental oil supply for the year, and stands to raise production to 9.3 mb/d by fourth quarter 2004. On balance, indications emerging in May tended to support continued strong production growth, albeit at lower rates than seen in 2003:

- Sibneft announced that it was retaining its 20% production growth target for 2004, despite shortfalls in the first four months of the year;
- The Economy Ministry forecast 6.9% oil production growth in 2004, markedly higher than the Industry and Energy Ministry latest projections of growth of between 3.5% to 5.1%;
- Financial and technical consultants stressed that, while growth was likely to decelerate, further rehabilitation of existing fields in western Siberia holds significant potential to boost production in the short to medium term.



One cloud on the horizon, threatening to undermine growth levels in 2004 remains the Yukos affair. An early-May slide in the company's share price followed the start of court proceedings in Moscow into a \$3.5 billion bill for taxes dating back to 2000. The court later upheld the tax demand and pushed Yukos shares to an 18 month low. The company is seeking to over-turn an earlier ruling prohibiting it from liquidating assets and seeks an accommodation with the government in terms of phased repayments for tax arrears. It has warned that it faces bankruptcy by end year unless some form of accommodation can be reached.



Final data for April showed a sharper drop in FSU net exports than indicated in last month's Report, with total exports falling by over 300 kb/d from March highs. Black Sea exports and those via other routes including rail and barge shipments fell back the most. May exports appear provisionally to have levelled off at around 7.35 mb/d, with lower seaborne exports being counteracted by a resurgence in deliveries via the Druzhba pipeline and those using rail and river barge as outlets. Crude exports are thought to have risen by some 100 kb/d in May but products shipments are believed

off by a similar amount. The export tax for crude was raised by the equivalent of \$0.87/bbl from 1 June. Initial indications for June suggest that crude exports could rise by up to 100 kb/d, though with Baltic loading schedules generally flat at May levels, most of the increase could come from Black Sea ports. The authorities may now be acknowledging the potential for longer-term bottlenecks in the export system, as President Putin called in May for more rapid progress on the evaluation and approval procedure for major new pipelines.

Big Resource Base but Kazakh Growth Could be Impeded by Pipelines and Politics

Amongst key Caspian producers, Kazakhstan has the greatest potential to boost production in the medium term. Azerbaijan may add 1.0 million b/d to current output of 310 kb/d by 2010 through development of the Azeri-Chirag-Guneshli (ACG) fields in the Caspian Sea. Incremental volumes are also likely from Turkmenistan on a more limited scale. However, Kazakhstan production could rise from 1.0 mb/d to over 2.0 mb/d by 2010 and 3.0 mb/d by 2015. Three fields underpin this growth – the already producing Tengiz and Karachaganak fields, plus the 9 billion bbl Kashagan development, Kazakhstan's first major foray into production from the northern Caspian Sea.

The northern Caspian shows the potential and the difficulties in Kazakhstan attaining such production growth. First stage development of Kashagan involves 450 kb/d by 2010 but later stages, requiring dedicated pipeline infrastructure, could boost capacity to 1.2 mb/d. The consortium developing Kashagan, led by ENI, has already been fined for deferring start-up from 2005 until 2008. This resulted from technical difficulties over winter ice in the Caspian, reservoir depth and sour associated gas. Dealing with large volumes of associated gas is a common problem for major field developments in Kazakhstan, as processing facilities, local markets and export infrastructure are under-developed. The government sees gas exploitation as key to longer term hydrocarbon growth, but foreign operating companies would prefer to see a return on existing oil investment before expanding gas infrastructure.

If, as expected, the Caspian is to be the focus of longer-term Kazakh expansion, foreign producers suggest the government needs to provide fiscal and regulatory incentives to compensate for the technical risks now emerging for the next generation of Kazakh investments. "Low hanging fruit" such as the Tengiz and Karachaganak projects (not without their own technical difficulties) were developed under a benign fiscal/regulatory regime designed to attract operators otherwise deterred by the political risks of working in the immediate post-Soviet Kazakhstan of the early 1990s. Political risk may have diminished but operators suggest investment may move elsewhere unless recent, and proposed further, tightening of operating terms and conditions is reconsidered.

Finally, the most obvious potential impediment to Kazakhstan's oil supply expansion is export capacity. Historically dependent upon the Russian Transneft pipeline system, Kazakhstan in 2001 saw the start of the 1600 km pipeline from Tengiz to Russia's Black Sea port of Novorossiysk, operated by the Caspian Pipeline Consortium (CPC). Capacity is now 560 kb/d, with a further 200 kb/d expected for end-2005 and full system expansion to 1.4 mb/d due by 2008. CPC allows producers to by-pass the Transneft system, where no premium is paid to producers of higher quality crude. But there are concerns over tariff levels on the Russian section of CPC, and the amount of space left for Caspian crude if and when Russian shareholders take up their full entitlement to ship via CPC. The pipeline also feeds into the Black Sea/Turkish Straits bottleneck. One solution to this may be to move Kazakh crude north from the Black Sea via the Odessa-Brody pipeline into NW Europe, but proposed tariffs on the Ukrainian line are for now seen unattractive.

CPC and northbound exports via Russia will remain baseload outlets for Kazakh supply, but export diversification is becoming a key objective. Kazakhstan may tap markets in the Mediterranean and beyond, by-passing the Turkish Straits, on completion of the Baku-Tbilisi-Ceyhan (BTC) line in 2005. But Kazakh oil could be squeezed out of BTC after 2008 when ACG volumes peak. The Kazakh ports of Aktau and Kuryk are being expanded to boost trans-Caspian shipments, both towards BTC and southwards to Iran's port of Neka. Total Caspian swaps with Iran could rise to 500 kb/d. Kazakhstan is also considering a 1.0 mb/d pipeline to Iran, but whether US upstream players could use this route is questionable. May 2004 saw an agreement between Kazakhstan and CNPC for a new 400 kb/d pipeline to China, with possible start-up by end-2005. However, further pipeline capacity within Kazakhstan and China is likely to be required to provide a feasible, integrated network. Moreover, Kazakhstan may offer space on the Chinese line to Russian producers, seeking reciprocal access for Kazakh gas to the Russian pipe network feeding Western Europe. This may effectively limit the contribution of the Chinese route to genuinely diversifying Kazakh crude export outlets.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

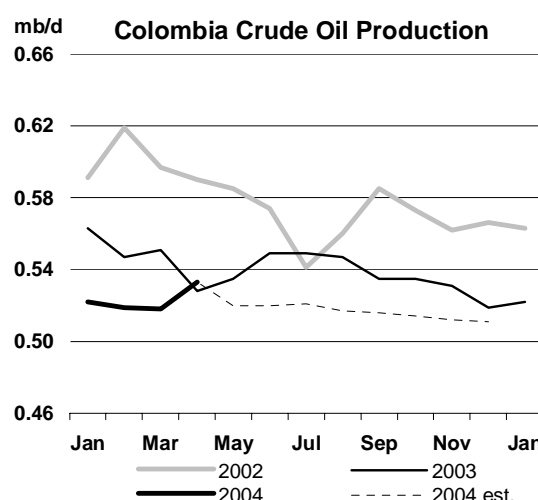
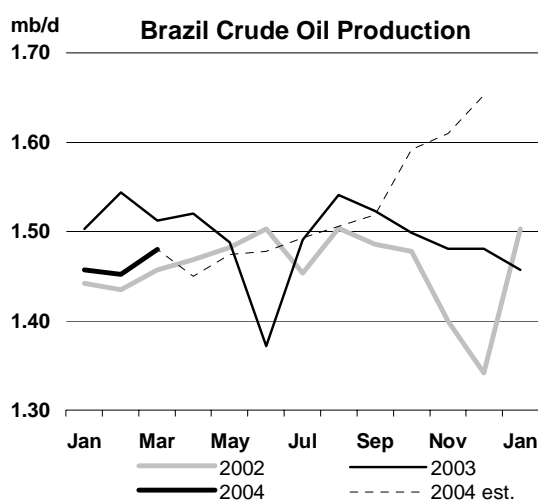
	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Revised Apr 04	Prelim. May 04	Latest month vs. Apr 04	May 03
Black Sea Exports	2.52	2.80	3.00	2.96	2.69	2.85	3.11	2.82	2.77	-0.06	-0.31
Baltic/Arctic Exports	2.02	2.46	2.56	2.57	2.61	3.02	3.01	3.16	3.13	-0.03	0.54
Total Seaborne	4.54	5.25	5.56	5.52	5.30	5.87	6.12	5.98	5.90	-0.09	0.23
Druzhba Pipeline	1.04	1.05	1.03	1.02	1.08	1.09	1.05	1.01	1.05	0.04	0.07
Other	0.35	0.46	0.45	0.51	0.49	0.48	0.48	0.34	0.40	0.06	-0.08
Total Exports	5.93	6.77	7.04	7.05	6.87	7.44	7.65	7.34	7.35	0.00	0.22
Imports	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
Total Net Exports	5.92	6.75	7.02	7.04	6.86	7.43	7.64	7.33	7.34	0.01	0.22
Crude	4.04	4.68	4.79	4.85	4.82	5.14	5.27	5.08	5.18	0.11	0.31
of which: Russian Crude	3.02	3.34	3.35	3.36	3.38	3.65	3.77	3.82	3.90	0.08	0.68
Products	1.89	2.09	2.26	2.20	2.05	2.30	2.38	2.26	2.16	-0.10	-0.09

Sources: Petro-Logistics, IEA estimates

Kazakhstan – April actual: Total oil production in April increased by 12 kb/d, but output from the key Tengiz and Karachaganak fields was down slightly, leaving production from three producers - CNPC, Petrokazakhstan Kumkol and Karazhanbasmunai - to take up the slack. In all, production growth in 2004 is expected to be steady, at around 100 kb/d, close to the average seen in the past five years. Annual production should average 1.14 mb/d. One part of 2004's increment fell into place in May, with the first volumes of Karachaganak liquids entering the CPC pipeline system to Novorossiysk just after mid-month. Deliveries of Karachaganak oil via CPC were originally scheduled for 3Q 2003 but were delayed by contamination problems and equipment failure. Access to the CPC pipeline should allow Karachaganak production to build in excess of 200 kb/d by end-2004, augmenting volumes that have traditionally been (and will continue to be) sent northwards to Russian processing facilities at Orenburg.

Other Non-OPEC

Brazil – March actual, April provisional: Preliminary indications for March output available last month understated Brazilian crude production. Actual March production appears to have rebounded by nearly 30 kb/d after a drop in January and February, reaching 1.48 mb/d. Offshore Campos Basin production led the rebound. However, outages affecting the floating production, storage and offloading vessels (FPSOs) at the Marlim and Albacore fields hampered April production, with total

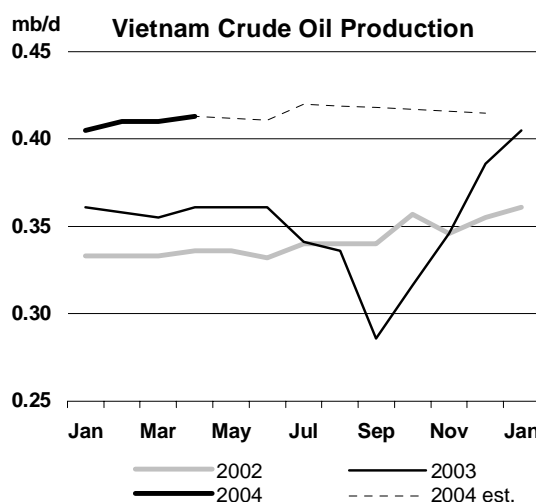
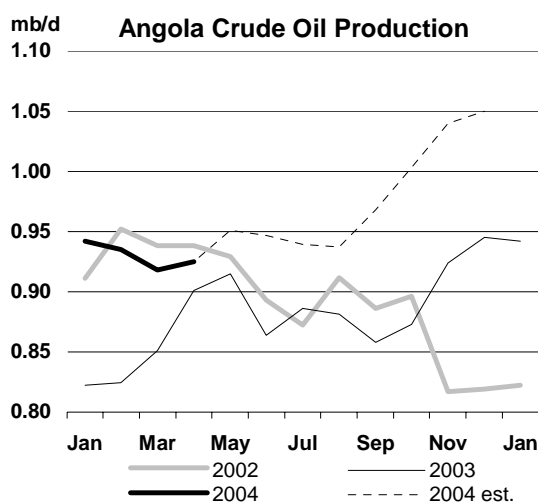


crude production again estimated to have fallen by 30 kb/d. Problems also surfaced in May at the Roncador field, but reactivation of the former two facilities is estimated to have seen crude output recover in May to 1.47 mb/d. As noted previously, new Campos Basin output amounting to upwards of 200 kb/d should come online in the fourth quarter. However, shortfalls early in the year mean that 2004 crude production overall is only expected to rise by some 20 kb/d compared to the 2003 average.

Petrobras in May announced a \$7.7 billion per annum capital spending programme for 2004-2010 aimed primarily at boosting domestic production to 2.3 mb/d. Crude exports are seen doubling to 500 kb/d. An agreement signed in May also envisages exports to China rising to at least 50 kb/d by 2006 from single digit levels in recent years.

Colombia – April actual: April Colombian crude production rebounded to 533 kb/d, its highest level since October 2003. However, the regular decline in Colombian production evident each year since 1999 is likely to continue in 2004. A one month strike by oil workers officially ended with a return to work on 28 May. State-run oil company Ecopetrol announced that the strike had no impact on refinery production or crude exports. The National Hydrocarbons Agency reported during the strike that negotiations were ongoing to bring in foreign companies on a risk contract basis to help stem decline at mature oil fields. Such deals do not appear to have been put aside as part of any agreement to end the strike.

Angola – April actual: April production averaged 925 kb/d, a modest increase on March but 10-20 kb/d below the levels seen in December-February. Nevertheless, 2004 production is expected to average 965 kb/d, 85 kb/d higher than in 2003 as production increases at the recently started Xicomba field and with 3Q start-up from the Kizomba A field. State oil company Sonangol announced in May that national production by 2008 would reach 2.0 mb/d. Under international pressure, Angola has divulged for the first time details of signature and other bonuses received from producer companies. The international community has been calling for greater transparency in oil revenues amongst key producing countries.



Vietnam – April actual: Latest data from the government statistical office revised up January-April production to around 410 kb/d from a previous estimate of 405 kb/d. Although these data are not broken out on a main field basis, latest indications from Vietnam are that:

- The *Bach Ho* field averaged around 265 kb/d in 2003, marginally higher than IEA estimates and this level of output is planned to be sustained until 2007;
- *Rang Dong* production declined to 50 kb/d in H2-2003 from an earlier 60 kb/d and plans to regain 60 kb/d in 2004 have been deferred (resulting in a downward revision to this Report's estimates);
- *Su Tu Den* production so far in 2004 is averaging 85 kb/d (higher than earlier OMR estimates) and this will rise to 95 kb/d around mid-year.

Modest upward revisions to both 2003 and 2004 production mean that Vietnamese output is projected to grow by around 65 kb/d in 2004, as in last month's Report, the bulk of the growth deriving from the *Su Tu Den* field.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.66	14.74	0.08	14.66	14.76	0.09	0.00	0.01	0.01
Europe	6.35	6.22	-0.13	6.35	6.21	-0.14	0.00	-0.01	-0.01
Pacific	0.65	0.61	-0.04	0.65	0.60	-0.05	0.00	-0.01	-0.01
Total OECD	21.66	21.57	-0.09	21.66	21.56	-0.10	0.00	-0.01	-0.01
Former USSR	10.31	11.08	0.76	10.31	11.10	0.78	0.00	0.02	0.02
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.41	0.00	3.41	3.42	0.01	0.00	0.01	0.01
Other Asia	2.58	2.73	0.14	2.59	2.73	0.14	0.00	0.00	0.00
Latin America	3.94	4.00	0.06	3.94	3.99	0.05	0.00	-0.01	-0.01
Middle East	1.98	1.87	-0.11	1.98	1.87	-0.11	0.00	0.00	0.00
Africa	3.06	3.43	0.37	3.06	3.43	0.37	0.00	-0.01	-0.01
Total Non-OECD	25.46	26.68	1.22	25.46	26.70	1.24	0.00	0.02	0.01
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.92	50.09	1.17	48.92	50.10	1.17	0.00	0.01	0.01

OMR = Oil Market Report

OECD STOCKS

Summary

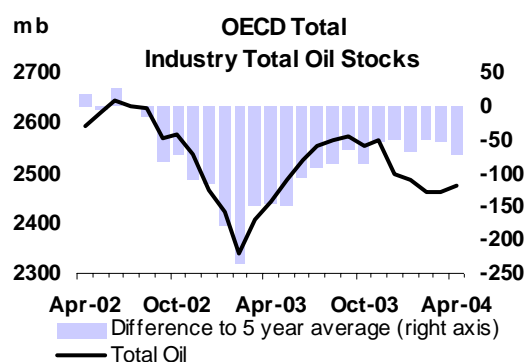
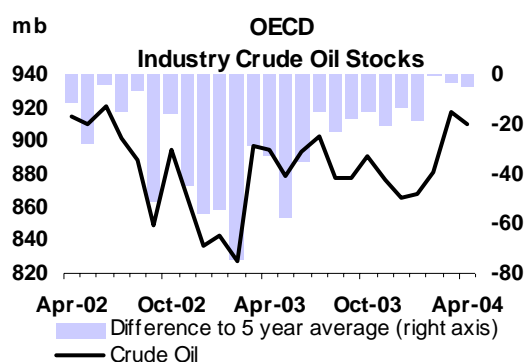
- **OECD industry total oil inventories** ended April at 2473 mb, up a modest 9 mb and 29 mb above last year. Draws in crude inventories were offset by gains in distillate and 'other products'. While the OECD's crude inventory position has improved, products remain tight, ending at the lower end of their recent five-year range. Gasoline inventories ahead of seasonally higher summer demand were unchanged in the first quarter. Days of forward demand cover by industry oil stocks remained depressed for a third month at 51 days as product demand remains strong.

Preliminary Industry Stock Change in April 2004 and First Quarter 2004

	(million barrels per day)							
	April (preliminary)				First Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.29	-0.40	-0.14	-0.24	0.34	0.28	-0.05	0.57
Gasoline	0.22	-0.17	0.03	0.08	0.01	-0.04	0.03	0.00
Distillates	0.08	0.08	0.13	0.29	-0.40	-0.22	-0.21	-0.83
Residual Fuel Oil	-0.07	-0.02	0.08	-0.01	0.03	-0.05	-0.03	-0.05
Other Products	0.23	0.02	0.01	0.26	-0.06	-0.03	-0.07	-0.16
Total Products	0.47	-0.09	0.25	0.62	-0.42	-0.33	-0.28	-1.04
Other Oils ¹	-0.11	-0.02	0.05	-0.09	0.08	0.04	-0.04	0.08
Total Oil	0.65	-0.51	0.16	0.29	-0.01	-0.02	-0.37	-0.39

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** slipped 240 kb/d in April with declines in European and Pacific inventories. At 910 mb, OECD crude stocks closed 16 mb above last year. Draws in Europe followed a rundown of Norwegian stocks as North Sea supplies were aggressively bid by refiners on both sides of the Atlantic for their high gasoline yield. An 8 mb fall in Japan was driven by reduced holdings ahead of refinery turnarounds in May/June, a period this year during which key term Middle East suppliers will allocate full contractual volumes. US-50 crude stocks reached 302 mb by end-May, a level not seen since end-August 2002 but still 13 mb below their five-year average.
- **OECD industry distillate** stocks rose 290 kb/d with Japan leading builds in inventory. The Atlantic Basin saw stocks increase by 5 mb; the rise was modest with refinery yields seasonally favouring gasoline. In Europe, unfavourable price signals and weak inland demand for heating oil provided little incentive to refill storage. Combined with reduced imports, European distillate inventories ended relatively tight. The US saw a moderate stock build in May as strong diesel deliveries were buoyant on the strength of activity in the agricultural, manufacturing and road transport sectors.
- **US stocks of finished gasoline** rose only 5 mb from April to May, closing at 138 mb as strong gasoline demand growth capped inventory builds. Anticipated May additions to total US gasoline stocks were deferred into June on the expectation of higher imports, greater domestic production and an easing in demand growth. In contrast, European gasoline stocks fell although crude runs were high. Eurograde volumes flowed to the US and low octane material to Nigeria. Foreign demand pull on European supplies was sustained in May, suggesting lower industry stocks in line with the trend observed in independent gasoline storage in the Amsterdam-Rotterdam-Antwerp (ARA) area.



OECD Industry Stock Changes in April 2004

OECD industry total oil stocks rose 290 kb/d in April to 2473 mb. Total product stocks increased by 620 kb/d with gains centred in 'other products' and distillate inventories while crude stocks fell by 240 kb/d. Though the OECD's crude position is now more comfortable, the modest rise in products stocks from a downward revised first quarter level left total oil stocks 73 mb below their recent five-year average. The relative tightness in product stocks, in combination with a strong demand outlook, kept days of forward cover by total oil stocks depressed at 51 days.

Industry crude oil stocks fell 7 mb in April, mainly in Europe and the Pacific region. The decline in the Pacific was centred in Japan where refiners reduced imports and minimised inventory ahead of planned maintenance in May and June. Europe saw stocks drop 12 mb as refiners ramped up runs to capture high margins on gasoline. The reduction came mostly in Norway as US and European refiners competed for light sweet North Sea crude. Elsewhere in Europe, stock changes were below a million barrels as supplies of Russian Urals were high despite late-month arbitrage sales out of the region. In contrast, stocks rose in Mexico by 3 mb and by 6 mb in the US. At end-May, US-50 stocks closed at 302 mb, or 13 mb below their five-year average. But stocks at Cushing, the delivery point for NYMEX's WTI contract have steadily risen, helping to reduce spreads between the near months of the futures contract. Europe's May and June crude position looks to stay balanced. North Sea crude flows to the US were lower in May and extra cargoes were offered by Saudi Arabia and Iran in the Mediterranean. Further indications were implied by weekly swaps prices in Brent (Cfds). At the time of writing, inferred physical dated Brent prices were below forward Brent for June and July delivery.

OECD distillates stocks saw a build of 290 kb/d. The rise came in the Pacific, prompted by gains in Japanese inventory. Korea, despite firm runs and weaker demand, saw only a marginal increase as it stepped up distillate exports into a strong Asian market. Stock builds were modest in Europe and the US, capped by refinery yields favouring gasoline output. Earlier March strength in European demand eased, but reduced imports of gasoil and jet fuel tightened supplies. This kept prompt physical prices above futures and discouraged storage. Although the front month IPE gasoil futures saw its premium to the second month weaken in May, its outright level remained high. In contrast, the US saw the shallower backwardation in its comparable NYMEX contract flip into contango in May. Yet, US demand was strong on a seasonal basis, in diesel and jet/kerosene, moderating stock builds for most of May.

OECD gasoline stocks, after revisions to preliminary March estimates, were unchanged in the first quarter but saw gains in April. Industry gasoline stocks rose in North America by 220 kb/d but fell in Europe by 170 kb/d. The fall in Europe stems from heavy exports both to the US and to Nigeria. The same trend is expected in May, mirroring developments in independent storage in the ARA area, and further favoured by unplanned outages at gasoline producing units in Northwest Europe. Some 1.7 million tonnes of gasoline were reported fixed from Europe to the US in May and 600 000 tonnes in the first two weeks of June. Total US gasoline stocks rose 3 mb in April to 204 mb and held flat for May. Anticipated US pre-driving season inventory builds were delayed for June. Gasoline stocks are expected to climb above last year's level by end-June as domestic output, which ebbed in May, reverts to 9 mb/d and imports sustain levels closer to 1 mb/d.

Revisions to Preliminary OECD Stocks and Inventory Position at End-April

Revisions to March OECD industry oil stocks reduced inventories by 10.4 mb. The downward adjustment came in product stocks. Crude inventories were raised 5 mb in the Atlantic Basin. North America accounted for revisions in distillates but Europe saw the largest downward revision in gasoline inventories.

Revisions Versus 12 May 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Feb 04	Mar 04	Feb 04	Mar 04	Feb 04	Mar 04	Feb 04	Mar 04
Crude Oil	0.0	3.3	-0.3	1.7	1.3	-2.4	1.0	2.7
Gasoline	-0.5	0.9	0.3	-4.1	0.0	-0.2	-0.2	-3.4
Distillates	-1.5	-2.2	-0.7	-0.6	0.0	0.7	-2.3	-2.1
Residual Fuel Oil	-0.1	-0.1	0.1	-0.3	0.0	-0.6	0.0	-1.0
Other Products	-3.0	0.1	-0.8	-3.6	0.0	-3.1	-3.8	-6.7
Total Products	-5.1	-1.2	-1.2	-8.7	0.0	-3.2	-6.3	-13.1
Other Oils ¹	0.0	-2.1	-0.3	2.0	0.0	0.2	-0.3	0.1
Total Oil	-5.1	0.0	-1.7	-5.0	1.2	-5.4	-5.6	-10.4

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-ago comparisons put OECD crude stocks up by 16 mb but total product stocks remain tight. Products posted a meagre 10 mb surplus above April 2003's depressed levels. The combination of tight product stocks and strong OECD demand caps days of forward demand cover. Cover held at 51 days in April, unchanged since February and below that in April 2003. Forward demand cover in the Pacific and Europe was 52 and 59 days respectively, while in North America it reached 46 days.

Year-on-Year Industry Stock Comparisons for April 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	14.7	-3.2	4.6	16.1	Total Oil	0.6	-1.6	-0.3	-0.3
Total Products	30.2	-8.7	-11.6	9.9	Versus 2002	-5.0	-3.0	-4.1	-4.3
Other Oils ¹	3.3	-0.3	-0.3	2.6	Versus 2001	-3.0	-2.1	-6.4	-3.4
Total Oil	48.1	-12.2	-7.3	28.6	Total Products	0.5	-1.0	-1.2	-0.3
Versus 2002	-80.1	-23.0	-18.7	-121.8	Versus 2002	-2.6	-3.7	-3.2	-3.1
Versus 2001	-19.4	-14.4	-54.4	-88.1	Versus 2001	-1.2	-2.6	-3.4	-2.0

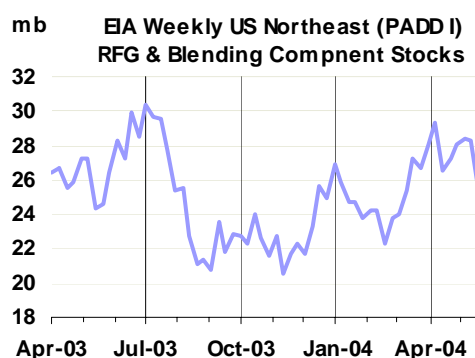
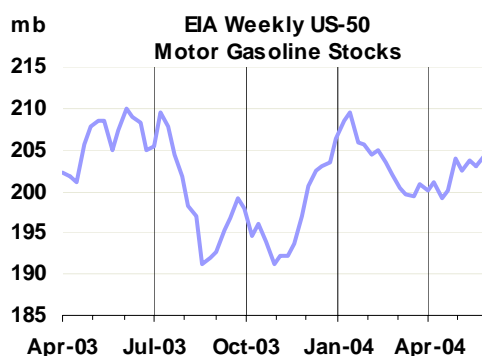
¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks added over 5 mb in April, closing at 294 mb, slightly higher than a year ago. The modest additions to storage resulted from average crude imports lagging a belated ramp-up in crude runs. Additions to storage accelerated in May and stocks revisited the 302 mb mark, a level not seen since August 2002. Though refiners were running at an average 95% utilisation rate in May, with early peaks in crude runs just shy of 16 mb/d, average crude imports during the period also rose, exceeding the 10 mb/d rate needed to support higher runs. Recently, crude stocks in the Mid-continent have rebuilt, closing May at 65 mb with newly released data for Cushing, the delivery point of NYMEX's WTI contract, showing strong builds. Stocks around Cushing rose 4 mb since early April to close at 16 mb, supporting a weakening of the spread between the near-traded months for WTI futures.

June is likely to see crude stocks hold broadly level if not slightly down, should, at current throughputs, imports stay above 10 mb/d. Recent cash price spreads on the Gulf Coast suggest that availabilities of sweet and sour crude for June delivery were high. The second half of May saw domestic heavy/sour grades weaken against WTI and lost domestic Mars production, was seen broadly offset by offers of Russian Urals and the start-up of new production fields. Offers of light-sweet West African grades were also high. Nigeria supplied extra volumes for May and June while competing demand from Asia eroded compared to the first quarter. These availabilities reflected on the prices of the comparable US light sweet grade, LLS, which saw its backwardation in the near forward months reduced by end-May.



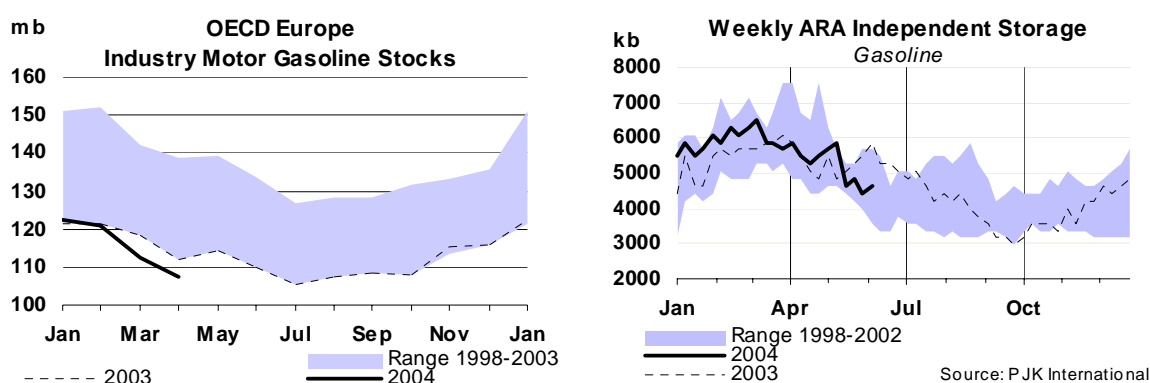
Against a backdrop of strong growth in gasoline deliveries, April **US finished gasoline stocks** closed 2 mb above March, at 135 mb, and added another 3 mb in the last week of May at 138 mb. After revisions to March data, the increase in total gasoline inventories in April came largely on the basis of finished product. Blending components held about even in April, slightly above 68 mb. In May, total gasoline stocks at end-month were unchanged from April at 204 mb in spite of domestic production slipping. Gasoline demand growth eased and imports increased with a rise in exports from Europe, including RBOB blendstock for MTBE free reformulated gasoline (required this year in the states of New York and Connecticut).

In the Northeast, reformulated gasoline stocks tightened in April before flattening by end-May, keeping prices in New York Harbour high. Though blendstocks in the area dipped temporarily in May, RBOB's widening discount to RFG suggests that its availability remained comparatively high. In early June,

there were signs of more ample physical supply. RFG prices in New York Harbour fell while Colonial Pipeline Co apportioned deliveries on its line which moves gasoline from the Gulf Coast to the Northeast due to capacity constraints. The latest data suggest that US gasoline imports approached the 1 mb/d level. This is likely to be sustained while at the same time domestic production is expected to revert closer to 9 mb/d. As a result, in absence of further significant growth in demand, gasoline stocks could recover ahead of peak demand in July/ August and close June above year-ago levels of 207 mb.

Europe

European industry crude stocks fell 12 mb in April to 325 mb as crude runs rebounded on strong margins. Most of the decline, however, was observed in Norway as light sweet crudes from the North Sea met with strong interest from both Europe and the US. Arbitrage to the US picked up in April as WTI/Brent differentials widened. More generally, sour supply remained ample despite some surplus Urals arbitrated to Asia and US Gulf Coast. April crude stock changes in other European countries kept below a million barrels. Crude stocks typically decline in May, and the likely continuation of high runs should favour a stock draw, albeit smaller than seen last year. Though large volumes of May Urals were reported to have been arbitrated out of the region, this was partly offset by additional spot availabilities of Saudi and Iranian crude via Sidi Kerir in the Mediterranean.



European industry gasoline stocks fell 5 mb in April while **distillates stocks** edged higher by 2 mb. Gasoline fell on the strength of arbitrage trade to the US and Nigeria and this trend is likely to extend into May. For US deliveries, trader estimates point to exports of 1.7 million tonnes, up from April's 1.5 million tonnes. Although May crude runs are expected to remain high, unplanned outages in gasoline producing units at refineries in Northwest Europe will add downward pressure on stocks. This was reflected in the decline of independent storage of gasoline in the ARA area. June, however, should see an easing of demand pull from Nigeria as the country restarts one of its refineries.

Middle distillates stocks, at 219 mb, closed April at the bottom of their five-year range. High prompt physical prices, backwardation in gasoil futures and weak heating oil demand prompted lower storage. As such, gasoil in independent ARA storage held level at low levels during May. Also, stocks were kept at a minimum as demand into the German, French and Swiss markets was slack. Oil majors reportedly covered their downstream needs and refinery offers were competitive. Distillate stocks in May could repeat this trend. Notwithstanding firm crude runs, stocks are unlikely to rebound strongly as lower imports thinned regional supplies. Middle Eastern jet fuel was bid to Asia while Baltic gasoil exports were reduced in favour of higher crude shipments. Gasoil demand was also strong in the Mediterranean, mainly in Turkey for domestic use as well as orders for deliveries into Iraq.

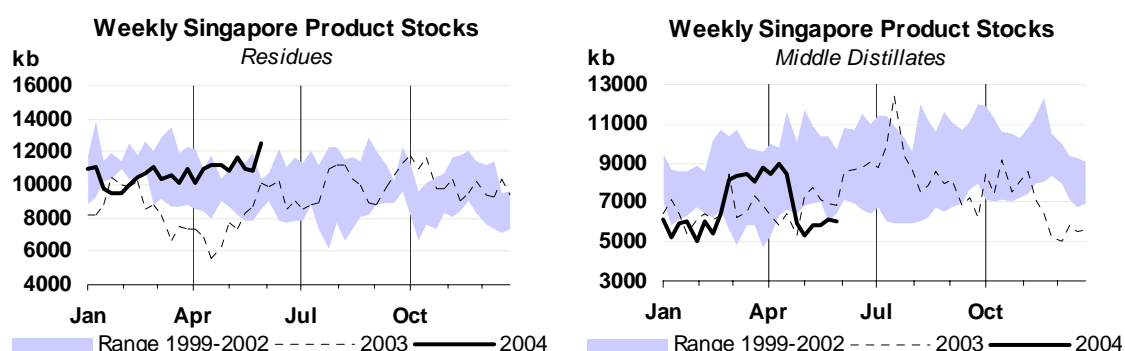
Pacific

Pacific crude stocks fell 4 mb in April to 171 mb, driven by a sharp decline in Japanese stocks outpacing a build in Korea. But inventories kept within seasonal norms ahead of scheduled refinery maintenance in both countries. Custom-cleared data showed April Japanese imports down sharply, both from March and year-ago levels. With Japanese weekly data indicating a crude stock draw in May, it is unlikely that the April draw will be revised lower next month due to the addition of tanker volumes at port (not included in the April estimate). In contrast, though Korean onshore crude stocks fell, rising tanker volumes more than offset this decline. While Korean crude stocks look likely to have slipped in May, additional late April liftings will probably raise end-May storage in Japan above the levels indicated by weekly onshore data. The April draw in Japan was fairly typical, as it accompanies reduced crude needs, but also, it was reinforced by weaker product demand against a year-ago. Pacific crude stocks should show as rise by end-June as these are re-built ahead of higher runs. This will be supported by a number of key Middle Eastern suppliers allocating full term volumes for May and June.

Singapore Stock Developments in May

Product stocks in Singapore, surveyed by International Enterprise rose in May as residual fuel oil and naphtha backed up in storage. While a build was observed in distillates, these inventories remained low against historical norms. Regional demand for distillates was strong and product output constrained from key exporting countries owing to refinery maintenance.

Residual fuel stocks bucked seasonal trends as incoming supply from Europe, the Caribbean and the US outpaced regional demand, keeping inventories above the recent five-year range. The stock build in end-May reflected heavy arbitrated volumes which were pegged at three million tonnes for late May to mid-June. Chinese demand fell and May imports into the country's main Huangpu terminal were reported down 30% from April levels. It is likely that domestic storage was ample following earlier aggressive buying in April and ahead of a holiday in early May. While fuel oil demand by Chinese refineries to upgrade into diesel remains strong, high Singapore prices relative to domestic sales prices have limited buying interest by Chinese importers. At the time of writing, Singapore swap prices for fuel oil for June delivery posted a premium against July, encouraging sales from storage. Market expectations, at the time of writing, also pointed to higher forward supplies as the June swap differential against the third quarter as whole was in backwardation.



Middle distillate stocks edged higher but were down from their early April peak. A strong uptick in gasoil inventories seems unlikely under the current backwardation. Distillate demand from China continues to attract regional supplies of jet fuel and gasoil. At the same time, supplies from key exporters like Korea but also from the Middle East have been curtailed on refinery maintenance. China's main jet importer, China Aviation Oil, is reported to have lifted its second quarter purchases in excess of 660 000 tonnes on strong demand growth from the depressed SARS-related levels of a year-ago. High jet prices on the US West Coast have likely also attracted some supply. Despite an annual fishing ban, alternative Chinese diesel demand for power generation is likely to keep prompt buying interest high.

Light product stocks rebounded in May, rising above 8 mb. The growth likely came from additions to naphtha rather than gasoline stocks. Regional petrochemical demand from Japan, Korea and Taiwan was thin with many plants in turnarounds. Supplies were seen as ample with spot cargo offers from Pakistan and mainly India where petrochemical plants are switching to natural gas. Record high gasoline prices for 95-octane material in turn continued to suggest scarce supply. Chinese exports are down against year-ago levels on strong domestic demand and arbitrage possibilities for product sourced from Korea, Taiwan and Singapore were open to the US West Coast and into the Middle East. Regionally, May saw firm spot demand from Vietnam and high exports from Singapore into Malaysia. However, as regional refiners step up runs to capture high margins, stocks should rise.

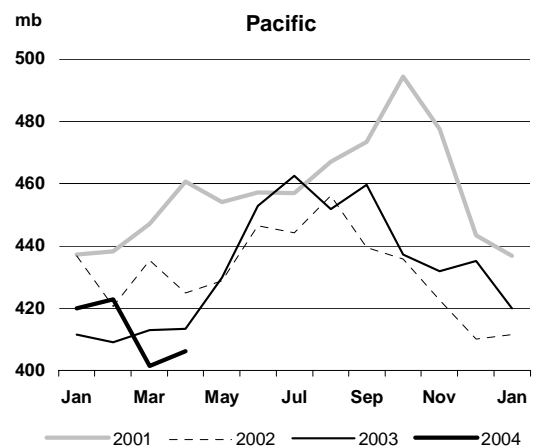
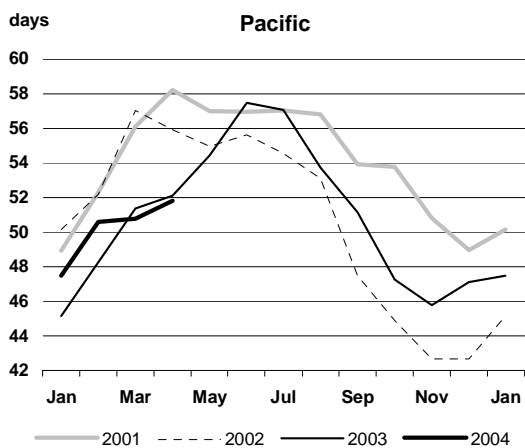
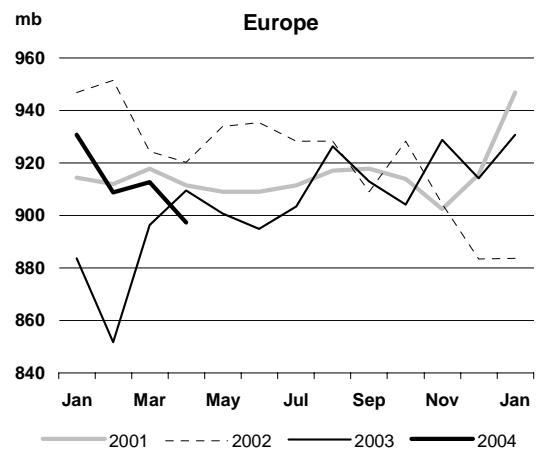
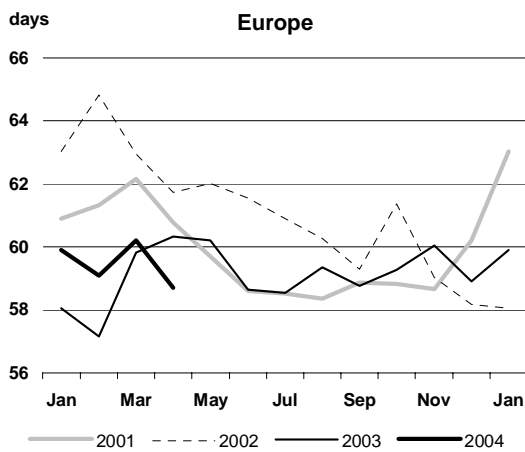
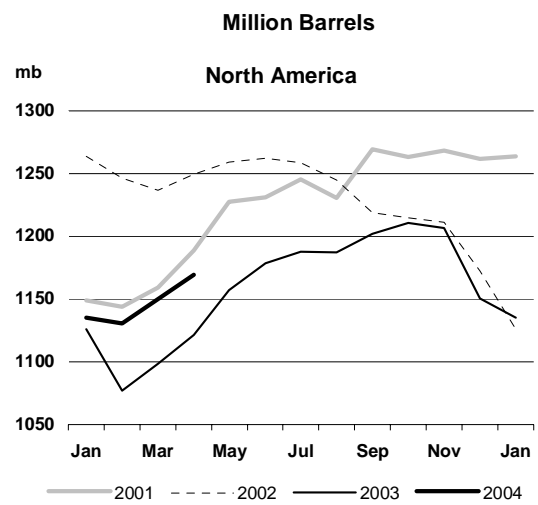
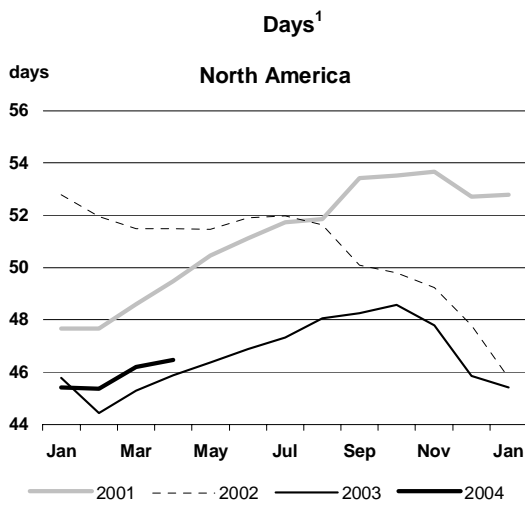
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Latest month vs. Mar 04 Apr 03	
Crude Oil	819	755	892	593	654	777	718	933	585	-348	-218
Products & Feedstocks	-35	-96	-119	-93	-18	-64	-112	2	-144	-146	48
Gasoil/Diesel	-154	-170	-171	-174	-161	-133	-129	-85	-253	-168	-45
Gasoline	-81	-83	-95	-67	-96	-88	-74	-90	-87	3	1
Heavy Fuel Oil	334	320	304	323	341	304	252	335	365	30	91
LPG	-19	-22	-26	-19	-19	-24	-26	-24	-29	-5	-3
Naphtha	6	13	18	5	49	38	34	6	32	27	2
Jet & Kerosene	-65	-99	-93	-103	-77	-99	-107	-75	-103	-28	14
Other	-57	-55	-56	-58	-54	-62	-63	-64	-69	-5	-11
Total	784	659	774	501	636	713	606	935	441	-494	-170

Source: International Enterprise, IEA estimates

Regional OECD End of Month Industry Stocks (in days of forward demand and millions barrels of total oil)

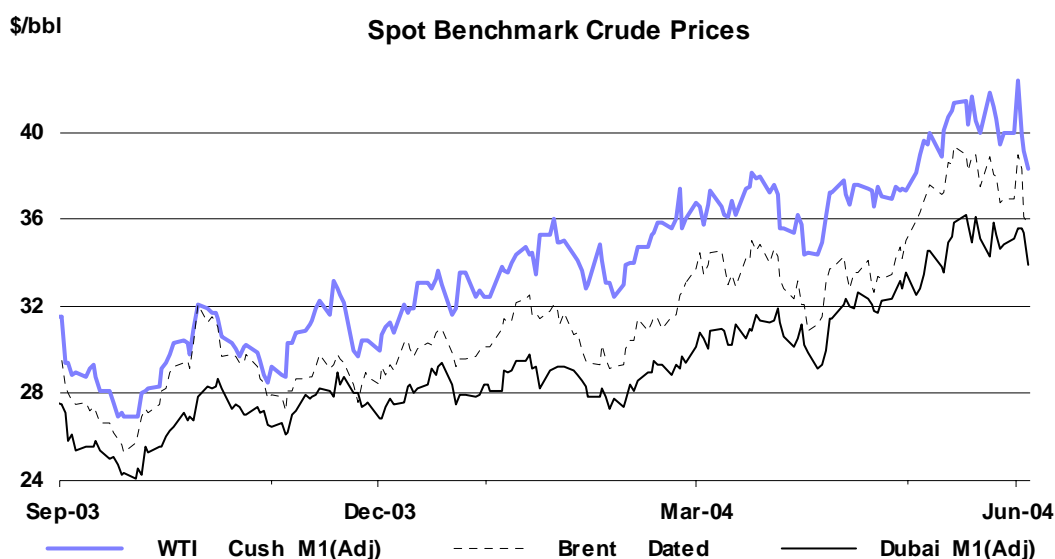


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark WTI Cushing peaked at over \$42/bbl** in early June, fuelled by uncertainty over OPEC's meeting in Beirut and continued security concerns in the Middle East. The spike proved temporary, prices resumed the mid-May decline. This was triggered by weaker jet fuel, gasoline, and diesel prices in Europe and the US as refineries came back from maintenance. Saudi Arabia's commitment to produce 9.1 mb/d and additional output pledged by other OPEC members provided additional downward pressure.
- **NYMEX gasoline** prices fell nearly 30 cents/gallon from their 20 May peak as preliminary indications for May implied lower primary demand growth. Stocks remained low, but US refiners cranked up throughputs, yields and blending to meet demand. European refiners returned from heavy maintenance, freeing up more material for export.
- The backwardation in nearby **NYMEX WTI futures spreads** has fallen significantly leaving the first few months at near-parity and flattening the futures curve out to 12 months. **IPE Brent crude** oil remains in a small backwardation (forward discount), but the spreads have followed a similar easing trend. The end of diesel tightness in Europe has also helped to flatten the **IPE gas oil** curve, but a shift into contango is needed to encourage discretionary pre-winter stock building.
- The dip in US product prices from the middle of May translated into a downturn in **refining margins** in the Atlantic Basin. Cracking and coking margins on the US Gulf and West Coast remain very attractive, although in Europe hydroskimming margins turned weaker, contributing to a temporary overhang of crude in North West Europe. Asian margins were pressured once more by high crude prices and a fall in gasoline values.
- East bound **dirty freight** rates rose, suggesting that most of the additional OPEC volume is destined for Asia. Clean rates have also climbed, particularly from Europe to the US, reflecting the peak seasonal import period for gasoline.
- **OECD Refinery throughputs** rose sharply in April, as US refiners cranked up throughput ahead of the driving season and European refiners ended some early spring maintenance. OECD Pacific throughput fell sharply, marking the start of seasonal maintenance in the region.



The Report has now adopted a new series of refinery margin calculations, updating its methodology, increasing the coverage from four to six regions and expanding the crudes covered from four to 13 and including coking margins in the US Gulf and West Coasts. These can be found on Page 42.

May Overview

The surge in benchmark crude prices in early May was broadly sustained throughout the month with geopolitical issues compounding concern over market tightness. Benchmark WTI rose by 9.7% in May over April to \$40.24, and peaked briefly at \$42.35 in early June. Prices were pressured by signs of an easing of tight transportation fuel prices, particularly jet/kerosene and gasoline and the pledged addition of supply by OPEC.

Gasoline is by far the most important product for the North American market, and signs that US refiners were cranking up production (throughput, yield and blending) helped to temper prices. Preliminary data for May also implied a slower rate of year-on-year gasoline demand growth over exceptionally high levels in April. The passing of the Memorial Day weekend (which marks the start of the summer season) and the expiry of the steeply backwarddated NYMEX June gasoline contract accelerated the decline in prices. The front month NYMEX contract now stands nearly 30 cents below its May peak of \$1.47/gallon.

Jet fuel had a similar steep decline in the US, presaged by an earlier easing of jet and diesel markets in Europe. Jet supplies had been constrained by strong diesel and gasoline demand as refiners maximised output of the two products at the expense of jet. However, by mid-May primary demand had passed the peak period for agricultural use and the return of refinery units in Europe helped to improve supplies.

Crude prices trended lower, but lagged losses in the product markets. Underlying support came from geopolitical tensions, including the attack at the Saudi Eastern Province workers compound, disrupted Iraqi supplies and political issues in Nigeria and Venezuela. These were compounded by weaker product prices and are translating into an easing of refining margins in some regions. This could discourage the use of marginal capacity. However, the promise of additional OPEC crude and refinery economics should help to redress the balance in favour of tighter product markets in the coming weeks.

Economic growth will continue to support petroleum prices. Although we are likely to see a tightening of monetary policy, continued spare capacity in the system seems likely to mean a gradual rather than aggressive tightening of interest rates. Similarly, in China there is no clear indication so far that a tightening of fiscal and monetary policies has led to a dramatic slowing of growth. The impact of high crude prices is being closely watched by policy makers, but it is the duration of high prices rather than their peak level which will have the greatest impact on economic growth.

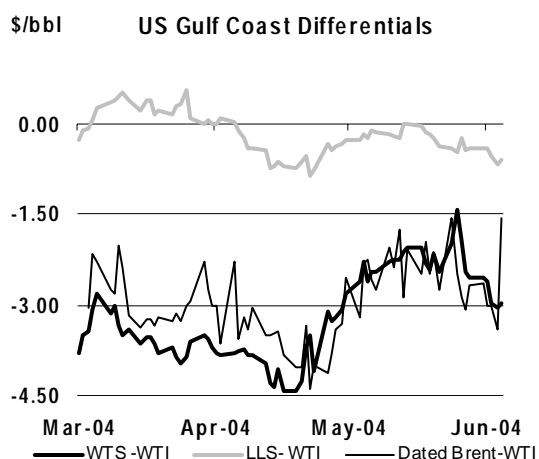
For the short term, product availability in the Atlantic Basin is likely to improve, which should help to further ease some of the gasoline, diesel and jet-related tightness. Increased crude supplies from Saudi Arabia and other OPEC producers with spare capacity should help to meet crude demand, deflate prices and help build inventories ahead of the winter.

Crude Oil Prices

Spot Crude Prices and Differentials in May

Although WTI prices underperformed other crudes on average in May, the strength of WTI reasserted itself in mid-month, widening the discount of LLS, WTS and dated Brent. This in turn reflects high gasoline prices in May, with WTI containing a higher distillation content of light products than either Brent or LLS. The lower gasoline price, together with the widening discount of LLS to WTI should continue to encourage the movement of crude from the Gulf Coast into PADD 2, despite inventories in this region already lying at their highest level since April 2002 (65.2 mb).

Strong WTI prices also attract foreign crudes to the US. Rising shipping costs and strong European demand reduced the economics of moving Brent across the Atlantic from end-April to mid-May, but easing European refinery margins and a strong US crude market helped to reopen the window for transatlantic movement end-May, early June. However, a marginally open arbitrage is not a sufficient condition for crudes to be placed in the US market, and competition from cheaper West African grades helped to create an overhang of North Sea crudes towards the end of May/early June.



Assessing the 'Risk' Premium

Problems in Iraq and the recent attack on foreign workers in Saudi Arabia have been cited as primary factors behind the rise in the oil price, creating a 'risk premium' in the crude price estimated by some observers as up to \$10/bbl. No one doubts these events have contributed to higher prices, but how do you measure the effect?

A common method is to derive a value based on the historical relationship between US crude prices and stocks, and subtract that from the prevailing market price. Most models have shown a significant divergence from this simple historic stock and price regression recently, but particularly in the past few months where there has been up to a \$12 discrepancy between model and market prices. Apportioning all of that discrepancy to a 'risk premium' would however be wrong. The stock/price relationship has a large standard deviation of between \$5 and \$8/bbl depending on duration of the observed relationship. Recent price pressures have been both extreme and to the upside, so taking the upper region, might suggest that the 'risk premium' could be as low as \$3/bbl.

One of the reasons the stock/price relationship exists is that inventories effectively form part of the supply chain. If inventories are ample and prices rise, traders will be more willing to release some stock into the system. Conversely when supplies are tight stockholders would demand a higher premium to release or utilise those inventories. However, recent events in the Middle East occurred when most of the world's producers are operating at capacity. Unsurprisingly there has probably been a shift in the relationship. If refiners feel they should hold 10 days of supply over the operational minimum rather than five, then the stock/price relationship has shifted. Previous relationships may no longer be valid and there could be cyclical factors at play. In periods of robust economic growth, inventories tend to build across the supply chain in all commodities (with some lag and assuming ample supplies).

Let's not forget the increase in gasoline prices, which have moved to record levels. How do you quantify the impact of a \$23/bbl increase in gasoline prices or a \$14/bbl increase in gross product worth or a \$7/bbl increase in Gulf Coast refining margins since the start of the year? Crude has clearly underperformed the surge in product prices, so should we argue (very simplistically) that the current nominal price understates market's appreciation of real crude prices?

Looking at the day after specific events occurred in Iraq and Saudi Arabia provides no further illumination to the level of the 'risk premium'. After the shootings in al-Khobar, front month NYMEX WTI prices spiked up by \$2.45, only to lose all but 8 cents of the gain the following day. But, gasoline was already falling sharply, and who is to say that the price would not have fallen further if the incident had not occurred? In the two days after that event, the 'risk premium' might have risen by \$4 or might have been negligible over this period alone.

Other observers have tried to relate movements in the non-commercial (large speculators and funds) position on NYMEX WTI to prices, but there would appear to be no consistent method of measuring the relationship of prices to changes in fund activity at any single point in time.

Assessing the magnitude of a 'risk premium' (if one actually exists) is more editorial than edifying. The oil market is complex and there are a multitude of variables that can affect the price at any one time. The price impact of any single factor will depend upon the extent to which other fundamentals are affecting price and can vary over time. A US refinery outage in the summer will have a very different impact from an outage in October. Rather than assessing the premium, it might be more appropriate to ask how long these factors will last.

The news that the Mars field in the Gulf of Mexico shut on 22 May for several weeks supported a \$1.80 price rise on 24 May, with the WTS discount to WTI narrowing sharply. However, this gain proved ephemeral as the pledged increase in OPEC output added to expectations for an increase in sour crude supplies, together with increased offers of Russian Urals crude and new Gulf of Mexico fields coming on line.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Mar 04	Apr 04	May 04	May-Apr		Week Commencing:				
				Change	%	03 May	10 May	17 May	24 May	31 May
Crudes										
Brent Dated	33.79	33.25	37.80	4.55	13.7	36.81	38.16	38.51	37.72	37.80
WTI Cushing 1 month (adjusted)	36.71	36.69	40.24	3.55	9.7	39.21	40.39	40.78	40.58	40.45
Urals (Mediterranean)	30.31	30.13	35.07	4.93	16.4	33.68	35.38	35.91	35.30	35.40
Dubai 1 month (adjusted)	30.85	31.68	34.74	3.05	9.6	33.59	34.66	35.63	34.98	35.33
Tapis	35.71	35.45	39.69	4.24	12.0	38.39	39.51	40.63	40.10	40.28
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.93	3.44	2.44	-1.00		2.40	2.23	2.27	2.86	2.65
Urals (Mediterranean)	-3.48	-3.11	-2.73	0.38		-3.13	-2.78	-2.60	-2.42	-2.40
Dubai	-2.94	-1.56	-3.07	-1.50		-3.22	-3.50	-2.89	-2.74	-2.47
Tapis	1.92	2.20	1.88	-0.32		1.58	1.35	2.12	2.38	2.48
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.34	0.21	0.43	0.22		0.47	0.43	0.40	0.33	0.33
WTI Cushing 1mth-2mth (adjusted)	0.64	0.56	0.13	0.10		0.12	0.04	0.14	0.10	0.10

* Weekly data for Brent and WTI 1st month and 2nd month are unadjusted

The discount of Urals in both the Med and North West Europe (NWE) to dated Brent remains high, reflecting the continued abundance of Russian supplies. A gradual narrowing of the spread was seen throughout May as cargoes were shipped to the US and the overhang of North Sea crudes towards the end of the month pressured Brent differentials. However, expectations of additional supplies pressured differentials in early June.

A pick-up in Asian buying of West African crude for June loading was largely offset by the impact of additional supplies in May and June. West African exports to Asia were assessed at 1.3 mb/d in June from around 1.1 mb/d in May, with volumes increasing as traders sought out alternatives to high-priced Asian sweet crudes (however this is still below the March record of 1.7 mb/d). Early-month indications had suggested that June volumes would be level with May, implying a late surge in bookings.

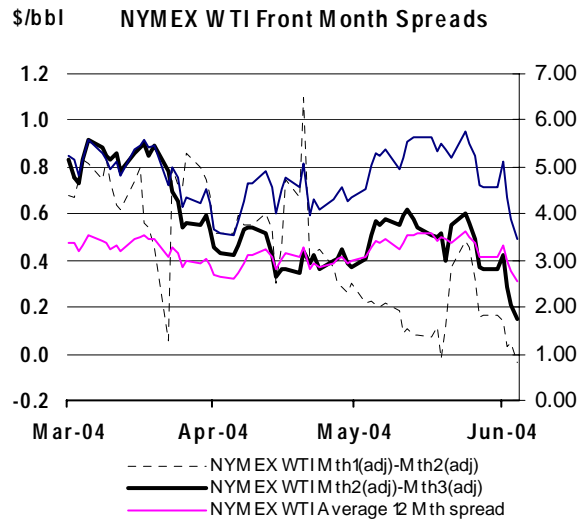
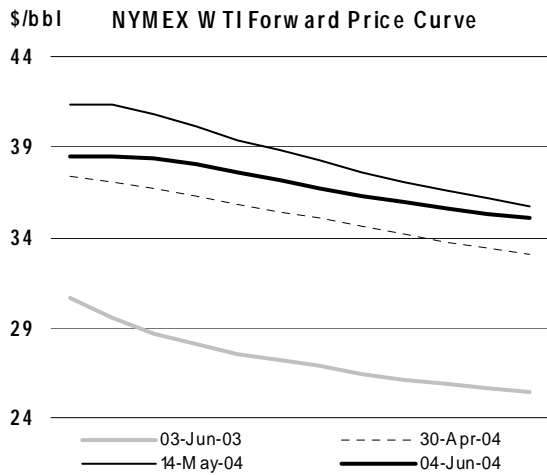
Sweet Libyan crude, Es Sider, continued to narrow its differential to Bonny light. The differential between the two crudes had widened to nearly \$2/bbl in the middle of April as the fundamentals for the two crudes pushed differentials in opposite directions. Increased Libyan production had to compete with additional Urals and Iranian availability in Europe, while West African crudes strengthened on buoyant demand from Asia. The narrowing of the premium of Bonny light to Es Sider in May occurred as Asian demand for West African crude eased and increased Libyan supplies found willing buyers. The recent reversal of this trend though seems to coincide with, a modest resurgence in Asian demand for West African sweets.

Asian refinery maintenance should peak in mid-June, and although the workload remains reasonably heavy in July, it is not surprising that volumes of spot crude have already started to improve. Refiner demand in the region for Middle Eastern and other foreign crudes is likely to increase through June and July as refiners buy-in crude to feed refineries that are returning from maintenance, reversing a previous trend of running down stocks ahead of planned downtime.

Crude Futures in May

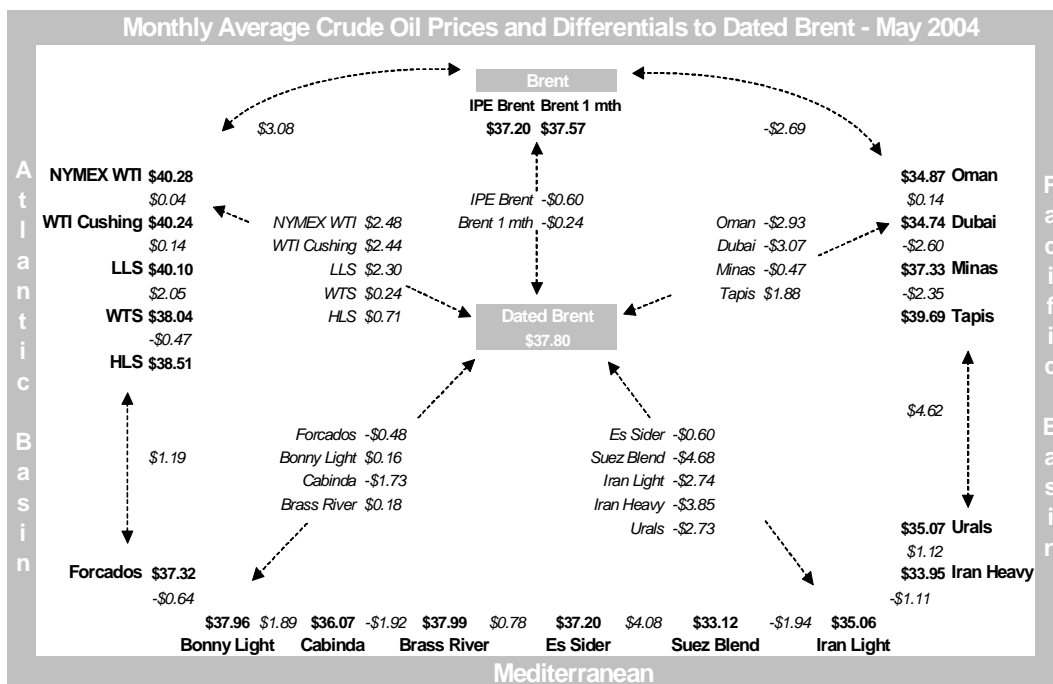
As NYMEX WTI pushed to the highest price for 20 years the multitude of interrelationships in the petroleum market have been (and are still being) scrutinised for possible indications of future direction. Futures spreads are a classic barometer of market tightness, but (as we have noted in recent Reports) have been a poor guide to direction.

However, the recent fall in spot prices has been accompanied by a flattening of the futures curve for both NYMEX WTI and IPE Brent. This has been most noticeable in the front two spreads, but the flattening has been seen across the curve. Given the back months' tendency to be slower to adjust to spot price movements than the front months (they are frequently priced according to crack spread relationships with the products), it is premature to conclude that the recent shift represents a permanent structural shift in the market. However, should the front-end WTI spreads move into contango, it is likely to have an important psychological impact on the market and exert fresh downwards pressure on futures prices.



Delivered Crude Prices in March

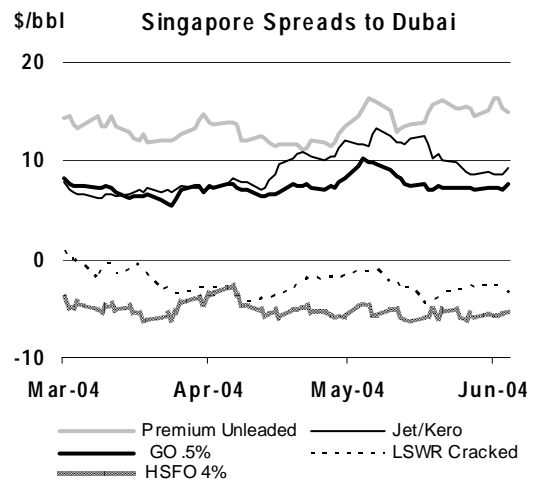
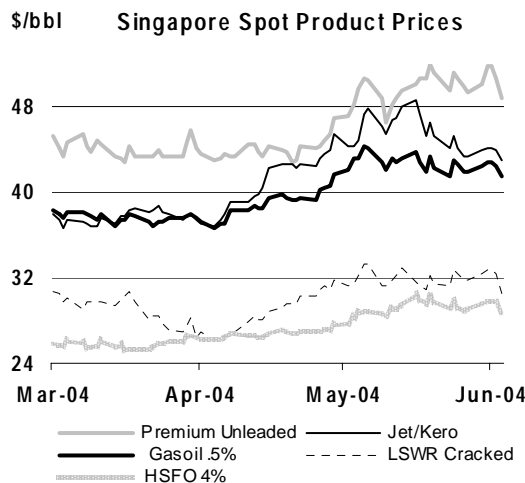
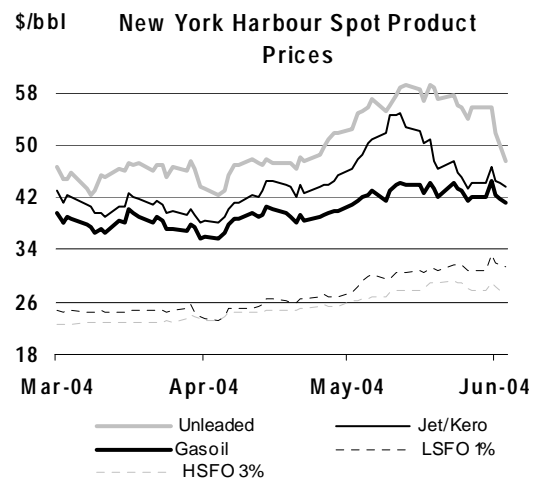
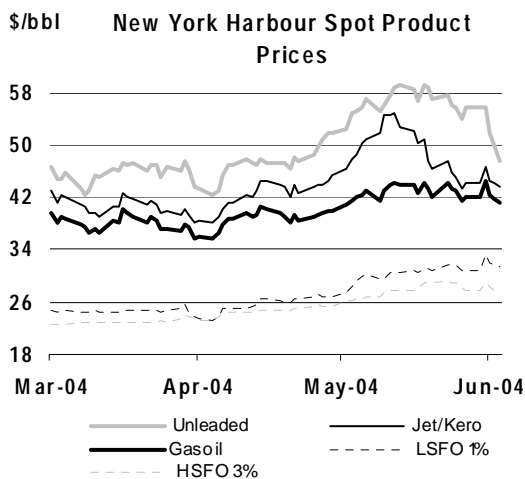
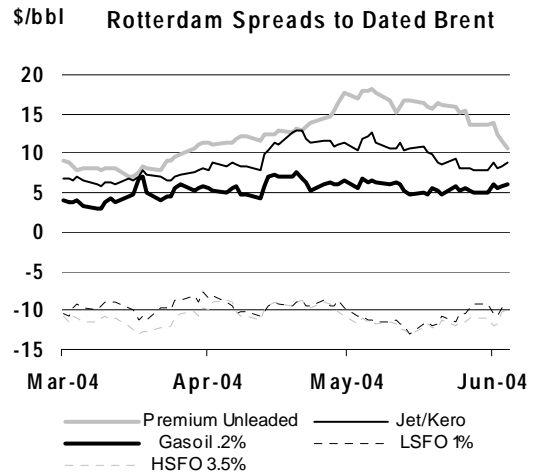
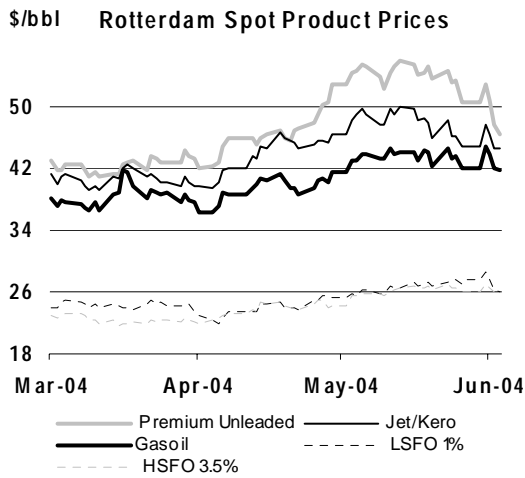
Delivered prices for crude oil imported into IEA countries rose by \$1.42 cents in March from February to \$32.24, up \$2 in IEA Europe and \$1.54 in IEA North America. The trends broadly mimicked the rise in spot prices that was seen between the beginning of February and middle of March. However, IEA Pacific prices lagged, rising just 26 cents on the month, reflecting the relatively steady average prices between mid-January and mid-February, and sharp falls in freight rates.



Product Prices

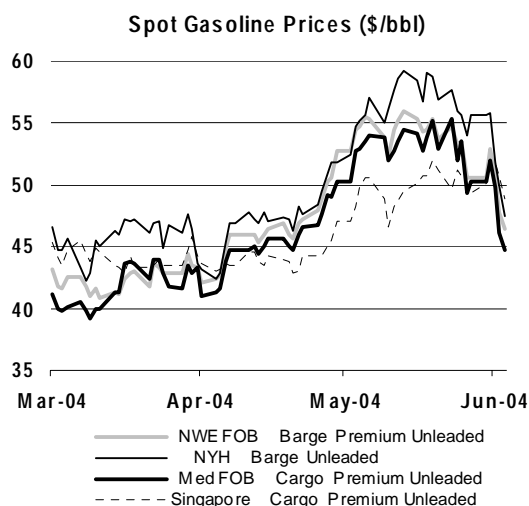
Spot Product Prices in May

Gasoline prices fell sharply in the US and Europe towards the end of May, as refiners cranked up production. But strong demand growth in Asia, together with increased seasonal regional maintenance has (so far) left prices relatively resilient. US jet fuel on the West and East Coasts also lost its extreme premium as imports from Europe and Asia arrived to quell a tight market. Gasoil prices were flat during May, but the large premium for diesel and low sulphur gasoil prices eased in line with other transportation fuels.



High product prices, while not having a significant impact on short-term demand will over time prompt a shift towards purchases of more economical new vehicles. Some analysts are even indicating that there could be moves by airlines towards more economical jets (although this would take a very long time to impact demand, even if such decisions were made), while there are indications that US consumers are tilting towards more economical SUVs based on car rather than truck chassis. Any shift towards economical vehicles has to be sustained to have a significant impact on the economy of the vehicle fleet, and this would require sustained high prices. Also the impact of higher motoring costs can also be partly offset by economic growth in the short term.

The return of European refining capacity from maintenance, bringing more cracking capacity on line, coupled with higher output at marginal refineries helped to ease gasoline tightness in the North West European market at the end of April. This was slightly ahead of the peak North American prices, and reflects the time taken to ship material across the Atlantic. The US market however remains the primary driving force, with an open arbitrage continuing to attract barrels westward. European exports in June are expected to remain relatively flat with May's 1.6 mt to 1.7 mt, but this is above the 1.5 mt shipped in April. Typically, when a price bubble is pricked additional supplies that have been held for speculative reasons come to the market, and there are suggestions that this factor has helped to depress the Rotterdam barge market.



Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Mar	Apr	May	May-Apr		Week Commencing:					Mar	Apr	May
				Change	%	03 May	10 May	17 May	24 May	31 May			
Rotterdam, Barges FOB													
Premium Unleaded (Cargo)	42.43	46.40	54.07	7.67	16.5	54.98	54.35	54.61	52.51	50.46	<i>Differential to Brent</i>		
Regular Unleaded	41.76	45.72	53.32	7.59	16.6	54.18	53.66	53.83	51.76	49.73	8.64	13.15	16.27
Naphtha	35.89	36.60	41.22	4.63	12.6	40.66	41.24	41.83	41.05	40.63	2.10	3.35	3.42
Jet/Kerosene	40.66	43.81	47.94	4.14	9.4	49.03	48.85	48.13	45.98	46.23	6.87	10.56	10.14
Gasoil	38.38	39.35	43.51	4.16	10.6	43.44	43.83	43.61	43.13	43.62	4.59	6.10	5.71
Fuel Oil 1.0%S	24.25	23.94	26.72	2.78	11.6	25.89	26.32	27.05	27.45	27.48	-9.54	-9.31	-11.08
Fuel Oil 3.5%S	22.40	23.74	26.17	2.43	10.3	25.67	25.97	26.57	26.39	26.51	-11.38	-9.51	-11.63
Mediterranean – Basis Italy, Cargoes FOB													
Premium Leaded (0.15 g/l)	42.37	46.07	53.82	7.75	16.8	53.96	54.01	54.49	52.83	50.02	<i>Differential to Urals</i>		
Premium Unleaded	41.66	45.35	53.10	7.75	17.1	53.24	53.29	53.77	52.11	49.30	12.06	15.94	18.75
Naphtha	34.01	35.53	40.24	4.71	13.2	39.67	40.34	40.88	39.95	39.48	3.70	5.40	5.17
Jet/Kerosene	37.70	42.28	46.97	4.69	11.1	47.60	48.14	47.31	44.96	45.35	7.39	12.15	11.91
Gasoil	37.53	38.92	44.09	5.18	13.3	43.82	44.34	43.98	44.19	44.30	7.22	8.78	9.03
Fuel Oil 1.0%S	24.57	25.28	28.76	3.47	13.7	27.32	28.67	29.23	29.51	29.39	-5.74	-4.85	-6.31
Fuel Oil 3.5%S	20.87	21.90	24.70	2.79	12.8	24.27	24.75	24.76	24.91	24.44	-9.44	-8.23	-10.37
NY Harbour, Barges													
Super Unleaded *	50.02	52.60	64.40	11.80	22.4	61.45	63.68	66.23	66.23	63.61	<i>Differential to WTI</i>		
Regular Unleaded *	45.76	47.15	56.52	9.38	19.9	55.01	57.32	57.96	55.80	52.50	13.31	15.91	24.16
Jet/Kerosene	40.92	42.31	49.26	6.95	16.4	48.81	53.71	49.40	45.13	45.13	9.05	10.46	16.29
No.2 Heating Oil	38.19	38.65	42.76	4.11	10.6	41.92	43.26	43.15	42.73	42.87	4.20	5.62	9.02
Fuel Oil 1.0%S (Cargo)	24.67	25.65	30.33	4.68	18.2	28.95	30.14	30.85	31.37	32.28	-12.05	-11.04	-9.91
Fuel Oil 3.0%S (Cargo)	22.87	24.55	27.78	3.23	13.1	26.43	27.54	28.55	28.61	28.33	-13.85	-12.14	-12.46
Singapore, Cargoes													
Premium Unleaded 95	44.10	44.09	49.71	5.63	12.8	49.26	48.38	50.95	50.17	50.91	<i>Differential to Dubai</i>		
Naphtha	36.03	36.48	39.69	3.21	8.8	39.09	38.65	40.45	40.48	40.56	13.25	12.40	14.98
Jet/Kerosene	37.72	40.92	45.71	4.79	11.7	45.78	46.71	46.65	44.06	44.08	5.18	4.80	4.96
Gasoil	37.71	38.93	42.80	3.87	9.9	43.40	42.81	42.86	42.21	42.58	6.88	9.23	10.97
LSWR (0.3%S)	29.27	28.75	31.98	3.23	11.3	32.38	31.93	31.50	32.04	32.53	6.87	7.25	8.06
HSFO (3.5%S 180cst)	25.85	26.90	29.32	2.42	9.0	28.63	29.22	29.98	29.35	29.85	-1.57	-2.94	-2.75
HSFO 4%S	25.76	26.76	29.17	2.41	9.0	28.48	28.93	29.97	29.20	29.78	-5.00	-4.79	-5.42
											-5.09	-4.92	-5.56

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

In the US, the peak in gasoline prices appeared to coincide with a slowing year-on-year demand growth trend. Preliminary US data suggest that year-on-year gasoline demand growth fell from over 7% in April to just over 3% in May. Primary demand (defined by refinery deliveries) typically tends to be inflated ahead of the driving season as product is moved from refineries to secondary and tertiary storage, but undoubtedly some 'worst case scenarios' for the driving season (which helped to fuel the price spike) included the assumption of sustained demand growth. There may have been a price-related impact on demand as well, but this is difficult to quantify, certainly surveys of Memorial Day driving intentions suggested a 3.4% increase in traffic over the same holiday weekend last year. Also, perceived risks and higher costs (due to the weaker dollar) can make domestic car travel seem attractive by comparison.

Asian gasoline prices, have been reluctant to follow the recent decline in European and US gasoline prices. Regional refinery maintenance is expected to be particularly heavy in June, while arbitrage opportunities have seen gasoline moving from Singapore and China to Iran. However, naphtha prices are relatively weak in relation to crude, which could result in increased regional gasoline production. Chinese gasoline exports appear to have stabilised well above early first quarter lows, steady at around 500,000 tonnes in May, but the outlook for June remains unclear.

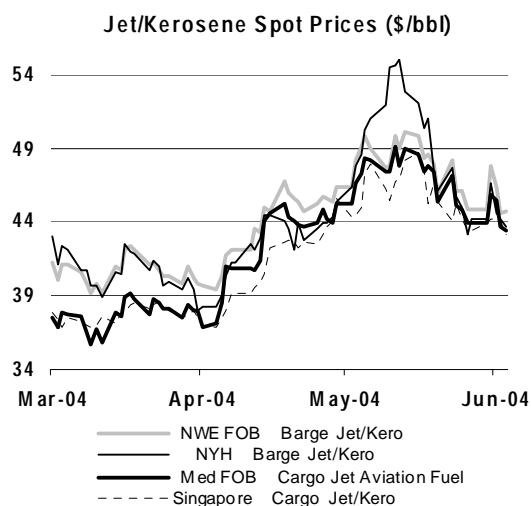
The easing of the gasoline market tightness was presaged by the slump in jet/kerosene prices in Europe and the US. In last month's Report we noted that a large quantity of imports were expected to ease US East and West Coast tightness in May and weekly data confirm their arrival, pegging May imports at more than double April levels. Jet aviation fuel supplies tend to be constrained by tight gasoline and diesel markets. Jet supplies are reduced as refiners make distillation cuts at upper and lower ends of the naphtha stream and by the blending of jet fuel with gasoil to make diesel. Therefore improved availability of jet can have an impact through all transportation fuels.

Jet fuel prices in Asia were also squeezed by strong local demand and exports to the US West Coast. The premium of jet/kerosene over gasoil in Singapore (known as the regrade) peaked at \$4.90 in mid-May, before tumbling to around \$1.60 in early June. A strong recovery in regional air traffic, was highlighted by record quarterly purchases of jet fuel by China Aviation Oil (CAO). CAO has tendered to buy 675,000 tonnes of jet fuel so far in the second quarter, well above the SARS depressed period a year ago and above the previous quarterly record of 662,000 tonnes bought in the fourth quarter of 2003.

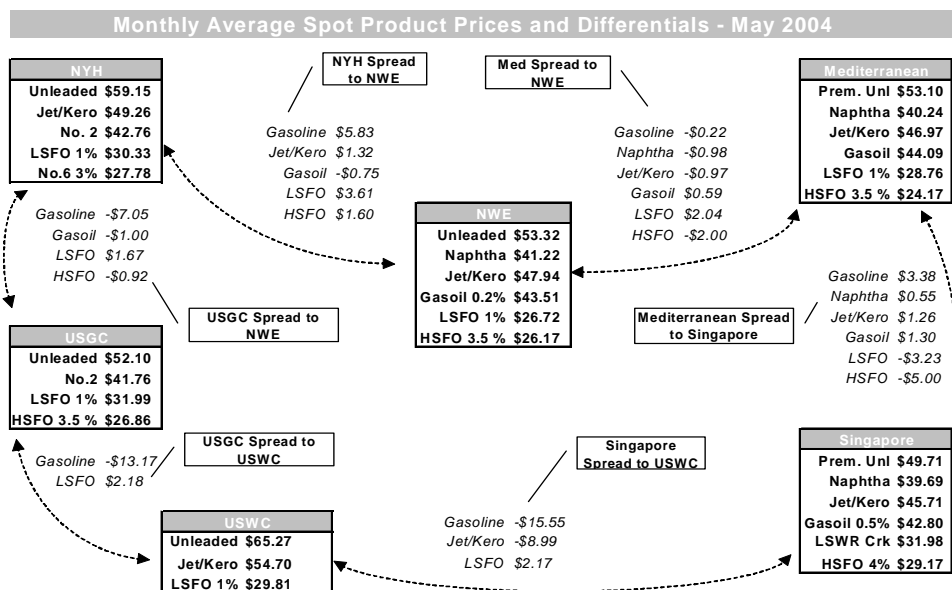
The Asian regrade was pressured towards the end of May/early June by indications that China will also import a record level of gasoil in June, around 220,000 tonnes. Chinese gasoil demand in the summer is expected to increase in unison with temperatures as private power generation using diesel is utilised to meet air conditioning demand and to supplement constrained utility output. State media has reported a deterioration of local power supplies in 2004, with three quarters of its 31 provinces and regions suffering brown-outs in the first three months. However, some of the demand impact will be mitigated by an extension of the annual seasonal 2-month fishing ban to three months. Fishing fleets are also regarded as the most likely source of smuggled gasoil, which means that the extended ban should also lead to less understatement of demand by official figures.

Distillate inventories are also tight regionally, with provisional data in Japan pegging stocks around 1.5% below year ago levels and Singapore middle distillate stocks are over 10% below year ago levels. Lower refinery runs in June due to maintenance will accentuate the seasonal stock draw and should therefore support prices.

Strong European and Russian agricultural use during the planting season and FSU refinery maintenance should be less of a factor in June, but there will be further demand in the third quarter to meet harvesting needs. The dwindling influence of these two factors, coupled with increased refinery throughput, helped to improve distillate availability in Northwest Europe and the Med in May. It remains uncertain whether Russian gasoil exports, which fell by 150,000 tonnes from March levels in April and May, will recover in June, but the return of several Eastern European refineries from turnaround should help to increase supplies from mid-June.



Fuel oil crack spreads to crude remained weak in most regions in May, with differentials of high sulphur crude to regional benchmarks rising across the board, while in the low sulphur market only New York Harbour differentials registered any improvement over May.



Summer utility burn increased demand for low sulphur fuel oil, particularly in the Gulf Coast, narrowing the discount to WTI over the month. However, prices remain capped by European imports. High sulphur prices also rose during the month in line with crude prices, but differentials remained flat, and the narrowing of the spread between the US Gulf and NYH and Singapore has reduced the opportunity for arbitrage trade out of Europe. Arbitrage patterns for HSFO to Asia were different. Although the economics seemed to favour movement on paper, Chinese demand is said to be constrained by high stock levels at the main import point of Huangpu. Eastern European supplies are expected to pick up in-line with higher refinery throughput, but the maintenance of European marginal capacity at high levels will require continued attractive returns to refineries.

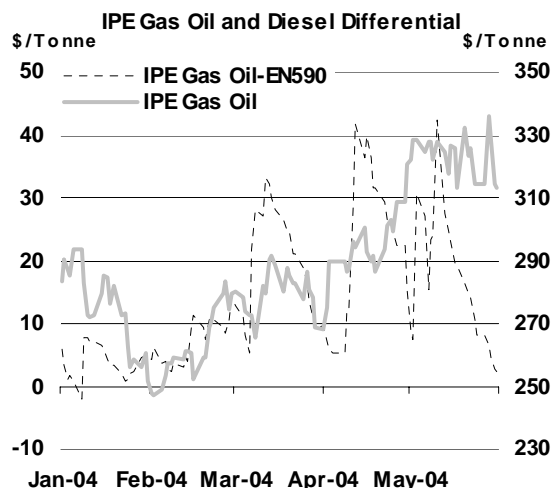
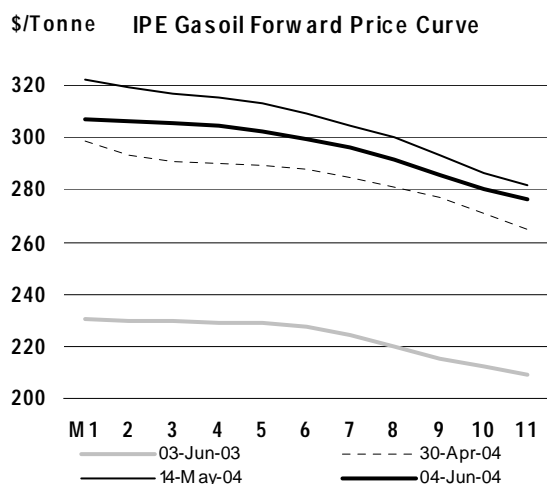
Product Futures in May

The expiry of the steeply backwarddated June NYMEX gasoline contract coincided with the Memorial Day weekend this year, provoking a shift in market perception when trading resumed in the July contract the following week. Not only was a 15 cent backwardation removed from the market, but Memorial Day is regarded as the start of the summer driving season and the seasonal price peak in US gasoline often occurs before this point as refiners move to build stocks to ensure sufficient supplies for the months ahead.

But after an initial increase following the Saudi attacks, gasoline futures prices continued their collapse in the first week of June, leading to a flattening of the steeply backwarddated contract in futures contracts through to the end of 2004. The shape of the current futures curve has now moderated to the shape of the curve in place in early June 2003 (which also reflected tight nearby conditions), but with a constant 35-cent premium.

The NYMEX WTI/Gasoline/Heating Oil (3:2:1) crack spread, a proxy for refining margins, has fallen from over \$14/bbl to close to \$8/bbl. However, this remains well above year ago levels when the spread broadly remained below \$5/bbl.

IPE gas oil was dominated by diesel market tightness for the past few months, but the erosion of the diesel premium against front-month futures has not resulted in a significant decrease in gasoil prices. A reduction in Russian exports in April and May and the blending of gasoil into diesel has helped clear out surplus material. Concerns about the adequacy of winter supplies considering the current focus on gasoline production and the growth in transport fuel use is supporting the back end of the curve. However, the easing of the diesel premium has been accompanied by a notable flattening of the nearby section of the forward curve through to the summer months, while NYMEX heating oil has moved into a very modest nearby contango. A continuation of this trend would need to be seen to support discretionary pre-winter stock building.

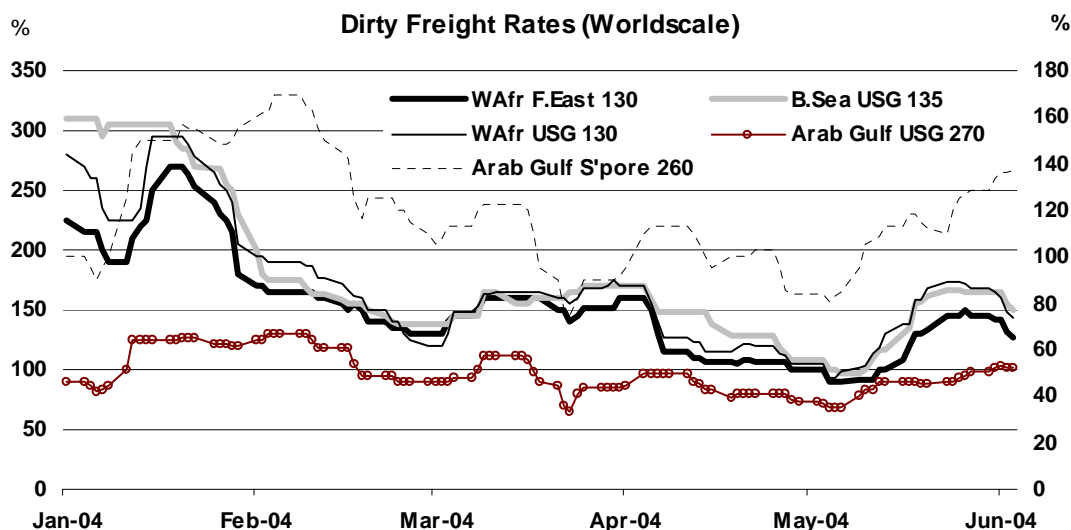


End-User Product Prices in May

Gasoline prices were a key focus in May as US retail prices topped \$2/gallon, reflecting sharp rises in wholesale prices. In the latest two weeks however prices have started to fall from peak levels, and this trend should continue if wholesale prices hold current levels. At the pump, the US remains the cheapest market in the eight countries covered at 52 cents/litre, but on an ex-tax basis France and the UK are cheaper at 39.5 and 38.8 cents/litre respectively compared with 41.7 cents in the US. On an ex-tax basis Japanese prices are the most expensive at 48.3 cents per litre – partly explaining the modest 0.9% move in local pump prices in May. Year-on-year prices highlight the economic discrepancy felt by the consumer. The higher tax burden on European consumers means that prices are broadly 10% higher in France, Germany, Italy and Spain, but over 30% higher in the US. Canadian prices have a slightly higher tax burden than in the US, but it is well below those seen in Europe. Automotive diesel prices rose between 2.8% and 4.0% across the board, while the rise in heating oil prices was fractionally higher. Sharp increases were seen in low sulphur fuel oil prices in Europe in May, with Italian industry paying \$287.8/tonne compared with \$199.5 in lowest priced Germany.

Freight

Dirty freight rates have been rising since Saudi Arabia first indicated that it was lifting output, but the increase has not been uniform across routes. The biggest climb has been in rates from the Arab Gulf to Asia. Although the substantial difference in Worldscale costs between the two routes understates the nominal increase in US voyage costs, even on a \$/tonne basis the Far Eastern route has still outperformed. That would suggest that a large part of the increased OPEC output is destined to head East to coincide with the return of refineries from maintenance in the third quarter.



Part of this discrepancy can be accounted for by the fact that the US refining industry tends to work flat out during the summer months and requires incremental product imports to meet the supply shortfall, not additional crude. This effect is shown by the opposite trend seen in product tanker (clean) freight rates. These saw a steeper rise in US-bound rates than in Asian-bound rates.

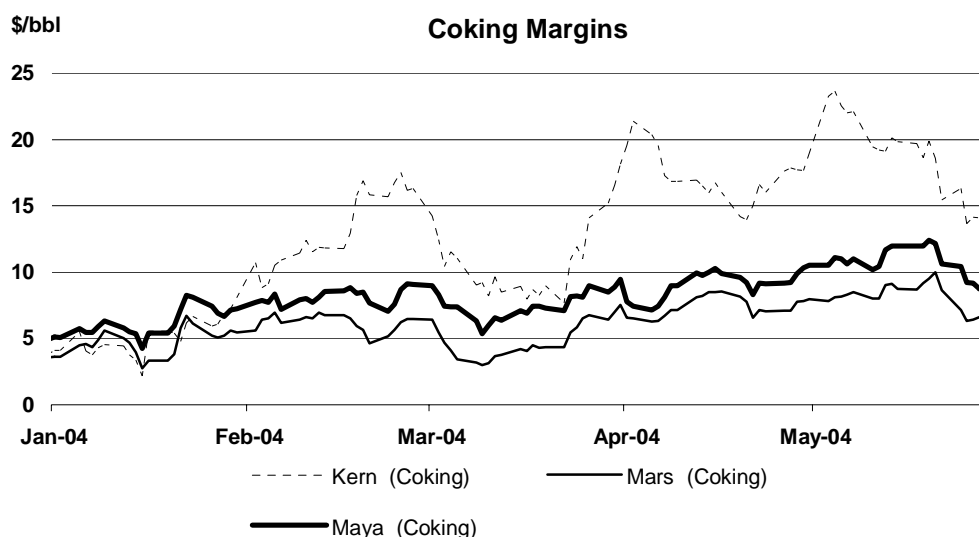
But that only accounts for part of the difference. The US is a net importer of crude oil and therefore as refinery runs rise, more crude is needed. This is highlighted by the increase in freight rates for crude from the Black Sea (Urals) and West Africa to the US Gulf and Atlantic Coasts. If there had merely been an increase in West African rates to the US then the rise could have been attributed to the increase in demand for sweet crude. But for Russian Urals rates to increase in unison would suggest that US refiners are reluctant to take VLCCs of Middle Eastern crude, or that they are not competitively priced. The answer may well lie somewhere between the two. Voyage times from the Middle East to the US Gulf Coast around the cape are 32 days, while from the Black Sea to the US Gulf are 23 days. If refiners are concerned that there could be a sharp correction in prices, then there would be a natural tendency to work as much as possible on a hand-to-mouth basis and they would tend to favour short-haul supply. Similarly, purchases made on an FOB basis would contain a price risk should there be significant volatility in the market.

Refining Margins in May

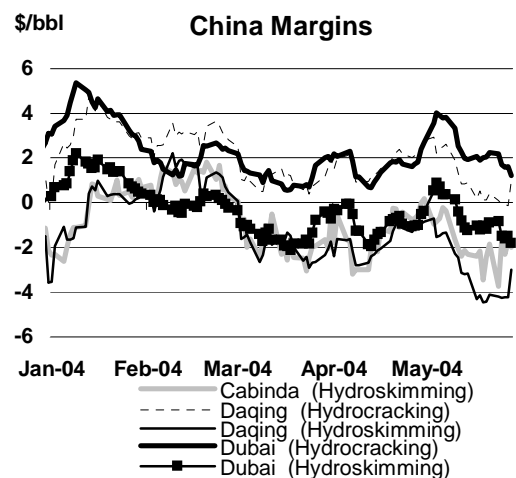
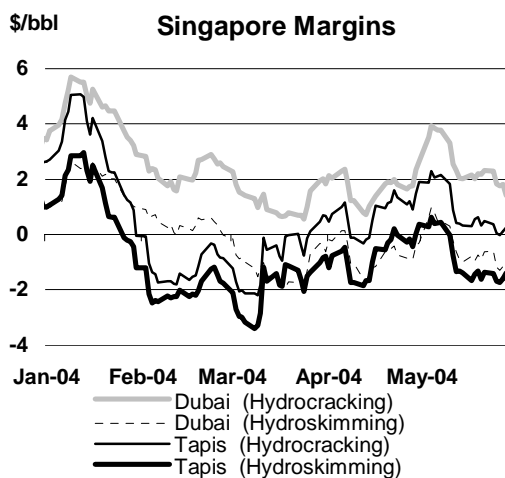
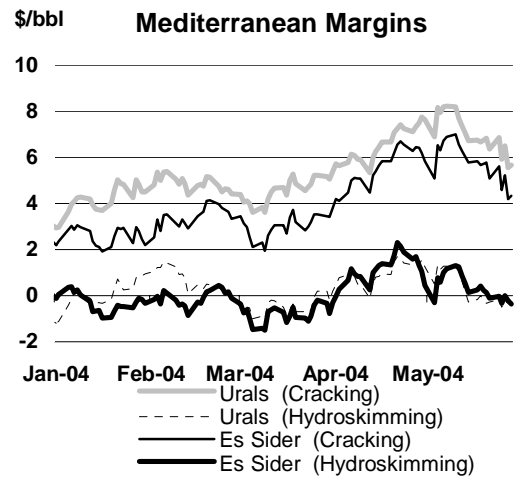
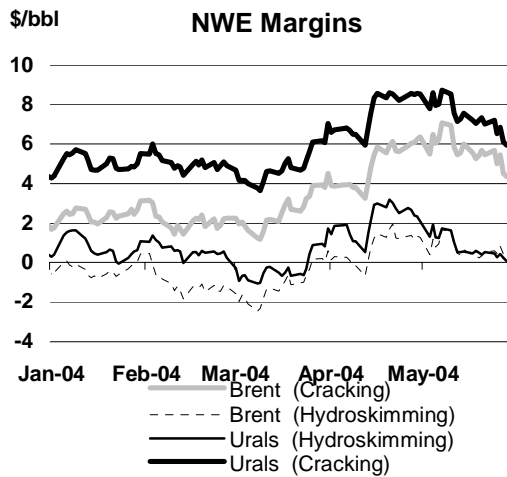
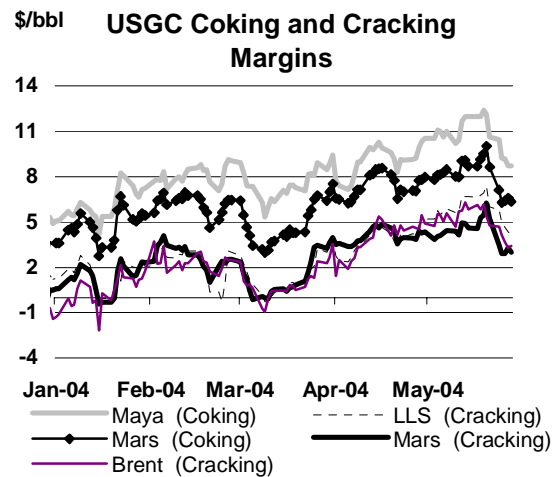
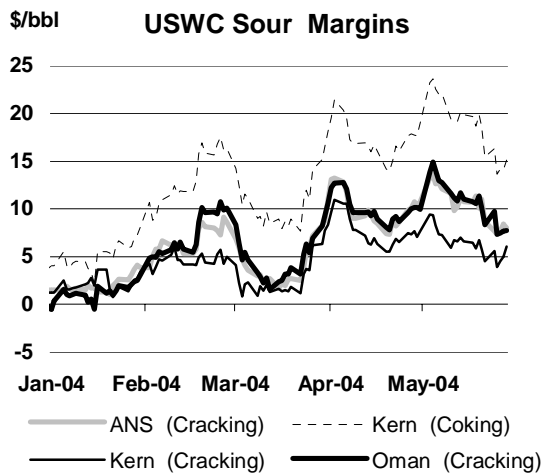
The Report has changed its refinery margin calculations, updating its methodology, increasing the coverage from four to six regions, expanding crude coverage from four to 13 and calculating coking margins in the US Gulf and West Coasts. The new calculations are designed to better reflect regional refinery economics and have been completely overhauled in conjunction with leading petroleum industry consultants Purvin and Gertz.

The calculations are now made on a 'full cost basis', from the previous 'marginal cost' methodology, which we believe provides a more accurate and comprehensive assessment of the profitability of the petroleum industry segment. This is particularly relevant to the consideration of downstream investment in the current environment, while the trend in margins should provide a better indication of refinery profitability.

Further, the broader coverage will provide a greater understanding of regional differences within the industry and competitive pressures. The new margin methodology is significantly more comprehensive than our existing calculations, encompassing a broader range of product outputs. Input costs take into account adjustments for energy, interest, inflation, insurance and wage costs along with variable costs such as electricity and refinery fuel costs and freight rates (where appropriate). A comprehensive historical series is available in the special features section of the OMR website, www.oilmarketreport.org.



The new calculations reinforce the common perception of relatively robust margins in the US and weaker returns in Europe, while underscoring the more difficult conditions facing refiners in Singapore and China. However, the magnitude of some of these differences is astounding.



US coking margins during the past few months have been exceptional in the US Gulf Coast, averaging between \$7 and \$10/bbl in April and May, but the magnitude of the return implied by our West Coast coking margins has been astounding. Kern coking margins peaked in May at over \$23/bbl and have averaged nearly \$13 in the first five months of this year. This compares with a peak of nearly \$12.50 in the Gulf Coast and a 2004 average to date of \$8.29 well ahead of a 2003 average of \$3.79.

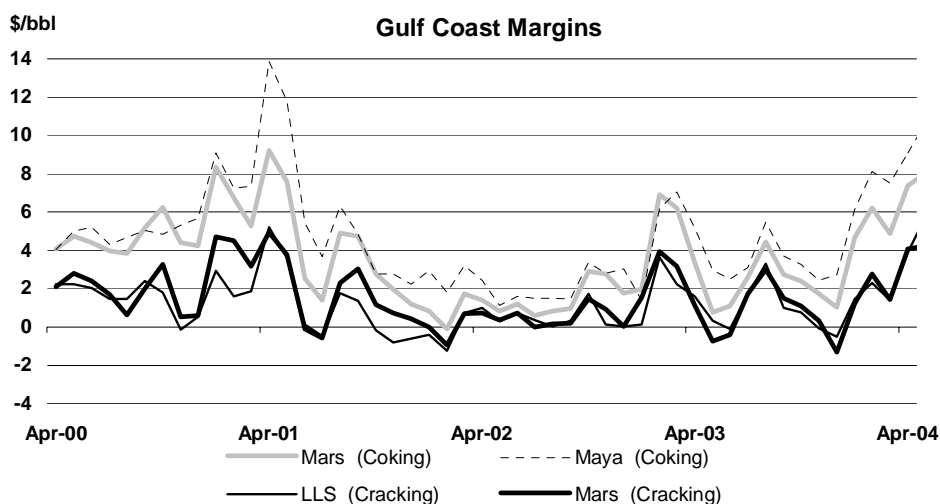
West Coast cracking margins have also been attractive, averaging \$6.74 for Oman, and \$4.69 for Kern so far this year, up from \$2.61 and \$2.64 respectively in 2003. That compares with an LLS cracking margin of \$2.93 so far this year on the Gulf Coast.

The Californian market is a metaphorical island for the petroleum industry. Not only is it geographically isolated by the Rockies, limiting crude and product transfer from other US regions, but also has the most stringent environmental regulations in the world. Consequently, few refiners outside of the region have the capability to meet Californian requirements. Faced with infrastructural and environmental barriers, there are significant difficulties in building new refineries and significant costs to upgrade existing facilities to keep pace with regulations.

A comparison of refining margins since 2000 shows that although average margins for Kern coking in the West Coast have been above Gulf Coast Maya coking margins (\$6.20 and \$4.72 respectively), returns to Gulf Coast refiners have been significantly less volatile. Investing to accommodate a short-term price peak might not have the same allure to a refiner accustomed to changes in fuel specifications. Upgrading to a coking facility can also be very expensive, requiring a high rate of return to encourage investment. Nevertheless, so far in 2004 coking in the West Coast has undoubtedly been a very profitable business.

With heavy crude forming a greater part of global supply in recent years, coking economics have been very attractive. Cracking LLS crude on the Gulf Coast has returned an average of \$3.42/bbl less than coking cheaper, heavy Maya crude. Maya coking margins in May were over \$10, nearly double LLS cracking margins.

The addition of a coker to an existing refinery is a costly process, and there are additional factors such as tankage, rail services, hydrotreating etc. that add to the required investment package and limit its application. Greenfield refineries are also expensive. An analyst at the American Petroleum Institute recently estimated that a 200k to 300 kb/d refinery could cost up to \$3 bn to build in the US. Clearly, even at current low interest rates, this requires a substantial return to cover investments. Refinery operations might currently be providing attractive returns, but have not done so regularly over the past 20 years.



Regulation and environmental concerns have also been a major issue in preventing the construction of new refineries in the US, leaving brownfield expansions to fill capacity needs. However, political moves are being made to try to accelerate the process. The Refinery Revitalisation Act of 2004 was introduced to Congress in early June, with the aim of boosting investment in the industry by streamlining the costly and cumbersome review and approval process. The act aims to encourage the restart of idled capacity and the building of new refineries in areas of high unemployment. The bill has been criticised by environmental groups.

Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Average			May 04 - Apr 04		Week Ending:				
	Mar 04	Apr 04	May 04	Change	%	30 Apr	07 May	14 May	21 May	28 May
Refining Margins										
NW Europe										
Brent (Cracking)	2.59	5.01	5.61	0.60		6.36	7.06	6.01	5.47	4.34
Urals (Cracking)	4.86	7.66	7.31	-0.35		8.54	8.72	7.56	7.01	5.93
Brent (Hydroskimming)	-1.11	0.80	0.64	-0.17		1.28	1.66	0.65	0.54	0.15
Urals (Hydroskimming)	-0.25	2.15	0.75	-1.40		2.08	1.72	0.58	0.52	0.06
Mediterranean										
Es Sider (Cracking)	3.03	5.57	5.69	0.12		5.84	6.88	5.78	5.07	4.33
Urals (Cracking)	4.58	6.58	6.94	0.36		7.64	8.21	6.73	6.36	5.65
Es Sider (Hydroskimming)	-0.79	1.14	0.32	-0.82		0.44	1.17	0.12	-0.13	-0.38
Urals (Hydroskimming)	-0.46	1.00	0.24	-0.76		1.25	1.26	-0.28	-0.29	-0.45
US Gulf Coast										
Brent (Cracking)	1.02	3.96	5.04	1.07		4.89	5.57	5.85	4.78	3.43
LLS (Cracking)	1.40	3.91	5.77	1.87		5.20	5.89	6.68	6.01	4.12
Mars (Cracking)	1.42	4.07	4.24	0.17		4.36	4.42	4.62	5.25	2.98
Mars (Coking)	4.87	7.39	8.04	0.64		7.96	8.47	8.71	8.65	6.36
Maya (Coking)	7.53	9.10	10.70	1.60		10.53	11.00	11.99	10.63	8.73
US West Coast										
ANS (Cracking)	4.47	9.85	10.32	0.48		10.77	12.08	10.76	8.70	8.02
Kern (Cracking)	2.92	7.60	6.43	-1.18		7.68	7.26	6.62	4.52	6.07
Oman (Cracking)	4.90	9.97	10.63	0.66		9.94	12.80	11.04	8.34	7.75
Kern (Coking)	10.99	17.27	18.67	1.41		18.99	22.12	19.87	15.47	15.11
Singapore										
Dubai (Hydroskimming)	-1.19	-0.72	-0.48	0.25		-0.30	0.48	-0.99	-0.63	-1.47
Tapis (Hydroskimming)	-1.92	-0.71	-0.93	-0.22		0.38	0.43	-1.38	-1.38	-1.40
Dubai (Hydrocracking)	1.23	1.72	2.51	0.79		2.63	3.77	2.02	2.32	1.41
Tapis (Hydrocracking)	-0.77	0.79	0.83	0.04		1.91	2.14	0.32	0.50	0.26
China										
Cabinda (Hydroskimming)	-1.74	-1.37	-1.85	-0.48		0.19	-0.37	-2.31	-1.85	-1.99
Daqing (Hydroskimming)	-1.91	-1.73	-3.10	-1.37		-0.84	-1.34	-3.18	-4.12	-2.99
Dubai (Hydroskimming)	-1.32	-0.91	-0.70	0.21		-0.39	0.37	-1.23	-0.89	-1.81
Daqing (Hydrocracking)	1.11	1.81	1.04	-0.77		2.79	2.62	0.90	0.41	0.99
Dubai (Hydrocracking)	1.22	1.68	2.44	0.76		2.70	3.80	1.94	2.23	1.21
Net Product Worth										
NW Europe										
Brent (Cracking)	37.32	39.16	44.28	5.12	13.1	42.30	45.53	46.27	43.92	42.19
Urals (Cracking)	35.69	37.48	42.17	4.69	12.5	40.37	43.32	44.10	41.77	40.16
Brent (Hydroskimming)	33.61	34.96	39.31	4.35	12.5	37.23	40.13	40.91	39.00	38.00
Urals (Hydroskimming)	30.58	31.97	35.61	3.64	11.4	33.90	36.33	37.11	35.27	34.29
Mediterranean										
Es Sider (Cracking)	36.57	38.41	43.92	5.51	14.3	41.21	44.42	45.44	43.65	42.15
Urals (Cracking)	35.15	36.95	42.23	5.28	14.3	39.77	42.78	43.70	41.88	40.50
Es Sider (Hydroskimming)	32.75	33.98	38.55	4.57	13.4	35.82	38.71	39.78	38.44	37.44
Urals (Hydroskimming)	30.11	31.37	35.53	4.15	13.2	33.37	35.83	36.69	35.23	34.41
US Gulf Coast										
Brent (Cracking)	37.38	39.38	44.99	5.61	14.2	41.71	44.88	47.27	44.87	42.93
LLS (Cracking)	38.35	40.21	45.79	5.58	13.9	42.31	45.73	48.02	45.65	43.67
Mars (Cracking)	33.60	35.30	40.21	4.91	13.9	37.11	39.97	42.10	40.39	38.42
Mars (Coking)	37.05	38.62	44.00	5.38	13.9	40.72	44.02	46.19	43.78	41.81
Maya (Coking)	35.66	37.51	43.28	5.77	15.4	39.94	43.23	45.62	43.24	40.89
US West Coast										
ANS (Cracking)	40.45	45.73	49.75	4.02	8.8	47.29	51.23	51.25	47.86	47.28
Kern (Cracking)	34.37	38.62	41.27	2.65	6.9	39.50	41.41	42.29	40.07	40.49
Oman (Cracking)	39.93	45.21	49.07	3.87	8.6	46.73	50.63	50.59	47.14	46.54
Kern (Coking)	42.45	48.28	53.52	5.23	10.8	50.81	56.27	55.54	51.02	49.53
Singapore										
Dubai (Hydroskimming)	30.67	31.93	35.30	3.37	10.6	34.03	35.87	35.93	35.57	34.65
Tapis (Hydroskimming)	34.27	35.11	39.09	3.99	11.4	38.00	40.22	39.80	39.21	38.41
Dubai (Hydrocracking)	33.08	34.37	38.29	3.92	11.4	36.97	39.17	38.94	38.53	37.52
Tapis (Hydrocracking)	35.42	36.60	40.85	4.25	11.6	39.52	41.94	41.50	41.09	40.07
China										
Cabinda (Hydroskimming)	32.48	32.74	36.43	3.68	11.2	35.78	37.73	37.34	36.22	35.92
Daqing (Hydroskimming)	31.30	31.19	34.71	3.52	11.3	34.24	36.08	35.64	34.39	34.35
Dubai (Hydroskimming)	31.15	32.35	35.72	3.38	10.4	34.45	36.28	36.36	35.98	35.07
Daqing (Hydrocracking)	34.32	34.72	38.84	4.12	11.9	37.87	40.05	39.72	38.93	38.33
Dubai (Hydrocracking)	33.70	34.93	38.86	3.92	11.2	37.54	39.71	39.53	39.10	38.09

Refinery costs and construction times vary. For example: The Chinese government has reported that China Petrochemical Corp plans to build a 160 kb/d refinery in Guangxi province at an estimated cost of \$1.3bn, with the decision, planning and construction process likely to be completed in three to four years. In other countries, expediting planning approval in such a time frame would be considered a success.

The US refining system processes domestic crude production and often in excess of 10 mb/d of imports, but still requires imports from Canadian, European, and South American refiners (along with some custom Caribbean units) to meet product requirements. The international interlinking of product prices mean that seasonal tightness in the US is exported globally, encouraging refiners to meet not only domestic requirements but to also factor in seasonal export demand. As these demands change, so too does the effective product balance of these regional refiners. European refiners therefore are seeing margins favouring higher gasoline yields in what is a regionally distillate-biased market. Such a shift also makes hydroskimming refineries, which comprise a large proportion of spare European capacity, relatively less attractive.

While Atlantic Basin refining margins have been attractive this year, hydroskimming margins in Europe remain poor and cracking margins in 2003 were best described as moderate. Asian margins remain erratic on a full cost basis, but on a marginal basis have been more attractive. Thus throughput can be maximised while future investment does not yet appear financially attractive. Nevertheless, this is the region where most capacity expansion is likely to take place in the coming years, with strategic and long-term interests and future demand growth helping to offset current financial limitations.

Clearly the rebalancing of global refinery operations to cope with robust demand growth in transportation fuels will take some time, which would suggest that strong and volatile refining margins are likely. However, it should also be stressed that the peaks in product prices appear to have been linked to refinery maintenance issues and product specification changes. Refiners, who operate at high capacity levels need to build product stocks during the off-season. This has to be supported by market conditions (contango) but product specification changes can also limit the opportunity to build stocks of the right specification.

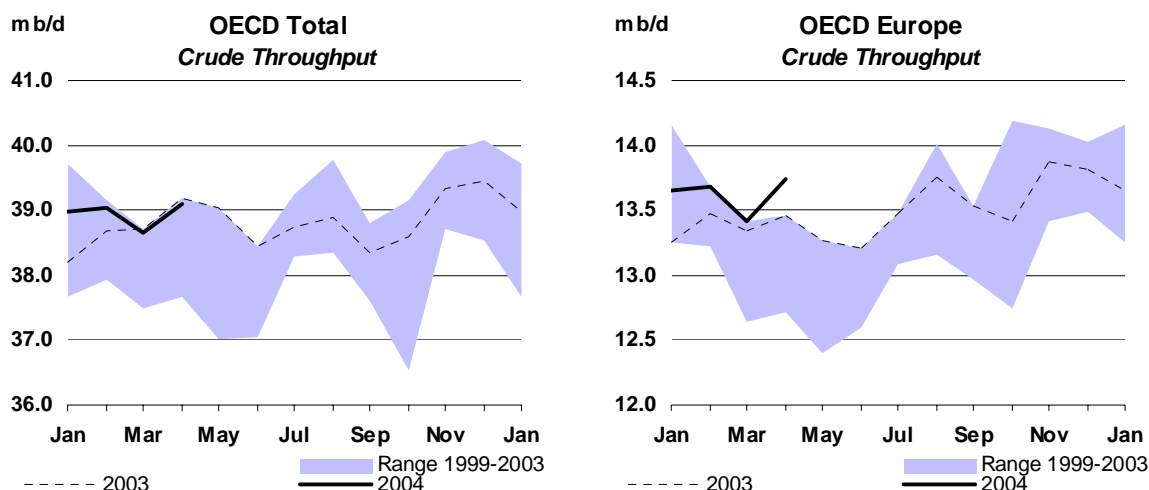
If refinery modifications are required, to produce new fuel specifications then the ability to build stocks will depend on the timing of the refinery conversion. With the emphasis in modern financial markets on short-term cost control, backwardated markets provide little incentive to invest in new technology ahead of their implementation. However, while this scenario may lead to spikes in product prices in the year when new product specifications are introduced, it does not mean they will be repeated to the same degree in ensuing years. Ultimately though tight crude markets feed back into product tightness, which is why the recent supply of additional crude by OPEC is welcome.

Short-term market considerations show that while US refiners continue to see very attractive returns on both a coking and cracking basis in the Gulf Coast and cracking margins remain healthy in Europe, hydroskimming margins have become less attractive. With hydroskimmers likely to process sweet, rather than sour crude, this downturn explains why an overhang of North Sea crude has developed in recent weeks. Asian hydrocracking margins continue to look attractive, although regional sweet crudes are highly priced relative to Middle Eastern crudes, helping to explain the recent increase in demand for both West African and Middle East crudes.

Refinery Throughput in April

OECD refinery throughput rose sharply in April to 39.09 mb/d from an upwardly revised 38.66 mb/d in March. A large upward revision to US and Canadian data of nearly 250 kb/d for March was largely offset by downward revisions in Europe and OECD Pacific. Sharp gains in throughput were seen, as expected in North America as US refiners geared up for the driving season, while European refiners benefited from the return of capacity from heavy March maintenance.

US refinery throughput rose to 15.14 mb/d in April from 14.8 mb/d in March, accounting for the bulk of North America's April increase. Provisional May numbers suggest that throughput jumped by nearly 1 mb/d to 16.1 mb/d as refiners pushed to meet demand ahead of the driving season and a number of unplanned glitches were resolved. US refiners are now running at 95% utilisation rates which although slightly below year ago levels, is pretty close to capacity and above the average for the driving season last year.



European refinery throughput jumped to 13.74 mb/d in April from 13.41 mb/d in March as heavy maintenance ended. Estimates show that nearly 800 kb/d of capacity was down in March across Europe, falling to just under 500 kb/d in April. Therefore, the economic impact of higher margins was limited to an increase of under 50 kb/d. Maintenance levels are expected to rise slightly in May, but falling back in June, but on balance the picture is relatively static for April, May and June.

April's refinery run rate was well above the 5-year range, and attractive refining margins for marginal capacity during May would suggest that throughput should have continued at this high level last month. However, by early June margins were less attractive, but given strong US and European demand, it is unlikely that this environment will persist.

European product supplies were also constrained in April and May by FSU refinery maintenance. The work was predominantly in the Ukraine, and contributed to the decline in gasoil exports during the month. Their return in June should help to improve regional middle distillate and fuel oil supplies.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Apr 03		Utilisation rate ²		
	Nov 03	Dec 03	Jan 03	Feb 04	Mar 04	Apr 04	mb/d	%	Apr 04	Apr 03
OECD North America										
US ³	15.45	15.34	14.82	14.71	14.80	15.14	-0.44	-2.8	90.4	92.9
Canada	1.77	1.77	1.83	1.88	1.89	1.80	0.11	6.7	90.4	84.9
Mexico	1.16	1.21	1.29	1.31	1.25	1.30	0.06	4.5	77.4	72.0
Total	18.38	18.33	17.94	17.90	17.94	18.24	-0.27	-1.4	89.3	90.6
OECD Europe										
France	1.86	1.88	1.80	1.86	1.72	1.85	0.28	17.6	94.8	82.6
Germany	2.34	2.29	2.28	2.30	2.07	2.24	-0.05	-2.2	95.5	97.7
Italy	1.94	1.85	1.81	1.88	1.85	1.82	0.06	3.2	78.5	76.5
Netherlands	0.93	1.05	1.15	1.15	1.10	1.10	0.08	7.7	90.3	84.9
Spain	1.16	1.13	1.16	1.09	1.19	1.14	-0.07	-5.6	89.8	91.5
UK	1.59	1.65	1.62	1.65	1.70	1.73	0.09	5.3	95.5	92.1
Other OECD Europe	4.05	3.98	3.84	3.76	3.79	3.86	-0.10	-2.5	85.2	87.2
Total	13.87	13.81	13.66	13.68	13.41	13.74	0.28	2.1	89.0	87.4
OECD Pacific										
Japan	4.10	4.25	4.28	4.40	4.26	4.08	-0.15	-3.4	86.8	88.7
Korea	2.31	2.31	2.38	2.37	2.32	2.29	0.15	6.9	90.1	83.7
Other OECD Pacific	0.68	0.73	0.73	0.70	0.73	0.73	-0.10	-12.4	85.3	87.7
Total	7.08	7.30	7.39	7.47	7.31	7.11	-0.10	-1.4	87.7	87.0
OECD Total	39.34	39.44	38.99	39.05	38.66	39.09	-0.09	-0.2	88.9	88.8

¹ Estimate

² Based on crude throughput and current operable refining capacity

³ US\$0

The 200 kb/d dip in OECD Pacific refinery throughput in April marks the start of seasonal maintenance in the region, which deepened in May and should maintain similar levels in early June. Throughput typically hits a trough in July, before recovering as refineries crank up production to meet winter heating needs, but the early start to maintenance this year would suggest that the trough could actually be seen a month early. Japanese refinery utilisation averaged below 70% in the second half of May, and a number of Korean refineries were reported to have started maintenance in the second half of the month.

Non-OECD maintenance in Asia was relatively heavy in April, and moderated significantly in May, leaving net regional throughput relatively flat. Combined OECD and non-OECD maintenance should then reach a peak of over 1.2 mb/d in June before recovering to levels comparable with the start of the second quarter in July.

The net result of maintenance schedules should be a continued tightening of Asian product markets in June, while European product markets should ease further over the month, helping to alleviate peak seasonal gasoline demand in the US.

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.5	24.3	25.1	24.9	24.7	25.1	24.9	25.6	25.4	25.2
Europe	15.1	15.3	15.2	14.7	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.5	15.2	15.4	15.8	15.5
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.2	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.2	46.3	47.5	48.9	47.8	49.3	47.3	48.3	49.4	48.6	49.8	48.0	49.0	50.0	49.2
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.6	3.4	3.8	3.6
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.2	6.4	6.2	6.3	6.3
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.7	7.8	8.3	7.9	8.2	8.2	8.2	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.7	4.8	4.8	4.7	4.7	4.8	4.9	4.9	4.8
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.6	2.7	2.7
Total Non-OECD	28.4	29.0	28.8	28.9	29.2	30.2	29.3	29.9	29.0	30.4	31.5	30.2	31.5	31.8	31.6	32.6	31.9
Total Demand¹	76.2	76.8	77.0	75.3	76.7	79.1	77.0	79.2	76.3	78.6	81.0	78.8	81.3	79.7	80.6	82.6	81.1
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.8	14.6	14.7	14.9	14.8
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.2	6.2
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	21.9	21.9	22.1	21.3	21.4	21.8	21.7	21.8	21.4	21.3	21.7	21.6
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.2	11.3	11.1
Europe	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
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.7	2.8	2.7
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	3.9	4.0	4.1	4.0
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	2.0	1.9	1.9	1.8	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.2	3.1	3.3	3.4	3.5	3.6	3.4
Total Non-OECD	22.5	23.2	24.0	24.2	24.7	24.7	24.4	24.9	25.1	25.6	26.2	25.5	26.3	26.6	26.8	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.1	46.7	47.9	48.1	47.8	48.5	48.1	48.9	48.2	48.7	49.8	48.9	49.9	49.8	49.9	50.8	50.1
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	27.9				
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.0	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.6	30.5	31.9				
Total Supply⁴	76.7	76.9	76.2	75.8	76.7	77.7	76.6	78.8	78.1	79.2	81.4	79.4	81.8				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.2	-0.3	0.5	-0.8	-1.1	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.4				
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2	0.1				
Total	0.2	0.3	-0.1	0.7	-0.8	-0.8	-0.3	-0.5	1.3	0.7	-0.5	0.3	-0.2				
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.1	0.0	0.3	0.2	-0.2				
Miscellaneous to balance ⁵	0.3	-0.2	-0.9	0.1	0.6	-0.3	-0.1	-0.2	0.3	-0.2	0.7	0.2	1.0				
Total Stock Ch. & Misc	0.6	0.1	-0.9	0.5	0.0	-1.3	-0.4	-0.4	1.8	0.5	0.5	0.6	0.5				
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.3	27.0	25.7	23.8	25.3	27.2	25.5	27.0	24.4	26.1	27.2	26.2	27.4	25.9	26.6	27.6	26.9
Total Demand ex. FSU	72.5	73.2	73.5	72.2	73.3	75.2	73.6	75.4	73.1	75.2	77.1	75.2	77.8	76.2	77.2	78.8	77.5
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.6	0.0	0.9	2.0	0.6	2.5	1.3	2.5	2.5	2.2	3.2	4.2	2.7	2.2	3.1

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 Net volumetric gains and losses in the refining process (excludes net gain/loss in former USSR, China and non-OECD Europe) and marine transportation losses

³ Upgraded Venezuelan Orinoco extra-heavy production is classified as non-conventional crude.

⁴ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁵ Includes changes in non-reported stocks in OECD and non-OECD areas

⁶ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

⁷ Year on year % growth in global oil demand excluding FSU

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

(million barrels per day)

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.4	0.3	-	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.5	0.3	0.1	0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	0.1	-	-	-	0.2	0.6	0.1	0.1	0.2
Total Demand	-	-	-	-	-	-	-	-	0.2	0.3	-	0.1	0.3	1.1	0.4	0.1	0.5
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	-0.2	-0.3	0.1	-0.1	-0.2	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.2	-0.3	-	-0.1	-0.3	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.2	0.3	-	0.1	0.3	1.1	0.3	0.2	0.5
Total Demand ex FSU	-	-	-	-	-	-	-	-	0.1	0.3	-	0.1	0.3	0.7	0.4	0.1	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

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.94	24.02	24.31	24.34	24.16	24.53	24.25	25.13	24.91	24.71	25.09	24.89	25.56	25.37	25.23
Europe	15.27	15.21	14.69	15.20	15.33	15.11	15.19	14.98	15.26	15.54	15.24	15.52	15.16	15.45	15.75	15.47
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	8.99	8.63	9.24	7.91	7.95	8.93	8.50
Total OECD	47.81	48.21	46.35	47.54	48.93	47.76	49.32	47.28	48.27	49.43	48.58	49.84	47.95	48.96	50.05	49.20
FSU	3.65	3.48	3.11	3.38	3.84	3.45	3.81	3.14	3.45	3.87	3.57	3.49	3.55	3.40	3.84	3.57
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.85	5.49	6.21	6.38	6.19	6.34	6.28
Other Asia	7.57	7.56	7.70	7.62	7.87	7.69	7.73	7.67	7.80	8.29	7.87	8.22	8.20	8.18	8.58	8.30
Latin America	4.89	4.73	4.82	4.87	4.75	4.79	4.49	4.65	4.80	4.76	4.68	4.65	4.85	4.93	4.86	4.82
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.51	2.60	2.57	2.63	2.63	2.54	2.66	2.61	2.68	2.68	2.58	2.71	2.66
Total Non-OECD	29.00	28.81	28.93	29.16	30.16	29.27	29.87	29.00	30.36	31.53	30.20	31.47	31.80	31.63	32.59	31.87
World	76.82	77.02	75.28	76.70	79.09	77.03	79.19	76.28	78.63	80.96	78.77	81.31	79.75	80.59	82.64	81.08
of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	19.98	19.76	20.57	20.25	20.14	20.36	20.37	20.95	20.62	20.58
Euro4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.34	8.24	8.45	8.15	8.27	8.37	8.31
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.57	5.40	5.89	4.80	4.86	5.49	5.26
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.37	2.20	2.32	2.05	2.03	2.34	2.19
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.07	2.07	2.06	2.07	2.05	2.09	2.13	2.08
Canada	2.04	2.08	2.02	2.09	2.15	2.09	2.17	2.10	2.17	2.25	2.17	2.30	2.15	2.20	2.28	2.23
Brazil	2.20	2.16	2.17	2.23	2.23	2.20	2.03	2.08	2.17	2.19	2.12	2.14	2.21	2.24	2.25	2.21
India	2.27	2.31	2.31	2.21	2.33	2.29	2.37	2.29	2.24	2.43	2.33	2.55	2.44	2.35	2.50	2.46
Annual Change (% per annum)																
North America	-0.2	-1.6	0.8	1.0	2.4	0.6	2.5	0.9	3.4	2.3	2.3	2.3	2.6	1.7	1.9	2.1
Europe	1.1	0.0	-0.5	-2.0	-1.7	-1.1	-0.1	2.0	0.4	1.3	0.9	2.2	1.2	1.3	1.4	1.5
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.9	1.5	-3.8	-1.7	0.9	-0.7	-1.4
Total OECD	0.1	-1.5	-0.5	-0.2	1.7	-0.1	2.3	2.0	1.5	1.0	1.7	1.1	1.4	1.4	1.2	1.3
FSU	-0.3	-6.3	-7.1	-1.6	-6.6	-5.5	9.3	1.2	2.1	0.6	3.3	-8.3	13.0	-1.2	-0.6	0.2
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.5	11.1	19.3	23.2	8.1	8.3	14.3
Other Asia	2.1	0.7	1.7	1.9	2.1	1.6	2.2	-0.4	2.4	5.3	2.4	6.4	6.9	4.9	3.4	5.4
Latin America	0.4	-1.0	-2.6	-1.6	-2.5	-1.9	-4.9	-3.5	-1.5	0.3	-2.4	3.5	4.1	2.8	2.1	3.1
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.5	2.2	1.0	0.9	2.1	1.7	1.0	2.2	1.7	1.8	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.2	-0.1	2.3	1.3	0.9	3.7	0.3	4.1	4.5	3.2	5.4	9.6	4.2	3.4	5.6
World	0.8	-0.8	-0.4	0.8	1.5	0.3	2.8	1.3	2.5	2.4	2.3	2.7	4.5	2.5	2.1	2.9
Annual Change (mb/d)																
North America	-0.06	-0.39	0.18	0.24	0.58	0.15	0.59	0.23	0.82	0.57	0.55	0.56	0.63	0.43	0.46	0.52
Europe	0.17	0.00	-0.08	-0.31	-0.26	-0.16	-0.02	0.30	0.06	0.21	0.13	0.33	0.18	0.19	0.22	0.23
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.27	0.13	-0.37	-0.14	0.07	-0.06	-0.12
Total OECD	0.03	-0.73	-0.23	-0.07	0.80	-0.05	1.11	0.93	0.73	0.50	0.82	0.52	0.67	0.69	0.62	0.63
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.33	0.04	0.07	0.02	0.11	-0.32	0.41	-0.04	-0.02	0.01
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.65	0.55	1.01	1.20	0.46	0.49	0.79
Other Asia	0.16	0.05	0.13	0.14	0.16	0.12	0.16	-0.03	0.18	0.42	0.19	0.49	0.53	0.38	0.28	0.42
Latin America	0.02	-0.05	-0.13	-0.08	-0.12	-0.09	-0.23	-0.17	-0.07	0.01	-0.11	0.16	0.19	0.13	0.10	0.14
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.19	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.05	0.03	0.02	0.06	0.04	0.03	0.06	0.04	0.05	0.04	0.04	0.05	0.05
Total Non-OECD	0.60	0.07	-0.04	0.65	0.37	0.26	1.06	0.08	1.20	1.37	0.93	1.60	2.79	1.27	1.06	1.68
World	0.63	-0.66	-0.27	0.57	1.17	0.21	2.17	1.01	1.93	1.87	1.74	2.12	3.47	1.96	1.68	2.31
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-0.03	0.09	0.24	-0.02	0.07	0.06	0.44	0.28	0.04	0.20
Europe	-	-	-	-	-	-	-	-	-	0.01	-	0.03	-0.04	0.01	0.03	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	0.01	0.05	0.01	-	0.02
Total OECD	-	-	-	-	-	-	-0.03	0.09	0.24	-0.01	0.07	0.10	0.45	0.29	0.07	0.23
FSU	-	-	-	-	-	-	-	0.04	-	-	0.01	-	0.36	-	-	0.09
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.04	0.12	-	-	0.04
Other Asia	-	-	-	-	-	-	-	0.01	0.01	0.01	0.01	0.11	0.01	-	-	0.03
Latin America	-	0.01	0.01	0.01	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.10	0.12	0.07	0.06	0.09
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.01	0.01	0.01	0.03	0.02	0.03	0.06	0.02	0.03	0.04	0.25	0.61	0.07	0.06	0.24
World	-	0.01	0.01	0.01	0.03	0.02	-	0.16	0.26	0.02	0.11	0.35	1.06	0.36	0.12	0.47

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Mar 04	Apr 04	May 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.24	8.21				8.15	8.00	8.37
Iran	3.40	3.78		3.95	3.92				3.96	4.00	4.00
Iraq	2.01	1.33		1.82	2.11				2.38	2.34	2.13
UAE	1.99	2.29		2.26	2.28				2.25	2.08	2.25
Kuwait	1.60	1.87		1.97	1.95				1.95	1.99	2.02
Neutral Zone	0.54	0.61		0.61	0.60				0.60	0.58	0.56
Qatar	0.64	0.74		0.74	0.75				0.76	0.77	0.79
Nigeria	1.97	2.15		2.28	2.33				2.33	2.28	2.33
Libya	1.32	1.42		1.45	1.47				1.48	1.49	1.51
Algeria	0.85	1.11		1.15	1.14				1.15	1.12	1.18
Venezuela	2.29	2.01		2.19	2.17				2.18	2.18	2.17
Indonesia	1.11	1.01		1.00	0.98				0.97	0.97	0.97
Total Crude Oil	25.08	26.78		27.66	27.92				28.15	27.80	28.27
Total NGLs ¹	3.47	3.67	4.10	3.96	4.01	4.05	4.11	4.23	4.03	4.04	4.03
Total OPEC	28.55	30.46		31.62	31.94				32.18	31.84	32.30
NON-OPEC²											
OECD											
North America	14.50	14.66	14.76	14.80	14.79	14.63	14.70	14.90	14.79	14.66	14.55
United States	8.06	7.88	7.87	7.84	7.85	7.81	7.86	7.99	7.88	7.83	7.77
Mexico	3.59	3.79	3.81	3.84	3.82	3.84	3.78	3.78	3.82	3.90	3.81
Canada	2.86	3.00	3.08	3.12	3.12	2.98	3.07	3.13	3.09	2.93	2.97
Europe	6.61	6.35	6.21	6.44	6.38	6.20	6.02	6.23	6.37	6.21	6.17
UK	2.50	2.29	2.15	2.26	2.20	2.11	2.12	2.17	2.22	2.13	2.09
Norway	3.33	3.26	3.23	3.37	3.36	3.26	3.07	3.24	3.31	3.27	3.25
Others	0.78	0.80	0.83	0.82	0.82	0.83	0.83	0.83	0.84	0.82	0.83
Pacific	0.76	0.65	0.60	0.59	0.60	0.59	0.61	0.62	0.58	0.57	0.59
Australia	0.71	0.61	0.55	0.55	0.55	0.54	0.56	0.57	0.53	0.52	0.54
Others	0.05	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total OECD	21.88	21.66	21.56	21.83	21.77	21.41	21.33	21.75	21.74	21.44	21.30
NON-OECD											
Former USSR	9.37	10.31	11.10	10.72	10.84	11.03	11.18	11.33	10.91	10.98	11.05
Russia	7.66	8.49	9.15	8.82	8.93	9.10	9.23	9.33	8.99	9.05	9.12
Others	1.71	1.82	1.95	1.90	1.91	1.93	1.95	2.00	1.92	1.93	1.93
Asia	5.89	6.00	6.15	6.06	6.13	6.15	6.16	6.18	6.09	6.16	6.15
China	3.39	3.41	3.42	3.41	3.43	3.42	3.42	3.42	3.39	3.44	3.43
Malaysia	0.79	0.83	0.85	0.86	0.87	0.86	0.85	0.84	0.87	0.85	0.86
India	0.78	0.79	0.81	0.82	0.81	0.82	0.81	0.80	0.79	0.83	0.81
Others	0.94	0.97	1.07	0.97	1.02	1.05	1.08	1.13	1.04	1.05	1.05
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.90	3.94	3.99	4.00	3.92	3.94	3.98	4.11	3.91	3.93	3.95
Brazil	1.72	1.77	1.80	1.76	1.74	1.75	1.79	1.90	1.76	1.73	1.76
Argentina	0.80	0.78	0.73	0.77	0.74	0.73	0.73	0.73	0.72	0.74	0.73
Colombia	0.59	0.55	0.53	0.54	0.53	0.54	0.53	0.52	0.53	0.55	0.53
Ecuador	0.40	0.43	0.53	0.53	0.51	0.53	0.53	0.55	0.50	0.52	0.53
Others	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.40	0.40	0.40
Middle East³	2.09	1.98	1.87	1.95	1.89	1.88	1.85	1.85	1.87	1.89	1.87
Oman	0.90	0.82	0.75	0.81	0.76	0.76	0.75	0.73	0.75	0.77	0.76
Syria	0.55	0.53	0.50	0.52	0.51	0.50	0.49	0.49	0.51	0.50	0.50
Yemen	0.45	0.44	0.42	0.44	0.43	0.42	0.42	0.41	0.43	0.43	0.42
Africa	2.99	3.06	3.43	3.25	3.31	3.40	3.45	3.56	3.31	3.33	3.41
Egypt	0.75	0.75	0.72	0.74	0.73	0.71	0.71	0.73	0.71	0.70	0.71
Angola	0.90	0.88	0.96	0.91	0.93	0.94	0.95	1.03	0.92	0.93	0.95
Gabon	0.25	0.24	0.24	0.25	0.24	0.24	0.23	0.23	0.24	0.24	0.24
Others	1.09	1.19	1.51	1.35	1.41	1.51	1.56	1.57	1.43	1.47	1.51
Total Non-OECD	24.41	25.46	26.70	26.16	26.26	26.57	26.78	27.20	26.25	26.47	26.60
Processing Gains ⁴	1.76	1.80	1.83	1.82	1.85	1.81	1.81	1.85	1.85	1.81	1.81
TOTAL NON-OPEC	48.05	48.93	50.10	49.81	49.88	49.79	49.92	50.80	49.84	49.72	49.71
TOTAL SUPPLY	76.60	79.38		81.43	81.82				82.02	81.55	82.02

¹ Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Orimulsion Orinoco extra-heavy oil, and non-oil inputs to Saudi Arabia

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 FSU, China and non-OECD Europe) and marine transportation losses

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Dec2003	Jan2004	Feb2004	Mar2004	Apr2004*	Apr2001	Apr2002	Apr2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	374.7	379.8	386.1	405.4	414.1	427.0	438.3	399.4	-0.01	-0.03	-0.15	0.34
Motor Gasoline	233.7	236.3	234.2	234.4	240.9	235.2	251.6	238.9	0.05	-0.11	0.08	0.01
Middle Distillate	210.0	195.4	181.2	173.8	176.3	178.6	196.0	164.6	0.19	0.25	0.05	-0.40
Residual Fuel Oil	45.7	46.5	49.3	48.1	46.2	48.7	42.9	39.5	0.03	-0.03	0.05	0.03
Total Products ³	645.1	625.3	608.2	606.5	620.5	620.9	662.4	590.3	0.66	0.16	-0.08	-0.42
Total⁴	1150.5	1135.2	1130.7	1149.8	1169.2	1188.6	1249.3	1121.1	0.88	0.25	-0.56	-0.01
Europe												
Crude	311.1	315.2	313.2	336.6	324.6	322.0	314.2	327.8	-0.09	-0.08	0.06	0.28
Motor Gasoline	116.0	122.5	120.9	112.6	107.4	114.9	121.2	112.0	-0.09	-0.01	0.08	-0.04
Middle Distillate	236.9	241.1	226.5	216.9	219.2	217.1	244.0	220.6	0.17	0.22	-0.16	-0.22
Residual Fuel Oil	78.0	77.7	74.4	73.7	73.0	86.7	68.5	73.9	-0.03	0.05	0.07	-0.05
Total Products ³	532.1	543.7	522.7	501.8	499.0	528.2	541.8	507.8	0.10	0.23	-0.02	-0.33
Total⁴	914.1	930.7	908.7	912.7	897.3	911.6	920.2	909.5	-0.02	0.20	0.01	-0.02
Pacific												
Crude	179.9	172.8	182.5	175.4	171.3	180.8	162.8	166.8	0.07	-0.05	-0.04	-0.05
Motor Gasoline	22.4	25.0	26.4	25.4	26.4	26.5	26.9	26.4	0.00	-0.02	-0.02	0.03
Middle Distillate	74.2	66.6	61.2	54.7	58.6	75.2	68.3	63.2	0.17	0.13	-0.10	-0.21
Residual Fuel Oil	22.8	23.0	21.8	19.9	22.2	23.5	23.0	23.8	0.03	-0.02	0.00	-0.03
Total Products ³	183.9	176.6	171.7	158.2	165.6	194.0	184.5	177.1	0.29	0.15	-0.22	-0.28
Total⁴	435.3	419.9	422.9	401.5	406.2	460.6	424.9	413.5	0.44	0.07	-0.26	-0.37
Total OECD												
Crude	865.7	867.9	881.8	917.3	910.1	929.7	915.4	894.0	-0.04	-0.17	-0.13	0.57
Motor Gasoline	372.1	383.7	381.5	372.4	374.7	376.6	399.7	377.3	-0.05	-0.14	0.14	0.00
Middle Distillate	521.1	503.1	468.8	445.4	454.1	471.0	508.3	448.4	0.53	0.59	-0.21	-0.83
Residual Fuel Oil	146.5	147.2	145.5	141.7	141.3	159.0	134.4	137.2	0.03	0.00	0.12	-0.05
Total Products ³	1361.2	1345.6	1302.5	1266.5	1285.1	1343.1	1388.7	1275.2	1.05	0.54	-0.33	-1.04
Total⁴	2499.9	2485.8	2462.3	2464.0	2472.7	2560.8	2594.5	2444.1	1.30	0.52	-0.81	-0.39

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Dec2003	Jan2004	Feb2004	Mar2004	Apr2004*	Apr2001	Apr2002	Apr2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	638.4	641.2	646.9	652.1	657.9	542.4	566.7	599.6	0.10	0.17	0.15	0.15
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	156.7	156.6	156.0	157.2	157.2	140.0	143.7	150.7	-0.05	-0.03	0.06	0.01
Products	211.9	211.3	209.7	208.7	208.7	211.4	206.0	201.8	-0.01	0.06	0.04	-0.04
Pacific												
Crude	384.7	384.8	384.7	386.8	386.8	367.0	379.1	383.0	0.00	0.00	0.02	0.02
Products	11.0	11.0	11.0	11.0	11.0	6.7	7.3	9.6	0.00	0.01	0.01	0.00
Total OECD												
Crude	1179.8	1182.5	1187.6	1196.1	1201.9	1049.3	1089.5	1133.3	0.05	0.14	0.24	0.18
Products	224.9	224.3	222.7	221.7	221.7	220.1	215.3	213.3	-0.01	0.06	0.05	-0.04
Total⁴	1405.7	1407.8	1411.3	1418.8	1424.6	1270.4	1305.7	1347.7	0.04	0.20	0.29	0.14

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
(millions of barrels¹ and days²)

	End March 2003		End June 2003		End September 2003		End December 2003		End March 2004 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	149.3	71	161.8	75	170.4	76	160.8	70	174.8	-
Mexico	51.5	25	44.2	21	41.4	20	39.0	19	38.9	-
United States ⁴	1476.8	75	1561.0	77	1594.3	79	1568.9	77	1568.2	-
Total ⁵	1699.7	70	1789.1	72	1828.2	73	1790.9	71	1804.0	72
Pacific										
Australia	39.8	46	38.1	43	36.0	39	32.4	37	33.8	-
Japan	619.0	124	646.7	133	653.6	117	636.3	108	614.4	-
Korea	137.0	67	152.1	77	154.5	65	154.5	67	142.9	-
New Zealand	9.8	66	8.5	60	8.5	63	7.9	54	8.3	-
Total	805.6	100	845.4	107	852.6	95	831.1	90	799.3	101
Europe⁶										
Austria	17.6	60	18.5	62	20.3	70	20.9	81	23.2	-
Belgium	29.1	48	27.5	47	29.1	45	27.7	44	28.4	-
Czech Republic	15.3	82	13.5	71	13.4	68	16.4	95	15.6	-
Denmark	15.4	85	15.5	85	16.3	86	16.8	87	15.6	-
Finland	24.7	121	23.9	112	23.2	103	26.5	123	27.8	-
France	175.0	89	173.3	84	179.2	85	185.3	87	176.4	-
Germany	258.6	95	260.7	98	258.6	98	264.9	100	262.7	-
Greece	29.3	75	32.3	85	30.9	66	27.5	57	24.9	-
Hungary	17.9	136	17.6	130	18.3	120	16.8	140	19.5	-
Ireland	10.9	62	11.0	64	11.9	63	12.0	61	12.0	-
Italy	136.3	75	134.6	73	140.7	75	135.2	73	135.6	-
Luxembourg	0.9	17	0.8	14	0.8	16	1.0	17	0.8	-
Netherlands	95.4	103	106.5	115	111.1	116	100.1	106	107.2	-
Norway	33.2	141	21.1	82	23.1	98	27.2	103	28.5	-
Poland	27.2	67	27.9	61	26.9	60	28.7	69	29.7	-
Portugal	24.0	74	24.7	72	25.6	79	25.3	81	24.4	-
Spain	122.8	81	121.1	79	121.4	77	122.4	78	123.5	-
Sweden	34.3	114	34.0	113	36.1	117	35.8	119	31.8	-
Switzerland	36.1	146	37.2	144	37.4	143	36.1	140	35.4	-
Turkey	55.6	89	54.8	77	55.2	83	55.1	85	54.9	-
United Kingdom	99.8	60	95.7	58	92.9	54	101.9	56	101.7	-
Total	1259.4	84	1252.3	82	1272.6	82	1283.6	83	1279.6	84
Total OECD	3764.7	80	3886.9	81	3953.4	80	3905.5	78	3882.8	81
DAYS OF IEA Net Imports⁷	-	110	-	114	-	115	-	111	-	111

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 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

7 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions. Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled		Industry	Total	Government ¹ controlled	
		Millions of Barrels				Days of Fwd. Demand ²	
1Q2001	3794	1270	2524	81	27	54	
2Q2001	3864	1268	2597	81	27	55	
3Q2001	3925	1265	2660	82	26	55	
4Q2001	3905	1284	2621	81	27	54	
1Q2002	3899	1302	2597	84	28	56	
2Q2002	3958	1314	2644	83	28	56	
3Q2002	3887	1319	2567	79	27	52	
4Q2002	3809	1343	2466	77	27	50	
1Q2003	3765	1357	2408	80	29	51	
2Q2003	3887	1361	2526	81	28	53	
3Q2003	3953	1379	2574	80	28	52	
4Q2003	3906	1406	2500	78	28	50	
1Q2004	3883	1419	2464	81	30	51	

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 1Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Year Earlier	
											Mar 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.75	0.63	0.66	0.56	0.56	0.59	0.55	0.55	-0.01
Europe	0.92	0.92	1.00	1.14	0.99	0.95	0.85	1.04	0.82	0.69	1.03	-0.34
Pacific	1.22	1.22	1.18	1.16	1.04	1.12	1.14	1.13	1.08	1.22	1.51	-0.29
Saudi Medium												
North America	0.73	0.86	0.83	0.94	0.79	0.71	0.72	0.79	0.75	0.61	0.91	-0.29
Europe	0.15	0.11	0.11	0.13	0.14	0.07	0.07	0.05	0.11	0.05	0.09	-0.04
Pacific	0.17	0.16	0.24	0.26	0.20	0.30	0.31	0.30	0.35	0.28	0.25	0.03
Saudi Heavy												
North America	0.21	0.20	0.30	0.48	0.25	0.19	0.19	0.21	0.13	0.23	0.41	-0.18
Europe	0.14	0.09	0.19	0.26	0.21	0.16	0.16	0.13	0.18	0.16	0.17	-0.01
Pacific	0.15	0.12	0.16	0.21	0.15	0.15	0.13	0.14	0.14	0.12	0.15	-0.04
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.24	0.20	0.82	0.75	0.63	0.86	0.76	0.57	0.18
Europe	0.15	0.08	0.09	0.05	0.04	0.15	0.22	0.21	0.17	0.28	0.08	0.20
Pacific	0.01	0.02	0.03	..	..	0.11	0.14	0.16	0.16	0.12	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	0.02	..	..	..	..	..	..	0.17	..
Europe	0.31	0.32	0.12	0.04	0.04	..	0.03	..	..	0.07	0.43	-0.36
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.24	0.17	0.18	0.14	0.19	0.08	0.14	0.21	-0.07
Pacific	0.13	0.12	0.17	0.16	0.16	0.17	0.18	0.20	0.17	0.18	0.18	0.00
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.57	0.74	0.55	0.42	0.38	0.52	0.38	0.52	-0.14
Pacific	0.63	0.54	0.69	0.67	0.58	0.74	0.73	0.65	0.85	0.71	0.80	-0.10
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.83	0.75	0.84	0.61	0.71	0.62	0.51	0.64	-0.13
Europe	0.07	0.08	0.02	0.04	0.01	0.01	..	..	..	..	0.03	..
Pacific	0.00	0.00	0.00	..	0.00	0.00	..	..	..	..	0.00	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.66	0.83	0.73	0.79	0.76	0.92	0.69	0.50	0.18
Europe	0.07	0.05	0.06	0.05	0.07	0.09	0.05	0.05	0.05	0.05	0.04	0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.31	1.46	1.37	1.31	1.30	1.36	1.29	1.19	0.09
Europe	0.14	0.17	0.16	0.17	0.21	0.13	0.14	0.11	0.14	0.16	0.16	0.00
Pacific	0.01	0.00	0.00	..	0.01	..	0.01	0.02	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	0.00	..	..	..	..	..	..	0.01	..
Europe	0.03	0.01	0.00	0.00	..	0.00	..	..	..	..	0.00	..
Pacific	0.01	0.01	0.00	..	0.01	..	0.01	0.04	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.23	0.33	..	0.01	0.00	0.03	..	..	..
Europe	1.10	1.32	1.62	1.50	1.70	1.75	2.04	1.78	2.20	2.14	1.68	0.46
Pacific	0.01	0.01	0.00	..	..	0.01	0.00	0.01	..	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.59	0.78	0.67	0.80	0.76	0.92	0.71	0.56	0.15
Europe	0.38	0.32	0.41	0.38	0.44	0.38	0.31	0.38	0.29	0.28	0.46	-0.18
Pacific	0.02	0.06	0.08	0.03	0.05	0.09	0.12	0.19	0.07	0.10	0.09	0.01
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.10	0.21	0.26	0.22	0.17	0.39	0.14	0.25
Europe	0.10	0.06	0.06	0.04	0.04	0.09	0.03	0.04	0.01	0.06	0.05	0.01
Pacific	0.00	0.01	0.01	..	..	..	0.02	0.03	0.03	..	..	..

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 21 of the Report.

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary and Poland.

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)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Year Earlier	
											Mar 03	% change
Crude Oil												
North America	8020	7584	8027	8441	8475	8013	8028	7644	7832	8596	7946	8%
Europe	8592	8662	8983	8972	9228	9048	9830	9375	10254	9889	9097	8%
Pacific	6895	6422	6711	6720	6098	6680	7033	6821	7515	6796	7206	-6%
Total OECD	23506	22668	23722	24133	23801	23741	24892	23840	25601	25280	24249	4%
of which Non-OECD	22184	21132	22462	22901	22366	22673	23738	22824	24481	23958	23041	4%
LPG												
North America	28	39	27	15	16	33	29	48	5	34	37	-8%
Europe	251	228	207	161	191	223	252	250	255	250	241	4%
Pacific	546	553	541	525	553	523	550	530	548	572	579	-1%
Total OECD	825	820	774	701	759	779	831	828	808	856	857	0%
of which Non-OECD	818	788	717	640	706	765	828	825	803	854	739	13%
Naphtha												
North America	59	42	68	90	90	64	53	60	79	22	37	-66%
Europe	298	298	311	308	273	323	307	283	296	343	377	-10%
Pacific	647	705	770	711	839	761	782	749	891	712	761	-7%
Total OECD	1005	1045	1150	1109	1202	1149	1142	1092	1266	1078	1175	-9%
of which Non-OECD	953	990	1092	1031	1138	1090	1076	1042	1178	1014	1152	-14%
Gasoline³												
North America	673	680	694	889	695	569	677	450	612	963	744	23%
Europe	148	179	170	169	147	182	245	210	258	267	165	38%
Pacific	36	58	70	70	79	76	102	97	105	103	50	52%
Total OECD	857	917	935	1127	921	828	1023	758	975	1333	959	28%
of which Non-OECD	579	621	615	727	625	561	628	562	634	689	521	24%
Jet & Kerosene												
North America	139	97	97	108	114	67	47	39	65	39	99	-150%
Europe	247	221	208	202	248	216	183	195	116	234	183	22%
Pacific	73	97	103	49	48	133	91	97	84	91	61	34%
Total OECD	459	416	408	359	410	415	321	331	265	365	343	6%
of which Non-OECD	408	367	379	331	354	398	310	323	251	353	325	8%
Gasoil/Diesel												
North America	186	102	128	88	126	87	195	159	227	201	244	-21%
Europe	601	690	685	781	637	662	714	633	767	745	568	24%
Pacific	31	53	74	78	66	77	57	61	54	57	68	-21%
Total OECD	817	846	887	948	829	826	966	853	1048	1003	880	12%
of which Non-OECD	763	804	843	915	785	783	944	841	1010	985	838	15%
Heavy Fuel Oil												
North America	314	237	325	316	306	323	369	337	411	361	413	-14%
Europe	403	474	398	378	455	448	374	378	379	367	319	13%
Pacific	81	89	89	105	72	81	76	65	70	94	64	31%
Total OECD	799	800	812	799	833	853	820	780	860	822	797	3%
of which Non-OECD	721	749	767	759	797	805	772	758	792	767	760	1%
Other Products												
North America	703	689	701	791	759	618	881	752	999	898	671	25%
Europe	737	739	674	584	707	703	671	694	631	684	679	1%
Pacific	218	256	229	232	222	198	246	254	240	242	287	-19%
Total OECD	1658	1685	1604	1608	1688	1518	1797	1701	1871	1825	1636	10%
of which Non-OECD	1228	1302	1189	1151	1210	1184	1329	1152	1451	1393	1256	10%
Total Products												
North America	2103	1887	2041	2298	2106	1762	2251	1846	2397	2519	2244	11%
Europe	2686	2829	2653	2583	2658	2757	2747	2643	2703	2891	2533	12%
Pacific	1631	1811	1875	1769	1879	1849	1903	1853	1993	1871	1870	0%
Total OECD	6420	6527	6569	6650	6644	6368	6901	6342	7093	7281	6647	9%
of which Non-OECD	5470	5621	5602	5554	5614	5586	5888	5503	6120	6056	5592	8%
Total Oil												
North America	10122	9471	10068	10739	10581	9775	10279	9490	10229	11115	10190	8%
Europe	11277	11491	11636	11555	11886	11805	12577	12018	12958	12779	11630	9%
Pacific	8526	8233	8587	8489	7977	8529	8937	8674	9508	8666	9076	-5%
Total OECD	29925	29195	30291	30783	30445	30109	31793	30182	32694	32561	30896	5%
of which Non-OECD	27654	26752	28064	28455	27980	28259	29627	28327	30602	30014	28632	5%

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

² Excludes intra-regional trade

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Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

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