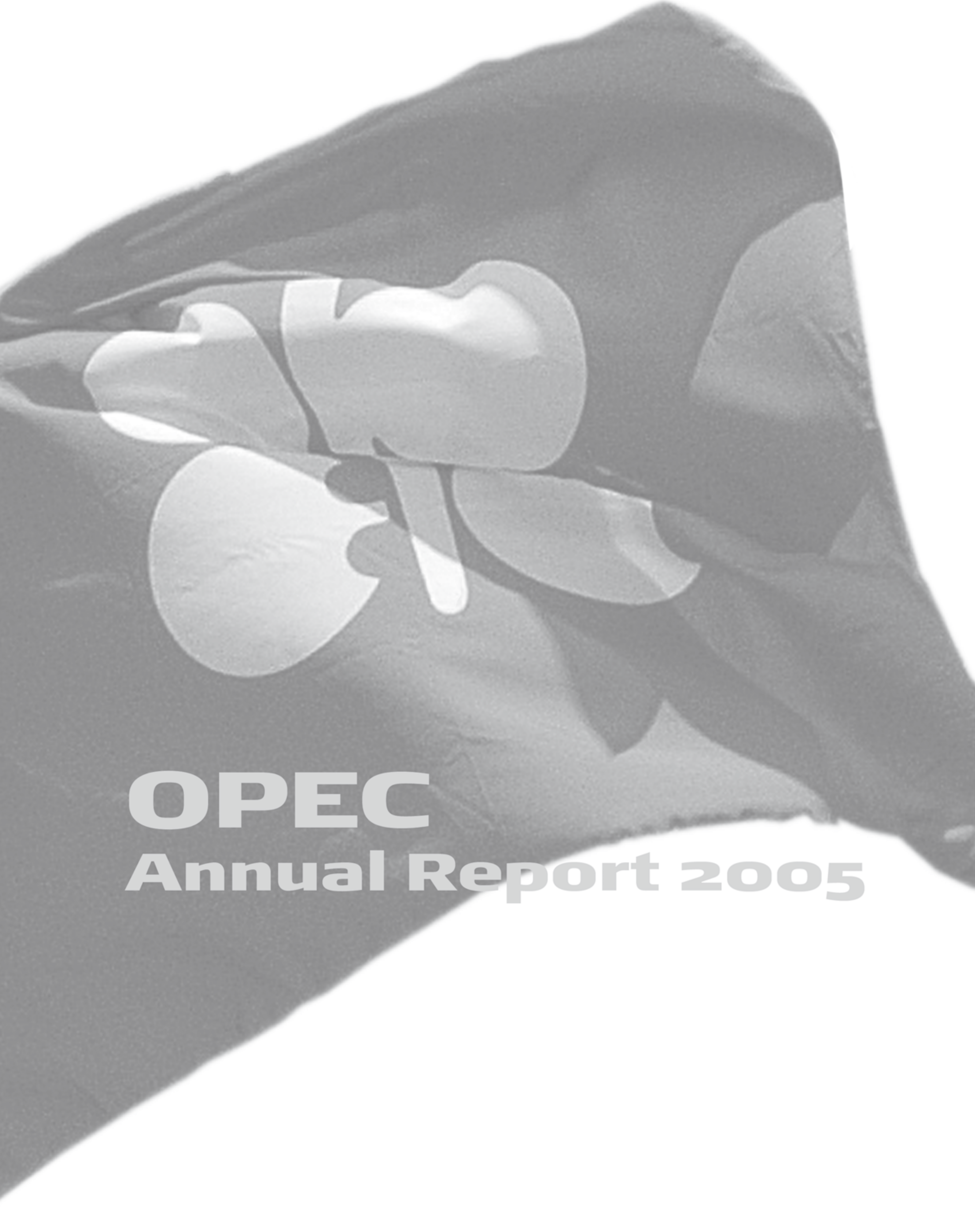
# OPEC
## Annual Report 2005



# OPEC

## Annual Report 2005

**Organization of the Petroleum Exporting Countries**
**Public Relations & Information Department**
Obere Donaustrasse 93
A-1020 Vienna, Austria
Telephone: +43 1 211 12-0
Secretariat fax: +43 1 216 43 20
PR & Information Department fax: +43 1 214 98 27
E-mail: prid@opec.org
www.opec.org

**Editor-in-Chief**
Dr Omar Farouk Ibrahim

**Senior Coordinator, Editorial**
Umar Gbobe Aminu

**Editor**
James Griffin

**Design**
Elfi Plakolm

**Production**
Andrea Birnbach

**Photographs (unless otherwise credited)**
Diana Golpashin


ISSN 0474-6317

Printed in Austria by Ueberreuter Print and Digimedia

# Contents


| | |
|---|---|
| Foreword | 4 |
| OPEC in the World Economy | 8 |
| Oil Market Developments | 16 |
| Energy Dialogues | 36 |
| OPEC Press Releases | 44 |
| Activities of the Secretariat | 76 |
| Heads of Delegation | 90 |
| Members of the Board of Governors | 92 |
| National Representatives | 94 |
| Officials of the Secretariat | 95 |
| Diary of the President/Secretary General | 96 |
| Calendar | 98 |

# Foreword

There are many words that could describe the oil market in 2005; 'extraordinary', 'complex' and 'unpredictable' are ones that might readily spring to mind if you followed the daily news reports. For instance, during 2005 we witnessed, amongst other things, the continuation of the 2004 trend towards rising prices – the OPEC Reference Basket (ORB) started the year at $36.43 a barrel and ended at $53.47/b. I should point out, however, that in real terms these prices were below those of the early 1980s, when the OPEC Reference Basket – projected backwards – reached over $85/b in today's prices.

On top of this, the market experienced some significant natural disasters, which the market had to cope with at short notice, downstream bottlenecks, escalating geopolitical tensions in some parts of the world and increased speculation in the futures markets. Given these factors, it is easy to see why the topic on everyone's lips was 'global energy security'. Yet despite these challenges, what is clear is that in 2005 the global market was well supplied with crude oil, with inventory levels of commercial stocks rising significantly. In fact, let me offer you a little vignette that further underlines this statement. In September 2005, OPEC moved to make available to the market spare capacity of around 2 million barrels a day (mb/d), should it be called for, following the Gulf of Mexico hurricanes and the US supply disruption. The spare capacity was not required.

OPEC's actions, both in 2005 and in previous years, underlines its continued commitment to ensuring market stability at all times, with secure supply and reasonable prices that are equally rewarding to producers, investors and consumers, and consistent with robust economic growth, for both developing and developed economies. During 2005, OPEC met on five occasions at Ministerial level, three of which were 'extraordinary' meetings called for by the Conference President in order to monitor and adapt to the current oil market situation. At these meetings it was agreed to increase production by a total of 1 mb/d to ensure adequate supplies of oil were available at all times. In fact, since 2002 OPEC production has increased by around 4.5 mb/d in order to meet demand. However, OPEC was only able to achieve so much with its actions since factors over which the Organization had little or no influence were primarily responsible for the 'extraordinary', 'complex' and 'unpredictable' nature of the market in 2005. This becomes acutely apparent when reviewing some of the factors driving the price increases.

OPEC research indicates that since 2004 the traditional approach to assessing the tightness of the oil market, based on oil inventories as an explanation for oil price movements, has not been applicable. Research points to downstream tightness due to inadequate past investment and increasingly stringent product specifications – downstream investment is primarily the remit and responsibility of international oil companies and consuming countries – as well as the perception of upstream constraints. Alongside this was increased activity in the futures markets concerning possible disruptions, the vast majority of which never came to pass. Unforeseen natural disasters and geopolitical concerns obviously played a role too.

What all this points to is the importance of shared responsibility within the global community and the importance of enhanced dialogue and cooperation. This is something that OPEC placed great credence on in 2005. Thus, last year should also be remembered for words such as: 'dialogue', 'cooperation' and 'support'. This was particularly evident in the 2005 energy dialogues that widened and deepened discussions between OPEC and, respectively, the European Union (EU), China and Russia.

As an industry we have to be inclusive and such extended dialogues have enabled us to learn much more about each other and confer in detail about the numerous energy concerns of common interest. In particular, the wide ranging and mutually dependent issues of security of supply and security of demand and the function oil plays in supporting the global economy. It is a process built on a pragmatic attitude of give-and-take towards each others' interests and the basis for the establishment of positive long-term relationships. The goal is one of common benefit for all parties, both producers and consumers: the establishment and maintenance of a more stable and effective international oil market going forward.

Further significant advancements in the producer-consumer dialogue took place in November 2005 when the International Energy Forum's Secretariat and the Joint Oil Data Initiative (JODI) database were formally inaugurated in Riyadh, Saudi Arabia. The OPEC Secretariat, together with five other international organizations, has been behind the development of the JODI facility, which provides data on oil, gas and refined product output, as well as stocks and demand from more than 90 countries. It should be remembered that high-quality, timely information underpins well-functioning markets and today there is a particular need for better data on the evolution of demand and stocks.

Such constructive cooperation and dialogue are welcome and increasingly necessary in light of the many challenges the industry faces. These challenges were in fact the impetus behind OPEC's launch of its Long-Term Strategy (LTS) document in September 2005. The Strategy puts forward a coherent and consistent framework for the Organization's future, with the recognition of oil's importance in meeting future global energy demand – it is widely expected that oil will maintain its leading position in satisfying the world's energy needs for the foreseeable future – and its significance to the future socio-economic development of OPEC Member Countries (MCs).

Key themes of the LTS include the challenges that may impact future global oil demand, such as world economic growth and expanding vehicle usage, country demographics, consuming countries' energy and environmental policies, technological development and how future non-OPEC production might evolve. These issues compound the uncertainty regarding how much oil will be needed from OPEC to achieve a supply and demand balance.

The LTS explores these challenges and uncertainties in three consistent scenarios, the first of which envisages a future following previous oil demand patterns, with the other two exploring futures leading to lower and higher rates of oil demand growth, respectively. The difference between the lower and higher rates of oil demand growth out to 2020 is more than 12 mb/d or somewhere between $230 billion and $470 bn in investment terms. This vast range in oil demand and investment becomes even more acute when taking into account the long lead and pay back times involved and it must also be noted that uncertainties are overwhelmingly skewed to the downside.

All this brings me back to the words: 'dialogue', 'cooperation' and 'support'. These words offer the way forward for all nations, both from the developed and developing world. Core to OPEC's objectives is to develop a common consensus that takes into consideration all our needs and priorities, whilst specifically recognising the key international priority of tackling energy poverty. For many in the world, access to energy is central to raising their standard of living and bringing them out of poverty.

None of us can do it alone. We need to work together, to establish and maintain market stability through our actions, because we all have a responsibility in continuing to supply affordable, reliable energy, to everyone, and especially those who today suffer from limited or no access to the very basic energy services.

Mohammed S. Barkindo
Acting for the Secretary General

# OPEC in the World Economy

In 2005, the world economy grew steadily recovering from the slowdown witnessed in the second half of 2004. The first half of 2004 had seen significant growth, in fact, the highest gross domestic product (GDP) growth since 1976. Global GDP in 2005 grew by 4.7 per cent, just a little below the 5.2 per cent witnessed in 2004 (see **Table 1**, *page 15*). In the leading developed countries, growth in domestic demand weakened slightly, but strong export growth more than compensated for this. For the Group of Seven (G7) as a whole, the pattern of year-on-year GDP growth showed remarkable stability. However, developing countries – including China – were responsible for the majority of the incremental global GDP growth. In 2005, they accounted for about 67 per cent of the increment, an increase on the 64 per cent recorded in 2004.

The year marked a shift in economic leadership from the United States (US) to Japan. Although US growth rates remained high, momentum in domestic demand faltered, especially in the final quarter following the devastating hurricanes that hit the Gulf of Mexico. In contrast the Japanese economy accelerated strongly as advancements in personal incomes supported consumer expenditure and by the end of the year real personal consumption was growing at above the three per cent level.

In developing countries, Asia in particular, strong growth was recorded in the second half of the year after an uncertain start. As in 2004, the Chinese economy grew by about ten per cent as exports and related investment spending benefited from the combination of growing demand in developed countries and the extension of global supply networks. Rising oil and commodity prices boosted the export revenues of many economies in Latin America and Africa.

## North America, Japan and Europe

In the US, economic momentum was supported by consumer spending and investment, since net trade continued to have a negative influence on GDP. During the second and third quarters growth in the US remained stable. However, the Gulf of Mexico hurricanes disrupted energy supplies in August and September, pushing fuel prices upwards and US consumer spending stagnated in the final quarter of the year. In Japan and Europe growth rates improved steadily through the final quarter and this recovery offset the US weakness.

Personal consumption growth in the US was relatively steady, achieving a rate of 3.5 per cent for the year despite the fourth quarter impact. Throughout the whole of 2005 investment spending in the US was impressive – substantial increases in inventories and continued growth in government consumption added further to domestic demand. As in 2004, the main drag on growth was the widening trade deficit, which contributed to GDP growth falling to 3.5 per cent in 2005, from the 4.2 per cent achieved in 2004. In 2005, the US current account deficit reached 6.4 per cent of GDP, but the deteriorating balance of payments outlook had little impact on the US dollar, probably because US interest rates rose throughout the year.

The US Federal Reserve also continued to increase the Federal Funds rate. Although inflation remained under control, the monetary authorities feared that the combination of shrinking spare capacity and external pressures from rising commodity prices might lead to higher inflation. By the end of 2005, the Federal Funds rate had reached 4.25 per cent, but long-term bond yields actually fell during the year confirming that the financial markets did not anticipate any significant acceleration in US inflation.

Growth rates for both Canada and Mexico were close to three per cent in 2005. The Canadian economy has performed well in recent years – benefiting from a substantial exposure to commodity industries. Real GDP growth in Mexico slowed from 4.2 per cent in 2004 to three per cent due to a combination of slower US growth, tighter monetary policy and competition from Asia that affected both domestic and export demand. After many years of depressed private consumption, Japanese personal spending grew strongly in the final quarter of 2003 and this trend was maintained until the final quarter of 2004. This consumption growth was significantly supported by savings from the retired sector of the population. In late 2004 and 2005, however, improvements in employment prospects meant there was more optimism from the current workforce.

For 2005 as a whole, personal consumption grew by 2.1 per cent. On top of this, a growing confidence in the economic recovery encouraged business to boost capital spending by 3.3 per cent. Total domestic demand grew by 2.5 per cent in 2005, which encouraged commentators to consider whether the long period of deflation in the Japanese economy might be reaching its conclusion. By the final quarter of 2005 consumer prices (excluding food and energy) had stabilised and prices for corporate goods rose by more than two per cent.

In contrast to this encouraging domestic picture, export growth was lower in 2005 although the exchange rate remained weak against the US$. The Japanese Yen stood at ¥118 against the $ at the end of the year. The positive contribution of net trade to GDP growth fell to 0.3 per cent from 0.8 per cent in 2004 as a result of rising import costs. It should be noted that Japan remains highly dependent on export growth – particularly to the US and China – and the prospects of cyclical weakness in these economies and/or a weaker $ are important risk factors for Japan in 2006. Nevertheless, on the back of the recovery in domestic demand, the overall growth rate for GDP in 2005 was a healthy 2.7 per cent.

In 2004, the main problem in the Eurozone was poor domestic demand performance, especially in the German and Italian economies, and there was little improvement in 2005. France was an exception and showed better growth, as a result of stronger personal consumption and much higher investment growth. Though domestic demand grew by over two per cent in France, it should be noted that rising import costs absorbed much of this spending and GDP grew by only one per cent.

High rates of unemployment and a lingering perception of high inflation continued to erode consumer confidence in much of Europe. Consumer spending was particularly weak in Germany, Belgium, the Netherlands and Italy. Spending recovered to some extent in the second quarter of 2005, but the gains were not sustained and the final quarter provided further disappointment.

During 2005, there was little sign that the global economic recovery had impacted the internal dynamics of the Eurozone and the UK. Overall GDP growth did improve during the course of the year, but this reflected higher export volumes and was largely concentrated in export-sensitive economies such as Germany and the UK. Towards the end of the year many surveys of business confidence suggested an improving trend, but these indications were not confirmed by actual spending or production data. In 2005, Eurozone GDP rose by only 1.4 per cent. Despite the fact that economic growth remained below previous years, the European Central Bank raised interest rates in December since Eurozone inflation remained above two per cent.

The growth rate of the European Union as a whole was boosted by the accession of ten new member states in May 2004. For example, the Czech Republic achieved a remarkable growth rate of almost six per cent in 2005. This solid performance was due primarily to high levels of inward direct investment, notably in the motor industry. Poland, the largest new member of the EU achieved by far the best economic performance in 2004, but growth slowed in 2005. The slowdown was particularly apparent in the first half of the year as very low levels of investment and private consumption limited growth to below three per cent. A recovery in the second half pushed the GDP growth rate to 3.2 per cent for 2005 as a whole.

In Hungary, inflation remained under control, but high government spending created problems for fiscal policy. In 2004, a significant switch from domestic demand to the export sector and in turn net exports, made a positive contribution to satisfactory GDP growth of four per cent. This trend continued in 2005 and GDP growth accelerated to 4.2 per cent. It should, however, be noted that to some extent the ongoing economic progress of the accession states depends on a Eurozone recovery.

For those accession states looking to achieve membership of the Eurozone area before the end of this decade, internal reforms remain vital. Fiscal consolidation is the main challenge facing the region, but other impediments to growth include institutional reform and legal obstacles to business and inward investment. As globalisation and the increasing integration of Asia into European business networks continues apace, these countries can no longer rely solely on low labour costs to ensure export business or foreign direct investment from Eurozone trade partners.

## Former Soviet Union

High energy and metal prices boosted the growth rates of the Former Soviet Union economies in 2003 and 2004. In fact, accelerating demand for industrial commodities pushed the growth rate for this region to a very healthy 8.2 per cent in 2004, but in 2005 this dropped off a little to 6.5 per cent as a result of lower levels of investment and the declining competitiveness of manufacturing industries restricted output.

The largest country in the region, Russia, grew by a little less than the average 6.4 per cent, despite very strong exports of metals and fuels. The financial consequences of the inflows from minerals and metals were worrisome for the non-oil sector. The rate of inflation in Russia remained high, approximately 13 per cent during 2005, and many export businesses lost competitiveness as a result of the rising value of the rouble which in real terms appreciated by five per cent during the year.

## Developing countries

In the Middle East, real GDP growth was 5.3 per cent in 2005. Oil exporting countries benefited from stronger current account surpluses and an improvement in government budget balances. Non-oil activity also saw some improvement in the region as a result of ongoing reforms. Diversification activities included the development of tourism and investments in the petrochemical industry.

In emerging Asia, including China, GDP growth remained very strong at 8.1 per cent in 2005. The Chinese economy grew by an impressive 9.9 per cent in 2005 mainly as a result of strong fixed investment growth and rapid export growth. During the year, the Chinese authorities also moved to encourage domestic demand growth, but there were few signs of any slowdown in export momentum. Growth stabilised in India at just over eight per cent, reflecting both cyclical and structural factors. Inflation also declined during the year.

The liberalisation of the Indian economy and increased infrastructure expenditure is likely to lead to higher long-term growth. The economies of the Asia-Pacific region benefited substantially from the economic recovery in the US and China's continued upward momentum, but low growth in the first quarter of the year affected the results for the year as a whole. In 2005, the growth rate for the Asia-Pacific region fell to 5.1 per cent from six per cent in 2004.

Nevertheless, the second half of the year saw acceleration, particularly in those economies whose trading performance is closely linked to China, such as Taiwan and Singapore. Latin America experienced a minor setback in its recovery from the very deep recession of 2001–02 as growth in the region fell to 4.7 per cent in 2005, from 5.9 per cent the previous year. Argentina led the way with GDP growth at 9.2 per cent for 2005. Real consumption and investment expanded, although inflation picked up to 12 per cent in response to the strong demand growth. Brazil disappointed as high interest rates and a strengthening currency restricted growth to 2.3 per cent in 2005. The other major economies of the region achieved better results due to strong oil, copper and other commodity prices. Venezuela, Peru and Chile recorded particularly strong growth.

In 2004, Africa's GDP grew by 5.1 per cent and 2005 saw consolidation at approximately 4.9 per cent. Overall global economic growth boosted commodity prices and the gradual reform process in many countries saw a number achieve much improved growth rates. For example, Nigeria continued to benefit from reforms in economic policy and institutional change. In 2005, Nigeria grew by 6.9 per cent, a considerable improvement on the six per cent achieved in 2004. North African countries achieved rates of growth in the region of five per cent, whilst Sub-Saharan Africa achieved 5.4 per cent. Although oil exporters did grow by an above-average 5.6 per cent, non-oil exporters also made progress. South Africa expanded by a solid 4.9 per cent in 2005 as a result of buoyant domestic demand and continued structural improvements.

## OPEC Member Countries

Macroeconomic performance in OPEC Member Countries (MCs) varied in 2005 (**Table 2**, *see page 15*). Some countries hit capacity constraints and growth rates, such as the SP Libyan AJ and Qatar. Other countries such as Saudi Arabia, Indonesia, the IR Iran and the United Arab Emirates registered higher growth rates as a result of increasing production and/or acceleration in non-oil sectors. Indonesia had the highest GDP growth rate in 2005, at 9.3 per cent, albeit below the huge increase of 17.9 per cent in 2004. Overall, the OPEC group of countries saw GDP growth decline, in 2005, to 5.7 per cent. This followed a record high of seven per cent in 2004.

In an attempt to diversify beyond their energy sectors, many countries in the region demonstrated a growing interest in financial services, tourism and the aluminium industry. The strong performance in these sectors reflects high oil prices and increased government spending, which in turn supports private consumption and investment. In recent years an increasing amount of revenues from oil have been reinvested back into the countries' economies. Business conditions have also remained buoyant and company profitability strong. Governments have refilled their Oil Stabilisation Funds, accumulated foreign exchange reserves and acquired foreign assets. Remittance hikes to neighbouring countries have also played a role in improving economic conditions.

In comparison with non-OPEC developing countries (**Table 3**, *see page 15*), OPEC MCs in 2005 on average saw slightly lower GDP growth. However, OPEC MCs did see petroleum exports deliver

$510.5 billion in revenues, compared to $179.8 bn in non-OPEC developing countries. Elsewhere, in terms of the value of non-petroleum exports, non-OPEC developing countries, with a total of $1,601.3 bn in 2005, for outstripped OPEC MCs, which had a total of $178.8 bn. Oil exports, as a percentage of total export, increased in both OPEC MCs and non-OPEC developing countries, reflecting the significant importance of the share of oil exports to total exports.

**Table 1**

**World economic growth rates 2004–05**

*% change over previous period*

| Grouping/country | 2004 | 2005 |
|---|---|---|
| OECD | 3.3 | 2.8 |
| Other Europe | 6.6 | 4.6 |
| Developing countries | 6.3 | 5.8 |
| Africa | 5.1 | 4.9 |
| Latin America & Caribbean | 5.9 | 4.7 |
| Asia & Oceania | 6.7 | 6.5 |
| Asia-Pacific | 6.0 | 5.1 |
| OPEC | 7.0 | 5.7 |
| China | 10.1 | 9.9 |
| FSU | 8.4 | 6.5 |
| **Total world** | **5.2** | **4.7** |

**Table 2**

**OPEC Member Countries' real GDP growth rates 2004–05**

*% change over previous period*

| Member Country | 2004 | 2005 |
|---|---|---|
| Algeria | 5.2 | 5.3 |
| Indonesia | 5.1 | 5.6 |
| IR Iran | 5.1 | 5.9 |
| Iraq | 46.5 | –3.0 |
| Kuwait | 6.2 | 8.5 |
| SP Libyan AJ | 4.6 | 3.5 |
| Nigeria | 6.0 | 6.9 |
| Qatar | 9.3 | 5.5 |
| Saudi Arabia | 5.2 | 6.5 |
| United Arab Emirates | 7.8 | 8.0 |
| Venezuela | 17.9 | 9.3 |
| **Average OPEC** | **7.0** | **5.7** |

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

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

**Table 3**

**Comparison: OPEC and non-OPEC developing countries**

| | 2004 | | 2005 | |
|---|---|---|---|---|
| | OPEC | non-OPEC | OPEC | non-OPEC |
| Real GDP growth rate (per cent) | 7.0 | 6.2 | 5.7 | 5.9 |
| Petroleum export value ($/bn) | 353.7 | 130.8 | 510.5 | 179.8 |
| Value of non-petroleum exports ($/bn) | 165.8 | 1,408.5 | 178.8 | 1,601.3 |
| Oil exports as percentage of total exports | 68.1 | 8.5 | 74.1 | 10.1 |
| Value of imports ($/bn) | 289.9 | 1,571.4 | 365.7 | 1,829.2 |
| Current account balance ($/bn) | 136.4 | 86.4 | 218.7 | 70.4 |
| Average Reference Basket price ($/b) | 36.1 | – | 50.6 | – |
| Crude oil production (mb/d) | 29.1 | 10.7 | 29.9 | 11.2 |
| Reserves ($/bn; excluding gold) | 237.4 | 1,045.9 | 292.6 | 1,118.1 |

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

# Oil Market Developments

## OPEC production

OPEC production in 2005, as reported by a number of selected secondary sources, averaged 29.9 million barrels a day (mb/d), which was 800,000 b/d higher than the 2004 average. The rise was attributable to a series of production management decisions agreed by Member Countries (MCs) in order instill calm and stability to the market. As indicated in **Table 4**, the quarterly distribution of OPEC production in 2005 was 29.46 mb/d, 29.9 mb/d, 30.18 mb/d and 29.91 mb/d, respectively.

**Figure 1** *(see page 18)* shows the year-on-year (y-o-y) percentage change in the average OPEC production for the period 1991–2005. As the graph indicates, increases in production have accelerated since 2003, which witnessed a sharp increase of 6.34 per cent over 2002. Production growth accelerated further in 2004 and although the y-o-y percentage growth was less in 2005, overall production kept increasing in order to meet market demand for OPEC oil. The increases were also a means of off-setting non-OPEC supply losses in certain regions since 2003.

**Figure 2** *(see page 19)* shows the steady growth in OPEC oil production (crude and natural gas liquids) since 1990. In 1999, OPEC production declined, due to production cuts implemented by MCs. In 2000, its production level was restored to reach 27.99 mb/d, while in 2001 and 2002 production declined again to reach levels of 27.23 mb/d and 25.36 mb/d,

**Table 4**

## OPEC crude oil production according to selected secondary sources

*1,000 b/d*

| | 2000 | 2001 | 2002 | 2003 | 2004 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 2005 | Average change 05/04 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 807 | 827 | 864 | 1,134 | 1,228 | 1,313 | 1,344 | 1,366 | 1,374 | 1,349 | 122 |
| Indonesia | 1,278 | 1,213 | 1,120 | 1,027 | 968 | 951 | 945 | 937 | 935 | 942 | –26 |
| IR Iran | 3,667 | 3,672 | 3,416 | 3,751 | 3,920 | 3,900 | 3,946 | 3,937 | 3,911 | 3,924 | 4 |
| Iraq | 2,550 | 2,376 | 2,000 | 1,321 | 2,015 | 1,834 | 1,841 | 1,968 | 1,675 | 1,830 | –186 |
| Kuwait | 2,087 | 2,021 | 1,885 | 2,172 | 2,344 | 2,438 | 2,505 | 2,524 | 2,548 | 2,504 | 161 |
| SP Libyan AJ | 1,405 | 1,361 | 1,314 | 1,422 | 1,537 | 1,613 | 1,634 | 1,654 | 1,665 | 1,642 | 105 |
| Nigeria | 2,033 | 2,098 | 1,969 | 2,131 | 2,352 | 2,332 | 2,423 | 2,423 | 2,470 | 2,413 | 61 |
| Qatar | 697 | 685 | 649 | 748 | 777 | 784 | 794 | 796 | 806 | 795 | 18 |
| Saudi Arabia | 8,266 | 7,939 | 7,535 | 8,709 | 8,957 | 9,206 | 9,435 | 9,489 | 9,426 | 9,390 | 432 |
| UAE | 2,248 | 2,151 | 1,988 | 2,243 | 2,360 | 2,394 | 2,398 | 2,478 | 2,518 | 2,447 | 87 |
| Venezuela | 2,949 | 2,891 | 2,617 | 2,312 | 2,582 | 2,697 | 2,632 | 2,609 | 2,581 | 2,629 | 47 |
| **Total OPEC** | 27,988 | 27,234 | 25,355 | 26,971 | 29,040 | **29,463** | **29,896** | **30,181** | **29,909** | **29,864** | **825** |

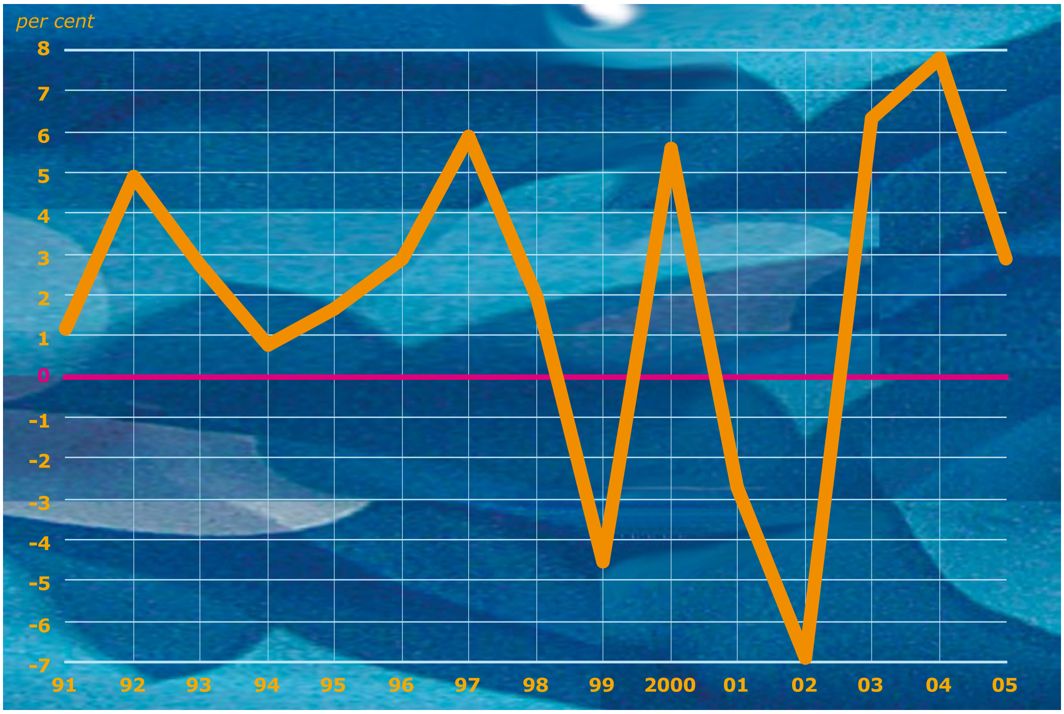
***Note:***
*Totals may not add up due to independent rounding.*

***Source:***
*Secretariat's assessments of selected secondary sources.*

respectively. However, since 2003, OPEC production has been rising steadily reaching an historic high in 2005. Figure 2 also highlights total world growth and total non-OPEC growth over the same period.

**Figure 3** *(see page 20)* shows OPEC's share of world oil supply compared with non-OPEC for the period 1990–2005. OPEC's share grew to reach its peak level of around 41 per cent in 1998, it declined to 37.7 per cent in 2002 following production cuts implemented by MCs. Since then, however, it has started to increase again and reached 40.5 per cent in 2005, up from 39.9 per cent in 2004.

**Figure 1: Year-on-year percentage change in OPEC production, 1991–2005**

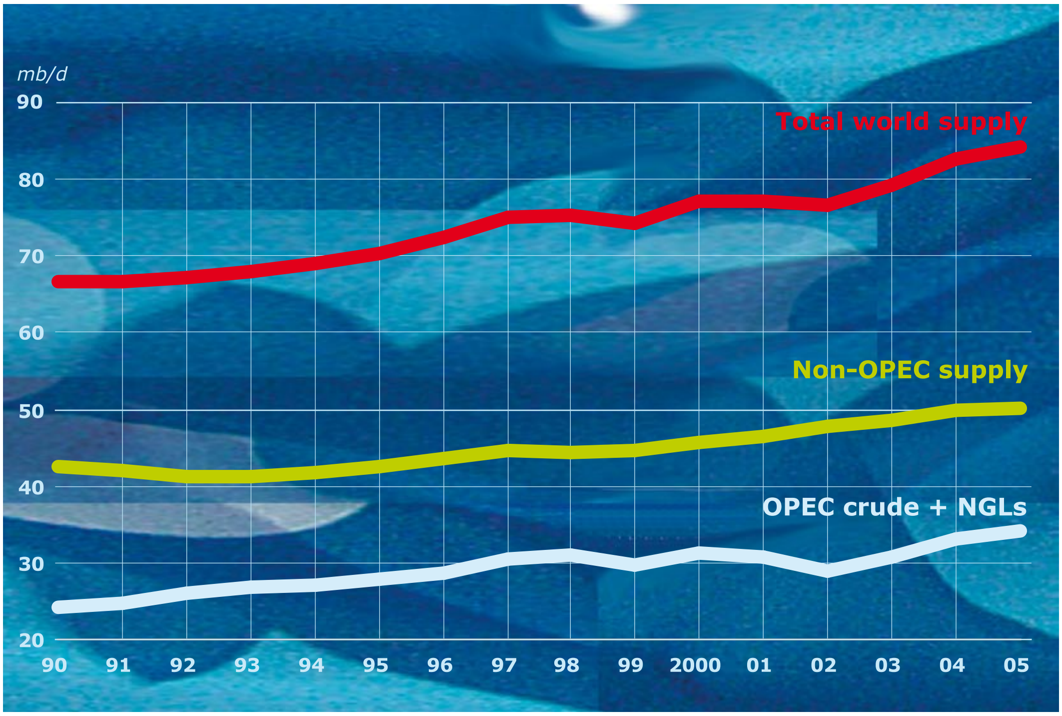



## Non-OPEC supply

Non-OPEC supply in 2005 averaged 50.1 mb/d, which was 240,000 b/d higher than the average in 2004 (**Table 5,** *see page 21*). On a regional basis, total OECD oil production witnessed a significant drop of around 930,000 b/d. Most significantly, North America lost 490,000 b/d as a result of the dramatic hurricane season in the Gulf of Mexico. The United Kingdom (UK) sector of the North Sea also saw a decline. Production here fell by almost 220,000 b/d, due to the faster rate of reserve depletion, coupled with some technical problems. Norway also lost some 220,000 b/d in 2005 due to similar reasons.

Developing countries witnessed a rise of around 570,000 b/d, mainly attributable to increases in Angola, Brazil, Sudan and Malaysia, but partially offset by declines in Oman, Syria, Yemen, Argentina and South Africa. The Former Soviet Union (FSU) witnessed an increase of 430,000 b/d, mainly from Russia and Azerbaijan.

**Figure 2: OPEC[1] and non-OPEC[2] supply 1990–2005**



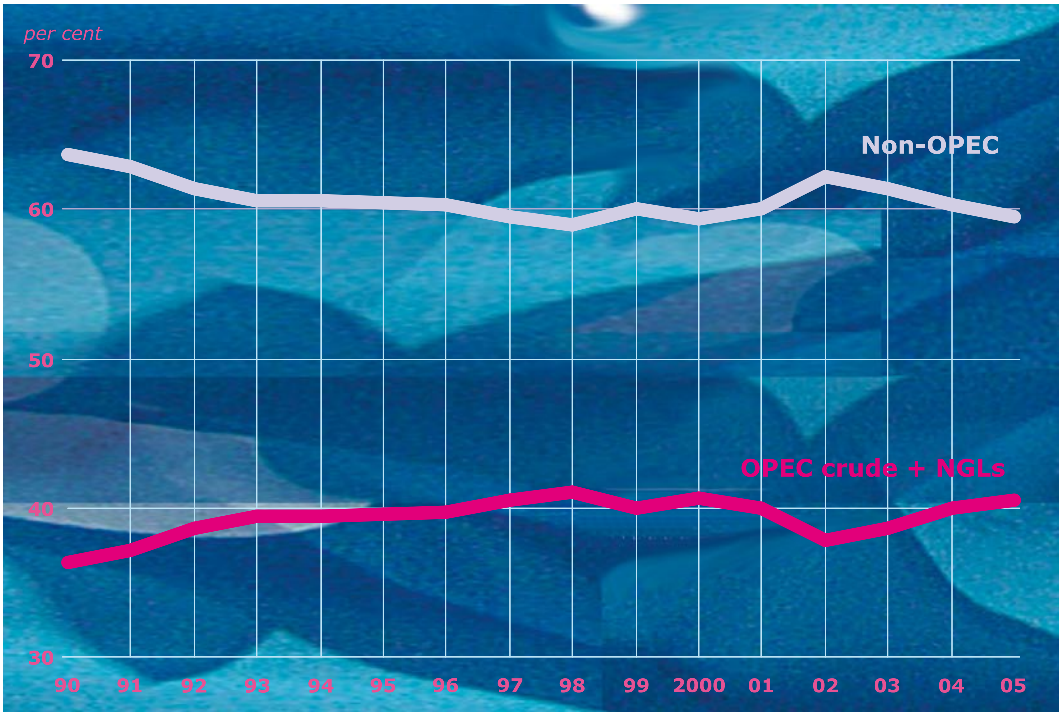

***Notes:***
*1. Including OPEC NGLs.*
*2. Including non-OPEC processing gains.*

## World oil demand

World oil demand grew by 990,000 b/d, or 1.2 per cent, to 83.27 mb/d in 2005. On a quarterly basis, world oil demand rose by almost 2.02 mb/d, slightly below 2.5 per cent in the first quarter. In the second quarter this slowed to 1.21 mb/d, or approximately 1.5 per cent, in the third quarter growth fell further and in the fourth quarter there was a decline of 70,000 b/d or 0.07 per cent. In fact, world oil demand proved to be much slower than predictions made earlier in the year, when a preliminary 2005 forecast highlighted much optimism for growth, partly influenced by the striking oil demand growth witnessed in 2004. This early forecast anticipated growth of 1.67 mb/d.

The estimate was drawn on the basis of world economic growth of 4.3 per cent, a return to normal weather conditions, and robust, yet more moderate consumption growth in China and the United States (US).

**Figure 3: OPEC[1] and non-OPEC[2] market shares, 1990–2005**




***Notes:***
*1. Including OPEC NGLs.*
*2. Including non-OPEC processing gains.*

However, this estimate was hit by slowing growth, with a specific focus on China and the US. In the US, this was particularly apparent from September until the end of the year following Hurricanes Rita and Katrina. In China, an overly optimistic demand forecast did not materialise as additional electricity capacity – comparable to the total installed UK capacity – was added during the year and wide price differentials between international and domestic prices triggered an increase in exports, especially in the third and fourth quarters of the year. High oil prices also appeared to play a part in a drop in oil demand.

In the US, in-land petroleum product deliveries contracted by 0.3 per cent during 2005. A closer look at the figures shows that growth had been on hold for much of the year. Petroleum product deliveries in the first eight months of last year (pre-hurricane impact) showed a marginal 0.17 per cent y-o-y rise, while for the whole of 2005 demand fell by 60,000 b/d. Hence, it would be misleading to attribute the lack of US demand growth entirely to the impact of the hurricane season. It seems that high domestic prices for petroleum products, as high as $3/gallon for gasoline, built a psychological barrier in September which capped consumption growth.

**Table 5**

## World supply/demand balance

*mb/d*

| | 2002 | 2003 | 2004 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **World demand** | | | | | | | | |
| OECD | 47.96 | 48.65 | 49.49 | 50.68 | 48.69 | 49.27 | 50.01 | 49.66 |
| North America | 24.12 | 24.53 | 25.33 | 25.53 | 25.30 | 25.47 | 25.40 | 25.42 |
| Western Europe | 15.27 | 15.43 | 15.62 | 15.66 | 15.29 | 15.68 | 15.79 | 15.60 |
| Pacific | 8.57 | 8.69 | 8.53 | 9.49 | 8.10 | 8.12 | 8.83 | 8.63 |
| DCs | 20.26 | 20.51 | 21.59 | 21.99 | 22.44 | 22.41 | 22.46 | 22.33 |
| FSU | 3.74 | 3.78 | 3.83 | 3.90 | 3.74 | 3.82 | 3.97 | 3.86 |
| Other Europe | 0.82 | 0.83 | 0.86 | 0.93 | 0.88 | 0.87 | 0.86 | 0.88 |
| China | 5.03 | 5.56 | 6.52 | 6.51 | 6.58 | 6.43 | 6.64 | 6.54 |
| **Total world demand** | **77.81** | **79.33** | **82.28** | **84.02** | **82.32** | **82.79** | **83.95** | **83.27** |
| **Non-OPEC supply** | | | | | | | | |
| OECD | 21.89 | 21.65 | 21.28 | 20.96 | 20.93 | 19.77 | 19.76 | 20.35 |
| North America | 14.48 | 14.60 | 14.56 | 14.42 | 14.55 | 13.68 | 13.63 | 14.07 |
| Western Europe | 6.65 | 6.40 | 6.15 | 6.00 | 5.76 | 5.49 | 5.57 | 5.70 |
| Pacific | 0.77 | 0.66 | 0.57 | 0.54 | 0.62 | 0.59 | 0.56 | 0.58 |
| DCs | 11.40 | 11.47 | 11.99 | 12.33 | 12.55 | 12.60 | 12.77 | 12.56 |
| FSU | 9.32 | 10.27 | 11.15 | 11.39 | 11.47 | 11.62 | 11.86 | 11.59 |
| Other Europe | 0.18 | 0.17 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 |
| China | 3.39 | 3.41 | 3.49 | 3.63 | 3.61 | 3.64 | 3.59 | 3.62 |
| Processing gains | 1.73 | 1.80 | 1.83 | 1.88 | 1.85 | 1.84 | 1.88 | 1.86 |
| Total non-OPEC supply | 47.91 | 48.76 | 49.89 | 50.35 | 50.57 | 49.62 | 50.02 | 50.14 |
| OPEC NGLs + NCF oil | 3.60 | 3.71 | 4.02 | 4.11 | 4.15 | 4.21 | 4.26 | 4.18 |
| **Total non-OPEC supply & OPEC NGLs + NCF oil** | **51.51** | **52.47** | **53.91** | **54.46** | **54.72** | **53.83** | **54.28** | **54.32** |
| OPEC crude oil production[1] | 25.36 | 26.97 | 29.04 | 29.46 | 29.90 | 30.18 | 29.91 | 29.86 |
| **Total supply** | **76.87** | **79.44** | **82.95** | **83.92** | **84.63** | **84.02** | **84.20** | **84.19** |

***Notes:*** *Totals may not add up due to independent rounding.*
*1. Secondary sources.*
*NCF: non-conventional fuels*

Chinese apparent demand slippage can be traced to the decline in Chinese imports that fell by 4.5 per cent in the first 11 months. Crude oil production, the other component of the demand equation, showed a growth of 4.2 per cent, or 150,000 b/d, to reach 3.63 mb/d. Apparent demand would have shown a larger fall if the effect of higher domestic oil production had not offset the sizeable fall in net imports.

## OECD

OECD countries, which account for approximately three-fifths of total world oil demand, saw demand growth of 170,000 b/d, or 0.35 per cent, to average 49.66 mb/d. On a quarterly basis, OECD countries grew by similar amounts, 500,000 b/d, in both the first and second quarter, while in the third quarter growth slowed to a meagre 100,000 b/d and, surprisingly, growth dived into negative figures, –450,000 b/d, in the fourth quarter. The hurricane season, the overall warm weather conditions, as well as high oil prices, were the chief contributors to the slowdown in oil demand growth in OECD countries.

## Developing countries

Developing countries contributed the lion's share, approximately 75 per cent, of oil demand growth in 2005. However, oil demand growth was not as strong as last year. Oil demand in developing countries grew consistently throughout the year, with first quarter demand rising by 900,000 b/d, followed by 800,000 b/d and 700,000 b/d in the second and third quarters, respectively. The lower growth trend continued in the fourth quarter with demand only rising by 500,000 b/d. Oil demand consumption was largely affected by the removal of subsidies resulting in the almost doubling of domestic petroleum prices in several major non-OECD Asia consuming countries.

Demand in India, the biggest consuming country within the non-OECD Asia group, accounting for 30 per cent of this group's consumption, rose by 1.8 per cent in 2005. Nevertheless, a comparison of production and trade statistics with figures for demand, points to a possible build-up in India's domestic oil inventories. As expected, high oil prices slightly affected oil demand in Asia. In some countries, such as the Philippines, there are, in fact, indications of a considerable drop in oil consumption due to high petroleum prices and lower economic activity. It is also interesting to note that oil demand in Indonesia fell dramatically in October, by approximately 40 per cent, due to the removal of subsidies, but by the end of the year demand had recovered to previous levels.

In the Middle East, particularly because of strong and buoyant economies, oil demand growth was extremely healthy, around 310,000 b/d for the year. As expected, strong demand in the summer months saw this average figure increase to 350,000 b/d in the third quarter. The Middle East experienced oil demand growth of 5.5 per cent in 2005, the largest increase worldwide. Percentage-wise this doubled the total oil demand growth witnessed in OECD countries in 2005.

## Other regions

Demand growth in the other regions group was unexpectedly low in 2005. As previously mentioned, China's oil demand growth was marginal, accounting for only 0.3 per cent of total world oil demand growth. China had driven demand growth in this grouping in 2004, when almost two-fifths of total world oil demand growth was witnessed in the other regions group. For 2005, demand growth for this group was a very moderate 80,000 b/d. In fact, growth fell into negative figures in the second quarter.

In the FSU, the promising first quarter y-o-y rise of 8.1 per cent, was offset by declines of 0.6 per cent and 3.1 per cent in the second and third quarters, respectively. However, the FSU returned to positive figures in the final quarter of the year. This final quarter demand growth came as a result of the freezing temperatures that boosted demand for electricity generation and the switching to fuel oil as an alternative fuel. However, these sudden cold temperatures did not impact oil demand growth for other Europe, a group consisting of several Central European states, which showed an annual rise of 30,000 b/d, or 3.5 per cent.

## Balance of supply and demand

As indicated in **Table 6** *(see page 24)*, the slower increase in non-OPEC supply in 2005, compared with the significant rate of increase in world demand, resulted in a significant rise in the difference of around 580,000 b/d to 28.95 mb/d. However, OPEC crude oil production increased by around 820,000 b/d to 29.86 mb/d, resulting in a stock-build.

## Stock movements

In 2005, OECD oil stocks totaled 4,080 mb, an increase of 79.5 mb (**Table 7**, *see page 24*). Commercial inventories rose by 42.5 mb to stand at 2,593 mb, while the strategic petroleum reserve (SPR) rose by 36.2 mb, to 1,487 mb. As in 2004, the major contributor to this trend in OECD commercial stocks was North America, which witnessed an increase of 64 mb, or 2.1 mb/d, to 1,256 mb, followed by Western Europe with a modest increase of 16.3 mb, or 500,000 b/d, to 943 mb. By contrast, the OECD Pacific observed a decline of 37 mb, or 1.22 mb/d, to 394 mb, although this drop was milder than decline observed in 2004. In terms of forward consumption, OECD commercial oil stocks increased from 50–52 days in the fourth quarter of 2005, relative to the end of 2004.

**Table 6**

**Summarised supply/demand balance**

*mb/d*

| | 2003 | 2004 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 2005 | Growth 05/04 |
|---|---|---|---|---|---|---|---|---|
| World oil demand (a) | 79.33 | 82.28 | 84.02 | 82.32 | 82.79 | 83.95 | 83.27 | 0.99 |
| Non-OPEC supply[1] (b) | 52.47 | 53.91 | 54.46 | 54.72 | 53.83 | 54.28 | 54.32 | 0.41 |
| Difference (a–b) | 26.86 | 28.37 | 29.56 | 27.59 | 28.97 | 29.67 | 28.95 | 0.58 |
| OPEC crude oil production[2] | 26.97 | 29.04 | 29.46 | 29.90 | 30.18 | 29.91 | 29.86 | 0.82 |
| Balance (stock change & misc) | 0.11 | 0.67 | –0.10 | 2.31 | 1.22 | 0.25 | 0.92 | 0.25 |

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

At a more disaggregated level, the upward trend in OECD commercial inventories was led by crude, which stood at 1,223 mb, approximately 50 mb above the 2004 level, while product stocks declined by 6.7 mb, to 1,371 mb. The movement in OECD crude commercial oil stocks was mainly due to a 10.6 per cent growth in US inventories, to 321.7 mb. This occurred despite the damage caused by the hurricane season. Nevertheless, a 1.4 mb/d drop in US refinery runs, to 14.3 mb/d in the fourth quarter of 2005, led to a small 2.2 per cent growth in product inventories.

As mentioned, the OECD SPR continued its upward movement in 2005 and in terms of forward days increased by one, to 30 days. In North America, there was a rise of 9 mb, to 687 mb, in 2005, but the forward consumption remained unchanged at 27 days. The 'royalty-in-kind programme' established in 2004 by the US administration and aimed at boosting the SPR to 700 mb, continued in 2005. Furthermore, new energy legislation states that the US Energy Department should fill the reserve to one billion barrel from its current capacity of 727 mb. The guidelines to achieve this aim cover a 15 year period.

The OECD Western European SPR rose by 30 mb, to 407 mb. In terms of forward consumption, this meant a rise from 24 to 26 days. The OECD Pacific SPR slipped by 3 mb to stand at 393 mb relative to the fourth quarter of 2004, while the days of forward consumption increased by one, to stand at 46 days. Oil on water witnessed a build-up of 53.0 mb, or 1.8 mb/d, to

**Table 7**

**Closing stock level (outside FCPEs)**

*mb/d*

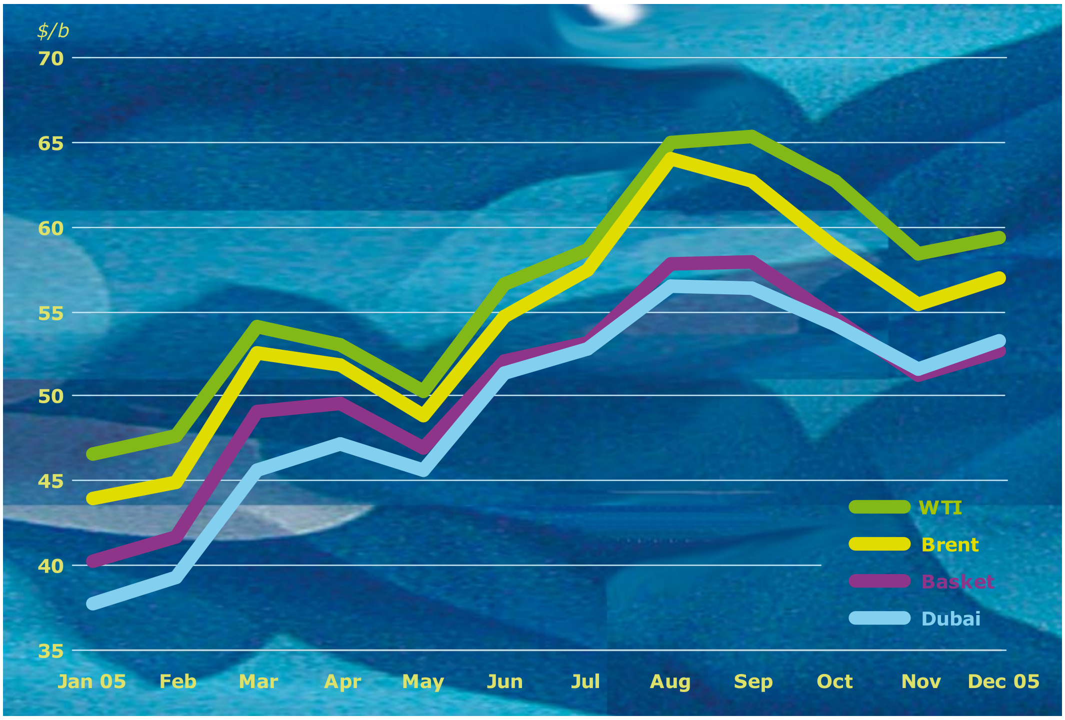
| | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|
| OECD onland commercial | 2,550 | 2,546 | 2,625 | 2,646 | 2,593 |
| OECD SPR | 1,450 | 1,462 | 1,494 | 1,494 | 1,487 |
| **OECD total** | **4,000** | **4,008** | **4,119** | **4,140** | **4,080** |
| Oil on water | 906 | 927 | 929 | 925 | 959 |

959 mb. This increase was greater than the 23 mb witnessed the previous year. The trend in global stocks can chiefly be attributed to crude exports from OPEC MCs in order to satisfy growing demand in China and the US.

## Oil price movements

In 2005, oil prices continued their upward movement (**Figure 4**, *see page 26*). Despite OPEC's decision to increase its production ceiling, the bull market stayed to the fore in the early part of the year, due to concerns that demand might later outstrip supply amid strong consumption in China and rising requirements in India. However, ample OPEC supply and closed arbitrage exerted some downward pressure on regional markets, as stocks built in the US. Surprisingly, distillate stocks seemed to drive the market in the early part of June as Tropical Storm Arlene was entering the Gulf of Mexico, triggering fears of a possible oil supply disruption. Moreover, an early start to the Gulf of Mexico hurricane season renewed fears of a supply shortfall as had been experienced the previous year following Hurricane Ivan. The eventual arrival of Hurricanes Katrina and Rita in August/September sent oil prices to record highs. Nevertheless, assurances from the International Energy Agency (IEA) on the release of oil and products from strategic reserves, alongside OPEC's offer to the market of 2 mb/d spare capacity, brought about market calmness in the last quarter. By the year-end, however, an early winter in the

**Figure 4: Monthly movement of crude prices, 2005**




Northern hemisphere alerted the market to possible increases in demand. The year also closed with the market feeling the impact of geopolitical concerns, which were contributed to sharply increased speculative activity in the futures markets, evidenced by the phenomenal growth in hedge and pension funds.

## Monthly movement

The OPEC Reference Basket's January monthly average was up $4.53, or nearly 13 per cent, on the previous month, closing at $40.24/b (**Table 8**). The majority of the rise was seen in the second week of January during a persistent cold snap in the Northern hemisphere. OPEC's decision to keep output unchanged helped moderate prices in the final days of the month. February witnessed an average monthly increase of $1.44, or 3.6 per cent, closing at $41.68/b. The month saw a late second half rally, on news of an upward revision to the IEA's global oil

**Table 8**

## Average monthly spot prices for selected crudes, 2005

$/b

| Crude | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPEC Basket** | 40.24 | 41.68 | 49.07 | 49.63 | 46.96 | 52.04 | 53.13 | 57.82 | 57.88 | 54.63 | 51.29 | 52.65 | 50.64 |
| Arab Light[1] | 38.26 | 40.10 | 46.85 | 48.68 | 47.09 | 52.47 | 53.46 | 58.24 | 57.63 | 54.65 | 51.55 | 52.84 | 50.21 |
| Basrah Light | 38.58 | 40.01 | 46.21 | 45.74 | 44.57 | 50.59 | 52.24 | 57.10 | 55.68 | 51.39 | 48.07 | 49.15 | 48.33 |
| BCF-17 | na | na | 32.86 | 32.73 | 32.39 | 37.48 | 44.07 | 46.15 | 50.79 | 47.51 | 41.33 | 42.34 | 40.53 |
| Bonny Light[1] | 44.01 | 45.43 | 53.15 | 53.18 | 50.23 | 55.93 | 58.40 | 65.49 | 65.60 | 60.74 | 57.18 | 57.91 | 55.67 |
| Es Sider | 41.75 | 41.96 | 49.71 | 49.67 | 47.90 | 53.15 | 55.71 | 60.27 | 60.39 | 58.25 | 54.92 | 57.14 | 52.62 |
| Iran Heavy | 37.51 | 38.49 | 46.50 | 46.06 | 43.25 | 49.60 | 51.07 | 55.69 | 55.10 | 51.73 | 49.28 | 50.88 | 47.99 |
| Kuwait Export | 38.55 | 40.09 | 46.42 | 47.89 | 46.36 | 51.15 | 51.31 | 55.18 | 54.60 | 51.76 | 49.19 | 50.83 | 48.66 |
| Marine | 38.44 | 40.12 | 46.53 | 48.23 | 46.66 | 52.27 | 53.57 | 57.49 | 58.37 | 55.80 | 53.17 | 54.72 | 50.49 |
| Minas[1] | 42.55 | 44.56 | 54.30 | 55.96 | 50.34 | 55.01 | 56.17 | 61.07 | 60.27 | 58.64 | 53.87 | 54.43 | 54.01 |
| Murban | 42.08 | 43.53 | 49.90 | 52.35 | 51.03 | 55.16 | 57.05 | 61.78 | 62.68 | 59.30 | 56.13 | 57.47 | 54.09 |
| Saharan Blend[1] | 44.39 | 45.44 | 52.59 | 51.98 | 48.69 | 54.41 | 57.30 | 63.67 | 63.30 | 59.48 | 56.15 | 57.65 | 54.64 |
| **Other OPEC crudes** | | | | | | | | | | | | | |
| Arab Heavy | 33.41 | 35.62 | 41.81 | 43.33 | 42.21 | 48.34 | 48.83 | 52.02 | 51.57 | 49.03 | 47.40 | 49.16 | 45.28 |
| Dubai[1] | 37.78 | 39.35 | 45.60 | 47.24 | 45.68 | 51.37 | 52.78 | 56.55 | 56.41 | 54.20 | 51.63 | 53.22 | 49.36 |
| Dukhan | 41.51 | 42.93 | 49.10 | 51.77 | 49.81 | 54.27 | 56.26 | 60.73 | 61.91 | 59.05 | 56.01 | 57.27 | 53.46 |
| Forcados | 43.82 | 45.27 | 53.00 | 53.05 | 50.06 | 55.84 | 58.29 | 65.38 | 65.60 | 60.69 | 57.29 | 58.04 | 55.60 |
| Iran Light | 39.87 | 40.56 | 48.50 | 48.42 | 45.53 | 52.37 | 53.86 | 60.41 | 58.74 | 54.38 | 51.31 | 53.20 | 50.66 |
| Tia Juana L31[1] | 35.75 | 36.77 | 43.50 | 43.27 | 41.67 | 48.19 | 49.10 | 54.22 | 53.87 | 51.48 | 48.77 | 49.23 | 46.37 |
| Zueitina | 42.96 | 44.12 | 51.16 | 50.72 | 48.41 | 53.48 | 56.22 | 63.11 | 61.80 | 57.80 | 55.11 | 56.22 | 53.52 |
| **Other non-OPEC crudes** | | | | | | | | | | | | | |
| Brent Dtd. | 44.01 | 44.87 | 52.60 | 51.87 | 48.90 | 54.73 | 57.47 | 64.06 | 62.75 | 58.75 | 55.41 | 57.02 | 54.44 |
| Isthmus[1] | 38.89 | 40.08 | 47.52 | 47.13 | 45.05 | 51.48 | 53.85 | 59.66 | 59.92 | 55.64 | 51.57 | 52.77 | 50.34 |
| Mandji | 41.58 | 42.44 | 50.17 | 49.44 | 46.47 | 52.30 | 55.04 | 61.63 | 60.32 | 56.32 | 52.98 | 54.59 | 52.01 |
| North Slope | 40.52 | 42.91 | 50.16 | 49.95 | 47.16 | 53.91 | 56.54 | 62.40 | 63.21 | 60.74 | 56.36 | 57.11 | 53.47 |
| Oman Blend | 39.04 | 40.54 | 46.95 | 48.22 | 46.70 | 52.20 | 53.42 | 57.46 | 58.24 | 55.52 | 52.78 | 54.21 | 50.48 |
| Oriente | 30.86 | 34.60 | 42.25 | 41.61 | 38.77 | 45.64 | 49.14 | 54.55 | 53.02 | 46.37 | 41.49 | 42.08 | 43.43 |
| Suez Mix | 36.37 | 36.98 | 44.58 | 44.81 | 43.11 | 48.88 | 51.64 | 56.01 | 55.91 | 52.83 | 49.29 | 51.59 | 47.71 |
| Urals | 40.10 | 40.33 | 47.92 | 47.89 | 46.27 | 51.87 | 54.95 | 58.64 | 58.23 | 55.80 | 52.38 | 54.63 | 50.79 |
| WTI | 46.64 | 47.69 | 54.09 | 53.09 | 50.25 | 56.60 | 58.66 | 64.96 | 65.28 | 62.67 | 58.42 | 59.36 | 56.51 |
| Bonny L–Arab H | 10.60 | 9.81 | 11.34 | 9.85 | 8.02 | 7.59 | 9.57 | 13.48 | 14.03 | 11.71 | 9.78 | 8.74 | 10.40 |
| Bonny L–Saharan B | –0.38 | –0.01 | 0.56 | 1.21 | 1.54 | 1.52 | 1.10 | 1.83 | 2.30 | 1.26 | 1.02 | 0.25 | 1.03 |
| Brent–WTI | –2.63 | –2.82 | –1.50 | –1.22 | –1.35 | –1.87 | –1.19 | –0.90 | –2.54 | –3.93 | –3.01 | –2.34 | –2.08 |
| Brent–Dubai | 6.23 | 5.52 | 6.99 | 4.63 | 3.22 | 3.37 | 4.68 | 7.51 | 6.34 | 4.55 | 3.78 | 3.80 | 5.08 |

***Notes:***
*As of 16 June 2005, the OPEC Reference Basket has been calculated according to the new formula as agreed by the 136th (Extraordinary meeting of the Conference. BCF-17 quotations available only as of March 2005.*
*[1] Previous Basket components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and Tia Juana Light.*
***Sources:***
*Platts; direct communication; Secretariat's assessments.*

demand growth forecast for 2005 and concerns over lower OPEC output. A late winter cold spell also helped to sustain market bullishness, amid a weakening dollar.

Crude oil prices continued to gain momentum in March on the bullish sentiment that had emerged in late February. The Basket in March saw a new monthly average of $49.07/b, which represented a jump of $7.40/b, or 18 per cent over the previous month. Prices were driven in the first half of the month by the lack of arbitrage flows into Asia, weak economic conditions and high freight rates across the Atlantic, as well as rising global demand and downstream bottlenecks. The late winter snap in the US northeast, an upward revision to the IEA demand forecast and concerns that OPEC supply would not be enough to meet demand increased prices further. This occurred despite OPEC's decision, taken at the 135th Meeting of the Conference, to increase its production ceiling by 500,000 b/d to 27.5 mb/d.

In April, the Basket saw its lowest monthly rise thus far in 2005, edging up ¢56, or slightly over one per cent from the previous month, to $49.63/b, amid consultations for a possible further OPEC output hike. Market fears, however, were encouraged at the start of the month by an investment bank report that forecast the possibility of an almost doubling of the oil price, as well as concerns over spare downstream capacity in the run-up to the US summer driving season. These factors sent the Basket to a monthly high on 4 April, closing at $53/b. However, ample OPEC supply kept crude oil stocks rising, which in turn, helped to calm the market. In the last few days of the month, the Basket trended lower following a downward revision to the IEA's forecast for global oil demand, which highlighted a slowdown in US economic growth and the fact that crude oil stocks were at a three-year high.

In May, the market was particularly bullish towards the end of the month following a strike at the oil major Total's five European refineries, igniting fears of a possible shortfall in refined products. However, other drivers shifted the price lower during the first three weeks of the month. For example, crude oil stocks in the US built to a six-year high, providing further evidence of ample supply in a persistently steep contango market. Comments by the IEA that higher fuel costs and a weakening economic picture were denting global demand also added to the downward pressure and the possibility of increased OPEC output supported calmness in the marketplace. Overall in May, the Basket plunged $2.67 or 5.4 per cent, to average $46.96/b for the month.

The Basket in June returned to an upward trend. Continued concerns over downstream capacity constraints revived worries about tight distillates during the remainder of the year, and combined with several refinery glitches in the Western hemisphere, the Basket price increased. Moreover, the early start to the Gulf of Mexico hurricane season brought about fears of a repetition of the previous year's Hurricane Ivan that created severe disruptions to oil operations.

The Basket jumped over 12 per cent in the first half of the month, despite the outcome of the 136th (Extraordinary) Meeting of the OPEC Conference to increase the Organization's production ceiling by 500,000 b/d to 28 mb/d, with effect from 1 July. The upward price movement continued during the second half of the month on fears of a possible supply shortfall following a security alert in Nigeria. This geopolitical concern, however, proved short-lived. The perception of healthy demand growth also kept the Basket rising, which was exacerbated further by evidence of refining bottlenecks. Hence, in the second half of June, the Basket surged some three per cent, although it should be noted that a softening in demand from China was apparent. June closed with the Basket at $52.04/b.

At the start of July, the Basket reached $55/b following a spate of tropical storms in the US that hit some operational infrastructure, which in turn, renewed fears of supply shortfalls in both the upstream and downstream. However, once the tropical storms receded and reports highlighted that demand was waiting to ease in China, the Basket started to trend downward. However, the monthly average closed at $53.13/b, for a gain of $1.09, or two per cent.

In August, the Basket witnessed a significant rally on further concerns over downstream tightness that were revived due to news of tight gasoline stocks ahead of the peak US driving season, as well as further speculation regarding geopolitical concerns and the impending Gulf of Mexico hurricane season. Refinery outages in the Western hemisphere of nearly 2 mb/d during August also exacerbated the rise in oil prices. The basket jumped five per cent in the first week of August and the upward movement continued following an unplanned shutdown of an oil production facility in the North Sea, as well as a strike in Ecuador that halted a significant volume of crude oil output. By the month's end, the market was already experiencing record high oil prices when Hurricane Katrina hit the Gulf of Mexico, causing significant disruption to both refining capacity and upstream production. At the end of the month, the Basket stood at $57.82/b, a gain of $4.69, or almost nine per cent.

The Basket saw another volatile month in September as the market offered mixed signals. While the impact of Hurricane Katrina and Rita were major concerns, a call by the IEA to release crude oil and fuels from the OECD emergency stocks, alongside OPEC's decision to make available 2 mb/d of spare capacity to the market if required, alleviated much of the hurricane's impact on prices. Therefore, the Basket's monthly average was only 6¢ higher, closing at $57.82/b. The downward price shift was sustained following further lower demand growth forecasts from the IEA.

The Basket displayed further unpredictability in October. Higher demand for light sweet crude in Asia put pressure on the sweet/sour crude spread, which widened for Middle East crude, while uncertainty about demand due to refinery outages in the West pushed prices lower. Additionally, the lingering possibility of a further tapping of strategic reserves added to the downward momentum. Nevertheless, prices were influenced somewhat by the prospect of higher demand and lower non-OPEC supply. The Basket's monthly average, however, dropped a hefty 5.6 per cent, or $3.25, to settle at $54.63/b.

In November, the Basket continued its downward movement. In fact, November saw it fall to its lowest level for six months. The Basket lost $3.34, or over six per cent, to settle at $51.29/b. A cold snap in the US northeast, as well as in Japan and Europe, could have sent prices higher, but was balanced by a healthy rise in petroleum stocks. A further downward revision to global demand forecasts, amidst a slow recovery of oil operations in the Gulf of Mexico coupled with high freight rates that dampened regional markets, added to the downward price trend. In the last week of the month the price on occasions fell below the $50/b level.

The Basket returned to an upward movement in December. The trend was mainly due to cold weather in the Northern hemisphere amid closed arbitrage for the eastward flow of Western crude oil and tight regional supply that supported bullishness in the Asian market. The Basket averaged $52.65/b for the month, representing a gain of $1.36, or 2.6 per cent. Throughout the year, the average basket price was $50.64/b, a gain of approximately 40 per cent on 2004.

## The refining industry

Distillation capacity in OPEC MCs remained almost unchanged in 2005, compared to the previous year, which led to a tightening of refinery utilisation rates. As **Table 9** highlights, distillation capacity in OPEC MCs was approximately 9,012 mb/d, which is nearly 11 per cent of the total world capacity. The major refining developments in OPEC MCs were Iran's increase in thermal cracking by 156,000 b/d and in hydro-treating capacity by 44,000 b/d. These developments contributed to the slight 0.5 per cent y-o-y improvement in OPEC MCs' conversion capacity to 7.5 per cent in 2005. Total conversion capacity of OPEC MCs was about 2.02 mb/d or 22.5 per cent of total distillation capacity. The growing demand for light products points to the need for an increase in conversion capacity in OPEC MCs.

**Table 9**

## OPEC domestic refinery configuration, 2005

1,000 b/d

| Region | Crude distillation | Vacuum distillation | Thermal operation | Catalytic cracking | Catalytic reforming | Catalytic hydro-treating | Catalytic hydro-cracking | Total con-version | Conv/crude distillation (per cent) |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America** | | | | | | | | | |
| Venezuela | 1,045.7 | 487.1 | 144.9 | 224.1 | 49.5 | 125.6 | – | 369.0 | 35.3 |
| **Total** | **1,045.7** | **487.1** | **144.9** | **224.1** | **49.5** | **125.6** | **–** | **369.0** | **35.3** |
| **Africa** | | | | | | | | | |
| Algeria | 462.2 | 10.6 | – | – | 88.9 | 82.0 | – | – | – |
| SP Libyan AJ | 380.0 | 3.8 | – | – | 17.9 | 43.3 | – | – | – |
| Nigeria | 445.0 | 91.6 | – | 61.0 | 56.5 | 119.3 | – | 61.0 | 13.7 |
| **Total** | **1,287.2** | **106.0** | **–** | **61.0** | **163.3** | **244.6** | **–** | **61.0** | **4.7** |
| **Middle East** | | | | | | | | | |
| IR Iran | 1,474.0 | 559.4 | 290.8 | 35.0 | 164.7 | 183.2 | 136.5 | 462.3 | 31.4 |
| Iraq | 603.0 | 145.0 | – | – | 77.0 | 283.0 | 38.0 | 38.0 | 6.3 |
| Kuwait | 936.0 | 319.8 | 80.0 | 40.0 | 54.6 | 365.0 | 206.6 | 326.6 | 34.9 |
| Qatar | 80.0 | – | – | 28.0 | 24.6 | 47.6 | – | 28.0 | 35.0 |
| Saudi Arabia | 2,065.0 | 447.8 | 138.1 | 103.6 | 193.4 | 553.1 | 131.8 | 373.5 | 18.1 |
| UAE | 466.3 | 50.0 | – | 34.4 | 33.0 | 123.0 | 30.0 | 64.4 | 13.8 |
| **Total** | **5,624.3** | **1,522.0** | **508.9** | **241.0** | **547.3** | **1,554.9** | **542.9** | **1,292.8** | **23.0** |
| **Far East** | | | | | | | | | |
| Indonesia | 1,055.5 | 289.4 | 90.8 | 103.5 | 71.1 | 107.6 | 110.8 | 305.1 | 28.9 |
| **Total** | **1,055.5** | **289.4** | **90.8** | **103.5** | **71.1** | **107.6** | **110.8** | **305.1** | **28.9** |
| **Total OPEC*** | **9,012.7** | **2,404.5** | **744.6** | **629.6** | **831.2** | **2,032.7** | **653.7** | **2,027.9** | **22.5** |
| *OPEC percentage* | *10.6* | *8.7* | *9.1* | *4.4* | *7.4* | *4.8* | *13.9* | *7.5* | |
| OPEC condensate splitters | | 337.0 | | | | | | | |

***Notes:***
*As of December 31.*
**OPEC distillation capacity excludes condensate splitters in some MCs.*
*Conversion = total of thermal operations plus catalytic cracking and catalytic hydro-cracking.*
***Sources:***
*Direct communication with the Secretariat; Oil and Gas Journal; national sources.*

Looking ahead, initiatives from OPEC MCs to invest in grassroot refineries look very promising. According to the current and planned projects on the table, OPEC's refinery capacity may increase by 6.1 mb/d by the end of this decade, to exceed 16 mb/d. It is anticipated that the major projects will be in Saudi Arabia, Iran and Kuwait.

## Foreign refining capacity

OPEC MCs' equity share in ownership of refineries overseas in 2005 was about 2.89 mb/d (**Table 10**). This was a slight decline – 50,000 b/d – compared to 2004. The major refinery equity holders are Venezuela and Saudi Arabia with approximately 1.5 mb/d and 787,000 b/d, respectively. During the last two years, following an increase in refinery capacity tightness and an improvement in refinery margins, some OPEC MCs have shown interest in developing refinery equity shares outside their national borders.

Among the most prominent in this regard are Saudi Arabia and Kuwait. As Table 10 indicates, OPEC MCs have supplied 3.35 mb/d of crude oil to their equity-owned refineries in various parts of the world. This figure was slightly lower than 2004, approximately 0.4 per cent, which can be attributed to Saudi Arabia's lower exports to Europe. The major portion of this volume was shipped to the US and the Caribbean, with the remainder sent to the Far East and Europe.

## The tanker market

The global tanker market remained bullish in 2005, even though freight rates for shipping crude oil were lower than the extremely high levels of 2004. This was especially true for crude oil tankers. The slowdown in the rates of shipping crude oil can be attributed to the excess of tonnage, resulting from a higher growth in tanker capacity when compared to demand. While the volume of seaborne trade of crude and petroleum products increased by about 2.4 per cent from 2,255 million tons in 2004 to 2,308 m t in 2005, tanker capacity including chemical carriers increased by six per cent. It is worth mentioning that rates declined sharply during the first three quarters before recovering after Hurricanes Katrina and Rita hit the US Gulf Coast. Although not as exceptional as the previous year, 2005 freight rates remained profitable for tanker owners. The increase in OPEC long-haul exports and the continued diversification of import sources, such as from China and India, kept demand for very large crude carriers (VLCCs) at healthy levels.

**Table 10**

## OPEC foreign downstream crude refining capacity, 2005

*1,000 b/d*

### Equity ownership[1]

| | Asia & Far East | Western Europe | US & Caribbean | Total |
|---|---|---|---|---|
| Kuwait | – | 180.0 | – | 180.0 |
| SP Libyan AJ | – | 98.6 | – | 98.6 |
| Saudi Arabia | 361.6 | 85.3 | 340.0 | 786.9 |
| United Arab Emirates | 182.0 | 89.6 | – | 271.6 |
| Venezuela[3] | – | 251.3 | 1,303.8 | 1,555.1 |
| **Total** | **543.6** | **704.8** | **1,643.8** | **2,892.2** |
| Regional refining capacity/intake | 21,746.5 | 15,530.9 | 18,572.3 | 55,849.7 |
| ***OPEC % share*** | ***2.5*** | ***4.5*** | ***8.9*** | ***5.2*** |

### Crude supply[2]

| | Asia & Far East | Western Europe | US & Caribbean | Total |
|---|---|---|---|---|
| Kuwait | – | 180.0 | – | 180.0 |
| SP Libyan AJ | – | 150.0 | – | 150.0 |
| Saudi Arabia | 910.0 | 100.0 | 450.0 | 1,460.0 |
| United Arab Emirates | 195.0 | 108.0 | – | 303.0 |
| Venezuela[3] | – | 223.0 | 1,035.0 | 1,258.0 |
| **Total** | **1,105.0** | **761.0** | **1,485.0** | **3,3510** |
| Regional refining capacity/intake | 19,808.7 | 14,082.4 | 17,506.8 | 51,397.9 |
| ***OPEC % share*** | ***5.6*** | ***5.4*** | ***8.5*** | ***6.5*** |

***Notes:***

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

The freight rates of VLCCs on the Middle East eastbound and westbound routes on Worldscale (WS) averaged around 120 and 89, respectively. Compared with 2004 levels of 150 and 118, respectively, 2005 freight rates were noticeably lower. However, compared with long-term averages they still brought healthy returns on investment for tanker owners. In November 2005, following the Gulf of Mexico hurricane season it should be noted that rates surged to WS 184 on Middle East/eastbound and to WS 142 on Middle East/westbound destination.

On the short-haul routes, such as from the Caribbean to the US and within the Mediterranean region, changes were more to the advantage of tanker owners with freight rates averaging as much as four per cent above 2004 levels.

On the Middle East-to-East route, freight rates for clean products witnessed higher levels compared to 2004. These reached WS 312, a 22 per cent y-o-y growth, while within the Mediterranean basin they remained mostly stable at around WS 290.

Tanker capacity used for storage accounted for nearly 17.7 million deadweight tons in 2005, compared to 13.3 m dwt in 2004. This corresponds to a steep yearly increase, much of it on the back of some producers, as well as a number of consumers, using tankers for short term storage.

## Tanker fleet development

The world tanker fleet, including chemical carriers, totaled 3,892 vessels at the end of 2005, corresponding to an increase of 222 vessels. In terms of dwt, total fleet capacity rose by more than 22 m dwt, or six per cent, to 340.2 m dwt (**Table 11**). The average size of the world tanker fleet increased slightly to 87,400 dwt. OPEC flag tankers accounted for just 4.3 per cent of the world fleet, despite the fact that MCs accounted for more than 43 per cent of world petroleum exports. Worldwide marine trade of oil (measured in ton-miles) for crude oil and refined products grew by 3.2 per cent and 7.4 per cent, respectively, compared to an increase of 6.2 per cent for both categories during 2004.

The decline of crude trade was mostly due to a slowdown in China's imports and a relative reduction in long haul trades. The share of natural gas in the world energy mix continued its upward trend with OPEC MCs holding more than 50 per cent of world reserves and continuing to satisfy additional demand for natural gas. OPEC's share of the global LNG carrier capacity jumped from about 4.5 million cubic metres in 2004 to 7.5 m cu m

**Table 11**

## Tanker fleet development in OPEC Member Countries, 2002–05

*1,000 dwt*

| | 2002 | | 2003 | | 2004 | | 2005 | |
|---|---|---|---|---|---|---|---|---|
| | **No** | **DWT** | **No** | **DWT** | **No** | **DWT** | **No** | **DWT** |
| Algeria | 1 | 22.6 | 1 | 22.6 | 1 | 22.6 | 1 | 22.6 |
| Indonesia | 32 | 988.9 | 32 | 988.9 | 29 | 993.7 | 29 | 993.7 |
| IR Iran | 23 | 4,169.6 | 27 | 5,644.5 | 32 | 6,050.0 | 32 | 6,050.0 |
| Iraq | 9 | 534.3 | 9 | 534.3 | 1 | 37.0 | 1 | 37.0 |
| Kuwait | 17 | 2,898.0 | 29 | 3,625.3 | 22 | 3,176.3 | 19 | 2,940.9 |
| SP Libyan AJ | 6 | 775.3 | 6 | 775.3 | 6 | 275.4 | 6 | 275.4 |
| Nigeria | 2 | 408.8 | 2 | 408.8 | 2 | 408.8 | 2 | 408.8 |
| Qatar | 4 | 368.6 | 4 | 368.6 | 6 | 438.2 | 6 | 438.2 |
| Saudi Arabia | 12 | 578.6 | 12 | 578.6 | 19 | 1,721.2 | 19 | 1,721.2 |
| UAE | 9 | 291.6 | 7 | 275.4 | 7 | 275.4 | 9 | 399.5 |
| Venezuela | 6 | 320.3 | 13 | 557.5 | 21 | 1,348.3 | 21 | 1,348.3 |
| **Total OPEC** | **121** | **11,356.6** | **142** | **13,779.8** | **146** | **14,746.9** | **145** | **14,635.6** |
| **Total world** | **3,368** | **293,571** | **3,524** | **306,578** | **3,670** | **318,116.7** | **3,892** | **340,213.6** |
| ***OPEC percentage*** | | ***3.9*** | | ***4.5*** | | ***4.6*** | | ***4.3*** |

***Notes:***
*Totals may not add up due to independent rounding.*
*Including crude oil, petroleum products and chemical carriers.*
***Sources:***
*World oil tanker trends; Simpson, Spence and Young Consultancy; direct communication with the Secretariat.*

in 2005, representing almost one third of the world fleet of 22.9 m cu m. This was mostly due to large expansions in Qatar and Nigeria, which increased their fleet capacity by 85 and 73 per cent, respectively. OPEC's ownership of liquefied petroleum gas (LPG) capacity also increased during 2005, mainly due to Algeria's addition of a very large gas carrier to its fleet. OPEC LPG carrier capacity amounted to nearly 510,000 cu m, of the global 14.6 million cu m fleet in 2005, or approximately 3.5 per cent.

# EU-OPEC Energy Dialogue

**In line with the decision of the 133rd Meeting of the OPEC Conference,** to foster European Union (EU)-OPEC Energy Dialogue at the level of the OPEC President and the Minister of Energy for the EU nations, both high-level Ministerial Meetings and joint roundtables between both organizations took place in 2005.

In June and December, high-level Ministerial Meetings took place in Brussels and Vienna, respectively. Participants at the 1st Ministerial Meeting in June highlighted the importance of an effective framework to enable an exchange of views on energy issues of common interest, including oil market developments, and the potential this has for contributing to stability, transparency and predictability in the international oil market.

It also noted that extreme prices in either direction, over a sustained period, could create problems for both producers and consumers. The EU and OPEC shared the view that all parties should pursue efforts aimed at achieving greater market stability, with prices that are fair and reasonable to producers and consumers alike. These should be consistent with the need for healthy global economic growth and provide steady revenue streams for producing countries that are conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil. The meeting emphasised that many factors have the potential to contribute to oil market instability over the short-, medium- and long-term. With this in mind, the importance of greater data transparency and an enhanced exchange of views on trends in supply and demand, future policies and their implications, technology developments and other energy-related issues were underlined.

The meeting concluded by identifying themes for enhancing cooperation, in the mutual interest of both parties, such as:

- Oil market developments, both short and medium-to-long terms;
- Energy policies;
- Energy technologies, such as carbon capture and storage; and
- Energy-related multilateral issues.

It was agreed that discussions on these themes would be developed through workshops and other meetings that could include, where appropriate, other multilateral organisations, recognising the importance of their work and the need to avoid unnecessary duplication. The first joint roundtable was held in November 2005, where recent oil market developments and future prospects were addressed. At the 2nd Ministerial Meeting in December, the participants welcomed the constructive nature of the exchange of views and information, and discussions at the first joint roundtable which also identified areas of mutual interest for further reflection, namely the refining sector and financial markets.

The EU-OPEC Energy Dialogue's work programme for 2006 was discussed, in particular the preparations for a meeting on energy technologies, with a particular focus on carbon capture and storage in conjunction with enhanced oil recovery, as well as a second roundtable on the impact of energy policies on both demand and supply. In order to enhance cooperation on technology, the participants explored the possibility of establishing an EU-OPEC Technology Centre. They also took note of the efforts being made to develop the European Commission's internal energy market observation system and, in this regard, agreed to explore further possibilities for cooperation.

The participants noted the publication by OPEC and other producers of information about their upstream and downstream investment plans. This was welcomed as a further means of contributing to market stability, as it would provide greater clarity in the demand outlook. They also acknowledged that actions on the part of both the EU, through the strong support for the emergency oil stocks release within the International Energy Agency (IEA) mechanism, and OPEC, by making available to the market its spare capacity of around two million barrels a day for a period of three months from 1 October 2005, should it be called for, had helped calm markets after the devastation caused by Hurricanes Katrina and Rita in the Gulf of Mexico.

They recognised, however, that the continued and serious tightness in the global refinery system would maintain strains on market stability in the next few years, which calls for more efforts to create an environment that promotes downstream investments in major consuming countries and regions.

In 2005, the EU-OPEC Energy Dialogue moved forward significantly and is now viewed as an integral event in the yearly agendas of both parties. Sheikh Ahmad Fahad Al-Ahmad Al-Sabah,


*Malcolm Wicks, UK Energy Minister with Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference.*

Minister of Energy of Kuwait and President of the OPEC Conference said of the dialogue in November: "We are only at the beginning of the road, and it is a very long road. Perhaps it is a road with no ending, because our dialogue has been set up on a permanent basis."

The dialogue is seen by the EU as part of a broader approach to strengthen energy relationships with the main oil and gas suppliers, and by OPEC as a significant further step in its

*Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference with Dr Martin Bartenstein, Minister of Economics and Labour, Austria.*

continued efforts to enhance understanding and cooperation among oil producers and consumers. It is also a natural extension of the warm relations that have existed for decades in many areas of activity involving members of the two groups, which have been highly beneficial to the flow of goods and services. The EU is OPEC's main trading partner and accounts for an increasing share of its total trade.


*L-R: Andris Piebalgs, EU Energy Commissioner, Dr Edmund M Daukoru, Minister of State for Petroleum Resources, Nigeria, Malcolm Wicks, UK Energy Minister and Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference.*

# Russia-OPEC Energy Dialogue

**Russia, as the world's second largest oil exporter** and the number one natural gas exporter, plays an extremely significant role on the global energy scene. Its relationship with OPEC goes back many years. Since 1992, it has enjoyed OPEC observer status, participating in a number of OPEC Ministerial Conferences. Russian officials have also attended several workshops and in-house meetings at the OPEC Secretariat in Vienna.

In 2003 and 2004, two joint workshops were held between the OPEC Secretariat and Russia's MGIMO-University of the Ministry of Foreign Affairs. The first in Vienna in July 2003 saw an exchange of views on the outlook for the world energy market, as well as a discussion on trends in petroleum upstream investment. The second in Moscow in October 2004 examined the oil market challenges facing OPEC Member Countries (MCs) and Russia in the early 21st century, as well as issues related to climate change and trade. This was followed by a formal visit from the President of OPEC and a delegation from the Secretariat to Russia in late December 2005. The meeting covered an exchange of views on oil market developments; energy policies, including demand, with aspects of expectations from G-8 countries; multilateral issues including the environment; and, OPEC-Russia cooperation on energy issues in relation to Russia assuming the Presidency of the G-8 in 2006.

At Russia's request, the OPEC Secretariat provided input on the producers' perspective on issues related to broader energy and oil matters, for example, security of demand and supply. The Russian delegation expressed the view that they are in agreement with most of the issues and concerns raised by OPEC, in particular:

- The need for an in-depth mutual understanding of the market;
- Transparency and predictability of all factors affecting the oil market;
- The link between environmental issues and energy security; and
- The role and importance of new technologies in the provision of more supply, further improvements in energy efficiency and the protection of the environment.

Moreover, the overall structure of the dialogue was discussed, and there was general agreement on the framework for the objectives, scope and modalities, including annual meetings at ministerial level. Seminars, joint studies and research, and technical exchanges in areas of mutual interest, such as oil market developments and outlook, data flow, investments across the supply chain, energy policies, and multilateral issues, were also highlighted.

In an address to the meeting, OPEC Conference President and Kuwait's Minister of Energy, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah said: "An enhanced dialogue among producers, in particular between Russia and OPEC, will benefit globally both producers and consumers, contribute immensely to market stability and improve energy security. It will assure consumers, especially those in developing countries with rising demand, of assured and reliable oil and gas supplies to fuel their economic development in the 21st century."

*L-R: Viktor Khristenko, Minister of Industry and Energy, Russian Federation, Professor Stanislav Zhiznin, Senior Adviser, Department of Economic Cooperation, Ministry of Foreign Affairs, Russian Federation and Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference.*

# China-OPEC Energy Dialogue

**The birth of the China-OPEC Dialogue** can be traced back to March 2005 when, at the request of the Chinese Ambassador to Austria, Dr Adnan Shihab-Eldin, OPEC's Acting for the Secretary General (ASG), welcomed Ambassador Lu Yonghua to the OPEC Secretariat. On instructions from the Chinese Government, the Ambassador informed Dr Shihab-Eldin that China was considering the establishment of an official relationship with OPEC and proposed the creation of an official dialogue between OPEC and China.

This initial meeting was followed up by Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference, heading up an official OPEC delegation to China in December 2005. The visit included a meeting with the Chinese Vice Premier, HE Zeng Peiyan, who stressed the importance the Chinese Government attached to establishing a dialogue with OPEC.

Further meetings were held with HE Ma Kai, Chairman of the National Development and Reform Commission of China, where presentations were made by OPEC and China on oil market developments. Following an exchange of views on the oil market industry, strategic stockpiling and the prospects for China-OPEC cooperation, the discussions focused on the main themes and modalities for the China-OPEC Energy Dialogue.

The December meeting established a formal energy dialogue with the main purpose of establishing a balanced, pragmatic framework for cooperation, and the development of an ongoing exchange of views at all levels on energy issues of common interest, in particular security of supply and demand, in order to enhance market stability. The dialogue will build upon the existing oil and gas bilateral investment and trading relations between China and many OPEC Member Countries.

Both parties stated that effective producer-consumer dialogue provides a "win-win" situation for all participants, as well as for the industry as a whole. In regard to China and OPEC, China's economic growth requires secure, steady supplies of energy, while OPEC's crude oil reserves and production are expected to continue growing, ensuring that there will be enough oil to meet rising world demand for decades to come. Going forward it was agreed there would be meetings at ministerial level at mutually convenient times, as well as high-level technical roundtables.

*Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference with the Chinese Vice Premier, HE Zeng Peiyan.*

# Press Releases

## OPEC Acting Secretary General expresses assurances on adequate supply despite recent price rise

Vienna, Austria, 14 January 2005

The world oil market remains adequately supplied with crude, despite supply concerns and the expectation of colder weather in the northern hemisphere, the OPEC Acting Secretary General, Dr Adnan Shihab-Eldin, said Friday in Vienna.

He noted that until recently, oil prices have moved lower as mild winter weather and ample OPEC supply of close to 30 million barrels a day (mb/d) over the last three months of the year have allowed current supply to not only meet demand but also produce a contra-seasonal build in commercial crude oil stocks to levels at or above the five year average. He said these efforts have resulted in a substantial moderation in crude oil prices, with West Texas Intermediate (WTI) dropping from $56.42/b on 22 October to around $43/b for much of December, while Brent prices have moved down from $52.03/b to about $40/b in the same period. The OPEC Reference Basket (ORB) remained close to $35/b for most of December, while many of OPEC's typically heavy crudes stood lower.

However, since the start of this month, oil prices have seen steady gains, especially for WTI and Brent. Dr Shihab-Eldin attributed this recent increase to seasonal market characteristics, such as the shift towards colder weather in the northern hemisphere and a related decline in US crude and heating oil inventories. Supply disruptions in the North Sea, Gulf of Mexico, Nigeria and Iraq have also played a role, he said.

Despite concerns and prevailing winter market conditions, global oil supply – particularly OPEC output – remains strong and more than adequate to meet expected demand, Dr Shihab-Eldin said, adding that commercial crude oil and product stocks typically experienced draws at this time of year, due to the rise in demand in the northern hemisphere for heating fuels during winter.

He stressed that the current situation requires close monitoring and analysis, and will be examined and deliberated on carefully at the two scheduled Meetings of the Conference on 30 January and 16 March. At these meetings, OPEC Ministers will decide what measures should be taken to prepare for the second quarter when demand typically declines, Dr Shihab-Eldin explained. He reiterated OPEC's commitment to ensure adequate supplies and said that the Organization stands ready to take the necessary decisions to maintain market stability.

## 134th (Extraordinary) Meeting of the OPEC Conference

### Vienna, Austria, 30 January 2005

The 134th (Extraordinary) Meeting of the OPEC Conference convened in Vienna, Austria, on 30 January 2005, under the Chairmanship of its President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, Dr Edmund M Daukoru, Nigerian Presidential Adviser on Petroleum & Energy and Head of its Delegation.

The Conference recorded its deepest sympathy with and condolences to the governments and peoples of Member Countries (MCs), Indonesia, and other nations struck by the devastating tsunami in late December 2004, with such an enormous and tragic loss of life and property. The Conference considered the report of the Ministerial Monitoring Sub-Committee (MMSC), and thanked the Members for their untiring efforts on behalf of the Organization, as well as presentations on various subjects.

Having reviewed the oil market situation, in particular the overall demand/supply expectations for the first half of 2005, as well as the outlook for the oil market in the medium term, the Conference observed that the level of global oil supply, particularly OPEC output, exceeded

*Dr Edmund M Daukoru, Presidential Adviser on Petroleum & Energy, Nigeria, with Bijan Namdar Zangeneh, Minister of Petroleum, IR Iran, and Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference at the 134th (Extraordinary) Meeting of the OPEC Conference.*

demand, allowing commercial oil stocks to build to above their five-year average. Consequently, the ORB had moderated over the fourth quarter 2004, averaging $36/b in December 2004, with many of OPEC's heavy crudes standing lower.

The Conference further noted that, whilst prices have since strengthened, as a result of seasonal market characteristics, including cold winter weather, prices have been in contango for some time, especially in the case of heavy crudes. This situation is, moreover, accompanied by a certain degree of market volatility, reflecting concern over possible supply disruptions and the expectation of continued strong demand. Since current supply/demand forecasts indicate that the market will remain in balance through the first quarter 2005, the Conference decided to maintain currently agreed production levels. In this connection, the Conference reiterated its call on MCs to ensure strict compliance with agreed production levels. Aware of the expected seasonal drop in demand in the second quarter, and given the stock-build, which might be accentuated in light of the current market situation, the Conference further decided to continue monitoring market developments and that its President should make consultations ahead of the next Ordinary Meeting of the Conference, scheduled to convene in Isfahan, the Islamic Republic of Iran, on 16 March 2005, to ensure that a timely cut could be made, as appropriate.

After reviewing the evolution of the OPEC Reference Price since its inception in 2000, the Conference noted that prices have remained outside the Band for over a year due to market changes that have rendered the Band unrealistic and has, therefore, decided to temporarily suspend the current Price Band, pending completion of further studies on the subject. Notwithstanding this temporary suspension, the Conference stressed that the Organization remains firm in its commitment to maintaining a stable market with prices at reasonable levels conducive to expansion of production capacity and supply growth to meet rising demand, as well as to ensuring that there is enough oil to fuel global economic growth in the 21st century, in particular in the developing countries.

The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

## Statement by OPEC Conference President on recent price development

Vienna, Austria, 6 March 2005

Along with other members of the global community OPEC has been closely observing oil price movements recently, seeing that the ORB has risen by more than $8.50/b since 8 February, reaching a $48.36/b on Friday, 4 March. OPEC is concerned about this price development despite the fact that the market is well-supplied and global crude oil stocks have continued to build, now standing above their five-year average.

This recent price rise is due to a number of factors, such as the late cold snap in the northern hemisphere and unexpected outages in the downstream sector, in addition to expectations of continued strong demand and ongoing concerns about the slowdown in the pace of growth in non-OPEC supply, as well as downstream bottlenecks. Increased investment in commodities by speculators has caused further sizeable upward pressure on prices. OPEC is committed to maintaining stability and ensuring that global markets remain well supplied at all times. Towards this end, OPEC had increased production levels three times during 2004. Currently, the Organization is producing around 29.5 mb/d, which has ensured that demand is fully met, and global crude oil stocks continue to build. Moreover, some of our MCs sped up the implementation of their capacity expansion plans, so as to enhance the Organization's ability to cope with possible future supply disruptions. OPEC's spare capacity now stands at more than 2 mb/d, and should exceed 3 mb/d by year-end with further capacity expansions expected in the coming years.

Currently, we are monitoring closely the market and on 16 March, when our Ministerial Conference next meets in Isfahan, IR Iran, we shall review the prevailing market outlook to ensure market stability at reasonable price.

## 135th Meeting of the OPEC Conference

### Isfahan, IR Iran, 16 March 2005

The 135th Meeting of the OPEC Conference convened in Isfahan, IR Iran, on 16 March 2005, under the Chairmanship of its President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, Dr Edmund M Daukoru, Nigerian Presidential Adviser on Petroleum & Energy and Head of its Delegation.

The Conference welcomed the Minister of Petroleum of Angola, the Minister of Oil & Gas of the Sultanate of Oman, the Minister of Petroleum & Mineral Resources of the Syrian Arab Republic and high-level representatives from Egypt and Mexico, whose presence at the Meeting is seen as renewed confirmation of these countries' solidarity with the objective of the Organization to stabilise the oil market. The Conference reviewed the Secretary General's report, the report of the Economic Commission Board (ECB), the report of the MMSC – whose Members the Conference again thanked for their untiring efforts on OPEC's behalf – and various administrative matters.

Having reviewed the oil market situation and its immediate prospects, the Conference observed that, with the market having remained well supplied, OECD commercial oil stocks at the end of the fourth quarter 2004 were at comfortable levels, exceeding their five-year average level. Furthermore, the Conference noted that, although all indicators continue to show that the market is fundamentally well-supplied, world crude oil prices have resumed their increase. This is due to a number of factors, mainly the late cold winter spell in the northern hemisphere, the expectation of unabated strength in demand over the medium term, as well as price pressure and volatility coming from increased activity of non-commercials in the futures markets, such

*Abdullah Bin Hamad Al-Attiyah, Second Deputy Prime Minister and Minister of Energy & Industry, Qatar, talking to journalists at the 135th Meeting of the OPEC Conference in Isfahan, IR Iran.*

as hedge funds and, more recently, pension and index funds. The situation is being further exacerbated by the influence of geopolitical tensions and downstream bottlenecks.

The Conference noted, in particular and with concern, that the shortage of effective refining capacity, especially conversion capacity, is expected to persist, continuing to create dislocations between crude and products markets, as well as contributing to higher oil prices, and renewed its call on all parties, including non-OPEC producers and consumers, to undertake joint efforts to address the challenges facing the oil industry, including bottlenecks affecting the downstream oil industry, as well as called on consuming governments to align their environmental with their energy policies.

In view of the expectation of another year of strong global oil demand, coupled with constraints in the downstream sector and the overall expectation of a slow-down in the pace of non-OPEC supply growth, requiring an increase in OPEC production in the second half, in particular the fourth quarter 2005, and in order to satisfy this market demand, ensure comfortable levels of stocks in the second half, as well as halt and reverse the price escalation, the Conference decided to increase the production ceiling to 27.5 mb/d, effective immediately.The Conference further authorised its President, after consultations with fellow Heads of Delegation, to announce an additional 500,000 b/d increase in the ceiling, until its next Meeting, should oil prices remain at current levels or continue to further rise. In taking this decision, the Conference once again confirmed the Organization's commitment to maintaining stability and ensuring that global markets remain adequately supplied at all times. To that end, MCs have already accelerated existing capacity expansion plans and are making timely investments to expand capacity in the longer term. Moreover, this decision is a reaffirmation of OPEC's commitment to ensuring adequate supplies consistent with robust economic growth, in particular in the emerging economies of the developing world. The Conference also agreed to continue to closely monitor market developments and to take appropriate and prompt action, as and when the need arises. With this in mind, the Conference decided to convene an Extraordinary Meeting at the OPEC Secretariat, Vienna, on 7 June 2005.

The Conference approved the recommendation from the Board of Governors (BoG) and the ECB to change the composition of the ORB, to-date made up of seven crudes, to a composition of 11 crude streams representing the main export crudes of all MCs, weighted according to production and exports to the main markets. The Secretariat is to calculate the new proposed Basket on a trial, daily basis, in parallel with the current ORB, reporting back on the results to the next Meeting of the Conference, in light of which the Conference shall announce the effective date of implementation. The Conference passed Resolutions that will be published on 17 April 2005, after ratification by MCs. The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on 19 September 2005. The Conference expressed its appreciation to Seyed Mohammad Khatami, President of the IR Iran, the government and people of the IR Iran, as well as the authorities of the City of Isfahan for having hosted the Meeting and for the warm hospitality extended to the Conference and all delegates. In addition, the Conference recorded its special thanks to Bijan Namdar Zangeneh, Minister of Petroleum of the IR Iran, and his staff for the excellent arrangements for the Meeting.

## Third Joint OPEC-IEA Workshop

### Kuwait City, Kuwait, 15 May 2005

A joint workshop was organised today in Kuwait by the International Energy Agency and OPEC on the energy outlook in the Middle East and North Africa (MENA). This event, hosted by the

Ministry of Energy of Kuwait, was the third in a series of workshops that has seen the dialogue and cooperation between these two Organizations further strengthen. The first two, which took place at the OPEC Secretariat in Vienna in June 2003, and in Paris at the International Energy Agency (IEA) Secretariat in April 2004, concentrated upon oil investment prospects, in particular regarding the oil outlook, investment challenges, drivers and uncertainties, and concluded that availability of reserves and capital was not a key constraint in making the necessary oil available over the coming three decades, emphasising the need for appropriate and timely investment throughout the energy chain, while recognising the uncertainties over future oil demand.

This third workshop, with its regional focus, had a wider objective than the earlier two, with its emphasis upon the economic prospects for the MENA region, as well as its energy supply and demand prospects. The MENA region has a great economic, commercial and trade potential. It is expected to play a growing role in world energy markets over the coming decades.

The workshop was attended by a select group of high-level delegates representing the OPEC and IEA Secretariats, as well as senior government officials from OPEC, the Organization of Arab Petroleum Exporting Countries and IEA MCs, senior analysts from MENA countries, international experts on MENA economic and energy analysis, and experts from finance institutions. The workshop, after setting the scene to the discussions, included sessions on the economic and energy prospects in the MENA region, as well as country perspectives of the region's energy demand and supply prospects. Presentations were made by international experts, as well as by representatives from several OPEC MCs from the region. The workshop concluded with a fruitful panel discussion addressing implications for global energy markets and sustainable development in the MENA region.

In his opening address, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, President of the OPEC Conference and Minister of Energy for Kuwait, said that the populations of MENA countries are rising rapidly and are relatively young; hence, the potential for growth is large and the region offers tremendous economic opportunities. The world's largest consumers, for their part, can facilitate the development of this potential, by offering stable markets and steady demand for hydrocarbons from MENA countries, through the removal of unnecessary impediments, duties and taxes. However, Sheikh Al-Sabah told the meeting that despite having some of the world's largest oil producers and possessing almost three-quarters of global oil reserves, this region has not received the attention it deserves from planners, industry observers and international agencies responsible for ensuring balanced world economic growth. Claude Mandil, Executive Director of the IEA, said in his address in the opening session that there is a growing interdependence between the world's major energy consumers and the energy producing countries in the Middle East and North Africa. "The world is becoming more and more reliant on the vast, low-cost energy resources of the region. The timely development of these will benefit both parties in the producer-consumer relationship. For consuming countries the benefits are obvious: economic development cannot be achieved without energy and cannot be sustained unless the energy supply is secure. From the producers' side, development of their energy resources has the potential to act as a driving force for growth, stability and prosperity."

Dr Adnan Shihab-Eldin, Acting for the Secretary General of OPEC, said that the MENA region is very important from two distinct perspectives. "It is, of course, a region containing much of the world's proven reserves of oil and gas, and it will, therefore, play a central role in future world energy supply. To this end, oil prices must be at sufficiently robust levels to support the required investment, the magnitude of which will not be dissimilar to what has occurred in the past." Moreover, Dr Shihab-Eldin said that the investment challenge will be complicated by uncertainties which we must seek to minimise through continued cooperation and dialogue. "However", he added, "at the same time as assessing the energy prospects, we should not lose sight of the very important alternative – and connected – focus of attention of the workshop. This relates to the socio-economic needs of the region and the role that the international community can and should play in supporting them."

The IEA's Chief Economist, Dr Fatih Birol, added "the lessons learnt during today's workshop will provide valuable input for the World Energy Outlook 2005 which will examine the medium to long-term energy prospects throughout the Middle East and North Africa and draw implications for world energy markets." The World Energy Outlook 2005, the next edition in the IEA's flagship series, will be released in November. Continued strengthening of cooperation and active dialogue between OPEC and the IEA is recognised as an important element in improving the understanding of the concerns of all parties and is in line with the clear mutual interests of supporting oil market predictability and stability. A fourth joint OPEC/IEA workshop, which will focus upon the oil demand outlook, is planned for 2006, and will probably be hosted by an IEA country.

## European Union-OPEC Energy Dialogue

### Brussels, Belgium, 9 June 2005

The first meeting of the European Union-OPEC Energy Dialogue took place in Brussels today. The participants from the EU were: Jeannot Krecké, Minister of the Economy and Foreign Trade of Luxembourg and President of the EU Council; Laurens Jan Brinkhorst, Minister of Economic

Affairs of the Netherlands; Malcolm Wicks, Minister for Energy of the United Kingdom; and Andris Piebalgs, European Commissioner for Energy.

The participants from OPEC were: Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference; Dr Edmund M Daukoru, Presidential Advisor on Petroleum and Energy of Nigeria and Alternate President of the OPEC Conference; and Dr Adnan Shihab-Eldin, Acting for the Secretary General.

The participants welcomed the discussions on energy, with a particular focus on the international oil market. This important new initiative is seen by the EU as a part of a broader approach to strengthen energy dialogues with the main oil and gas suppliers, and by OPEC as a significant further step in its continued efforts to encourage dialogue and cooperation among oil producers and consumers. It was agreed upon in meetings and contacts between the Dutch EU Presidency, the European Commission and the President of the OPEC Conference at the end of 2004, in recognition of their mutual interdependence.

The dialogue is seen as a natural extension of the warm relations that have existed for decades in many areas of activity involving members of the two Organizations. Trade between the two groups occurs in many sectors, with the countries involved benefiting from the flow of goods and services. Participants at today's meeting recognised the importance of an effective framework enabling an exchange of views on energy issues of common interest, including oil market developments, and the potential this has for contributing to stability, transparency and predictability in the international oil market. In this context, increased transparency in financial markets and their impact on the oil market is considered to be of common concern.

They stressed the importance of maintaining the dialogue when prices are low, as well as high. They noted that extreme prices in either direction, over a sustained period, could create problems for both producers and consumers. They shared the view that all parties should pursue efforts aimed at achieving greater market stability, with reasonable prices that are consistent with the need for healthy global economic growth and steady revenue streams for producing countries, and that are conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil.

The meeting emphasised that many factors have the potential to contribute to oil market instability over the short, medium and long terms. The participants noted that the oil price increases over the last year are the result of the convergence of a number of factors, including strong global economic growth and the consequent big rise in the demand for oil and a reduction of spare capacity, combined with tightness in the downstream, geopolitical developments and increased activity in the oil futures markets. In this connection, while acknowledging OPEC's response in raising output and speeding up the implementation of capacity expansion plans, the participants nevertheless recognised that uncertainties, particularly associated with the level of future oil demand, will remain substantial. This carries additional risks for the level of investments that are necessary along the entire supply chain.

The above underlines the importance of greater data transparency and an enhanced exchange of views on trends in supply and demand, future policies and their implications, technology developments and other energy-related issues. Therefore, at this meeting today, the following themes were identified for enhancing cooperation, in the mutual interest of both the EU and OPEC:

- Oil market developments, both short and medium-to-long terms;
- Energy policies;
- Energy technologies; and
- Energy-related multilateral issues.

Discussions on these themes will be developed through workshops and other meetings which could include, where appropriate, other multilateral organisations, recognising the importance of their work and the need to avoid unnecessary duplication. These exchanges will inform future Dialogue meetings.

For the short term, practical work could be developed around the following programme:

- A Round Table in the second half of 2005 on oil market developments, with the objective of improving understanding of the functioning of the market, including specifically the effect of trading in futures markets;
- A Conference in the first half of 2006 on new technologies, with a particular focus on the capture and storage of carbon dioxide; and
- A Round Table in the second half of 2006, to exchange views on energy policy developments, including energy market forecasts and the Commission's internal energy market observation system, which is under development.

The second meeting of the EU-OPEC Energy Dialogue will be held in Vienna at a mutually agreed date.

## Composition of the new OPEC Reference Basket

Vienna, Austria, 15 June 2005

The 136th (Extraordinary) OPEC Conference having received and deliberated on the Report of the Secretariat on the composition of the new ORB of crude, has approved its implementation with effect from 16 June 2005.

The 135th Meeting of the Conference, held in Isfahan, IR Iran, 16 March 2005, approved the recommendation of the BoG and the ECB to change the composition of the ORB, from seven crudes to a more representative Basket composed of 11 MC crude streams. These represent the main export crudes of all MCs, weighted according to production and exports to the main markets.

The Conference directed the Secretariat to calculate the new proposed Basket on a trial daily basis in parallel with the current ORB, reporting back on the results to the next Meeting of the Conference, in light of which the Conference would announce the effective date of implementation. The new ORB is made up of the following:

Saharan Blend (Algeria), Minas (Indonesia), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and BCF-17 (Venezuela).

At present the API gravity for the new Basket is heavier, at 32.7° compared to 34.6° for the previous Basket of seven crudes. In addition, the sulphur content of the new ORB is more sour at 1.77 per cent, compared to the previous Basket of 1.44 per cent.

The new ORB better reflects the average quality of crude oil in OPEC MCs.

## 136th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 15 June 2005

The 136th (Extraordinary) Meeting of the OPEC Conference convened in Vienna, Austria, on 15 June 2005, under the Chairmanship of its President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, Dr Edmund M Daukoru, Nigerian Presidential Adviser on Petroleum

& Energy and Head of its Delegation. The Conference expressed its warmest congratulations to Dr Ibrahim Bahr Alolom on his recent appointment as Minister of Oil of Iraq and paid tribute to the contribution made to the Organization by his predecessor in office, Dr Thamir Ghadhban.

The Conference considered the report of the MMSC, and thanked the Members for their untiring efforts on OPEC's behalf, as well as presentations on various subjects. Having reviewed the oil market situation and its immediate prospects, the Conference observed that the market continues to be well supplied, as a result of OPEC's decision in March 2005 to increase its production ceiling to 27.5 mb/d, and that, consequently, commercial crude and product stocks have continued to build to comfortable levels, around average in terms of days of forward cover. However, the Conference noted that world crude oil prices remain high and volatile as a result of concern about a lack of effective global oil refining capacity, in particular possible shortages of middle distillates in key consuming regions. Refineries, whilst already running at high utilisation rates, are facing difficulties in coping with strong distillate demand growth. The situation is being further exacerbated by geopolitical developments and increased speculation in the oil futures markets.

In the light of the expectation of strong global oil demand during the remainder of the year, in particular in the fourth quarter 2005, and with the resumption of price increases, the Conference decided to raise the current OPEC production ceiling by 500,000 b/d, to 28 mb/d, with effect from 1 July 2005. The Conference further authorised its President, after consultations with Heads of Delegation, to announce an additional 500,000 b/d increase in the ceiling, until its next Meeting, should oil prices remain at current levels or continue to rise further.

In taking this decision, the Conference re-affirmed the Organization's commitment to market stability, a commitment clearly expressed in MCs' repeated raising of output levels and the acceleration of their production capacity expansion plans aimed at meeting growth in global demand for crude and at maintaining adequate spare capacity. In this vein, the Conference called on all parties concerned to join efforts to maintain market stability, with reasonable prices consistent with robust economic growth, in particular in the emerging economies of the developing world, as well as steady revenue streams, for producing countries and the industry, conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil and products.

The Conference emphasised its particular concern about the shortage of effective refining capacity required to meet future strong demand growth, as a consequence of under-investment in this sector, especially in conversion capacity, as well as excessive regulation. The Conference, therefore, repeated its call on industry and consumer governments to urgently address this challenge which, if left unresolved, will exacerbate oil price volatility. The Conference agreed to continue to closely monitor market developments and to take appropriate and prompt action, as and when the need arises. Further to the decision taken by the Conference in March 2005 to change the composition of the ORB to a composition of 11 crude streams representing the main export crudes of all MCs, weighted according to production and exports to the main markets, and after reviewing the Secretariat's report on its trial calculation, the Conference decided that this new ORB should be introduced with immediate effect, replacing the current ORB.

The Conference welcomed the launch and positive outcome of the EU-OPEC Energy Dialogue, held on 9 June 2005 in Brussels, and recorded its commitment to continuation of this and other regional and international dialogues. In this respect, the Organization looks

*Rafael Ramírez, Minister of Energy & Mines, Venezuela, talking with Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference at the 136th (Extraordinary) Meeting of the OPEC Conference.*

forward to hosting the next EU-OPEC Dialogue Meeting in Vienna and expressed its confidence that this Dialogue will serve to further enhance and strengthen cooperative relations between producers and consumers. The Conference confirmed that its next Ordinary Meeting is to take place in Vienna, Austria, commencing 19 September 2005, in a month when the Organization will commemorate the 40th Anniversary of the OPEC Headquarters' move to Vienna with a series of events starting from 20 September 2005. The Conference expressed its renewed appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their continued warm hospitality and the excellent arrangements made for the Meeting.

## OPEC President sends message of condolence to Britain, after terror attack

Vienna, Austria, 7 July 2005

The President of the OPEC Conference has sent a message of condolence to the British Government and people, following the terrorist attacks in London today. He also condemned the attacks, which occurred at a time when the country was hosting the G-8 Summit, whose purpose was to discuss crucial global issues, particularly affecting the plight of developing countries.

Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, who is also Kuwait's Minister of Energy, wrote in a letter to the British Prime Minister, Tony Blair: "On behalf of OPEC, I am writing to convey to you, Mr Prime Minister, and through you, to Her Majesty's Government and to the people of the United Kingdom of Great Britain and Northern Ireland, our most heartfelt condolences following the dastardly terrorist attacks which struck London earlier today." OPEC's deepest sympathy went out to the families and friends of all those who had lost their lives or were injured in this "senseless devastation".

At the same time, Sheikh Al-Sabah added, "OPEC's voice loudly joins the chorus of all those who rightfully and vociferously condemn these repeated acts of terrorism." OPEC observed, "with enormous sadness", that this tragedy had occurred at the same time as the Summit of the G-8 leaders was meeting in Scotland to discuss crucial global economic issues regarding debt in developing countries and the alleviation of poverty, as well as trade and the environment. Sheikh Al-Sabah reiterated OPEC's continued readiness to work with both developing and developed countries – producers and consumers alike – to ensure that such acts were not allowed to disrupt stability in world energy markets, particularly oil market stability, which, he said, was so important to sustained economic growth and the advancement of global prosperity. And he affirmed that OPEC stood ready to assume its responsibility and to work with others for the stability and security of the oil market.

## Statement by OPEC Conference President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, on the recent rising trend in oil prices

Vienna, Austria, 9 August 2005

OPEC continues to monitor oil market developments closely and has observed with concern the recent rising trend in oil prices and prevailing volatility in global markets. Noting that this latest increase has been triggered by a series of refinery outages that have aggravated downstream bottlenecks in key consuming regions, along with increasing geopolitical tensions, OPEC reiterates its ongoing commitment to maintain market stability with reasonable prices compatible with robust economic growth, particularly in the emerging economies of the developing world. Towards this end, OPEC Conferences have repeatedly increased the production ceiling by more than 4 mb/d in recent years. Moreover, MCs have accelerated projects to expand production capacity in order to meet rising demand and ensure the availability of adequate spare capacity.

While consultations with Heads of Delegation are ongoing after the decision of the June Conference to increase the ceiling to 28 mb/d, OPEC MCs have continued to place additional supplies on the market. OPEC-10 production is estimated to have reached about 28.3 mb/d, while total OPEC is reportedly producing close to 30.4 mb/d and rising. These incremental volumes have led to global supply exceeding demand over the last two years, allowing stocks to continue to build to well above the five-year average. With the expectation for continued healthy global economic growth and rising demand for oil, the Organization will continue to take appropriate and prompt action as and when the need arises. MCs with spare capacity (estimated at around 2 mb/d) have reiterated their readiness to make these additional supplies available should the market call for it. While continuing to invest in new production capacity and increase output to meet future growth in demand, OPEC reiterates its call on all parties concerned to join efforts for market stability.

Welcoming the recognition of the need to address the downstream challenge, OPEC also calls, in particular, for the enactment of concrete measures that would encourage rapid and sizeable investments in the refining sector, particularly in conversion capacity, which has persistently lagged market requirements and exacerbated oil price volatility.

## OPEC President sends US Energy Secretary condolences and assurance in the aftermath of Katrina

Vienna, Austria, 31 August 2005

The OPEC Conference President has today sent a message of condolence to the government and people of the US following the devastating hurricane which struck parts of the southern states of the country earlier this week, causing enormous loss of life and property. "Our deepest sympathy goes out to the families and friends of all those who lost their lives or who have been injured in this natural catastrophe of unimaginable dimensions" the statement signed by the Organization's President and Kuwait's Minister of Energy, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, said.

In the message addressed to the US Secretary of Energy, Samuel W Bodman, Al-Sabah assured the US that "OPEC MCs will continue their ongoing efforts to ensure that the oil market is well supplied with the crude oil it requires and stand ready to consider whatever other ways they might be able to assist." He added that "the OPEC Conference will be discussing, at its forthcoming Meeting in September 2005, additional measures that may be taken by the Organization, within its means, in this direction to ensure, to the extent possible, stability in world energy markets, particularly oil market stability which is so important to sustained economic growth and the advancement of global prosperity."

Sheikh Al-Sabah further reiterated the commitment of OPEC and the readiness of those of its MCs with sizeable remaining spare production capacity to further boost production levels to fill any supply shortfall resulting from the effects of Hurricane Katrina, to customers that call for it, adding that "OPEC stands ready to assume its responsibility and to work with others for the stability and security of the oil market."

## OPEC considers further measures to help ease problems caused by Hurricane Katrina

Vienna, Austria, 2 September 2005

OPEC is considering what other measures it can take to help ease the severe problems caused by Hurricane Katrina, which had devastating consequences for the southeast of the US earlier this week. Such measures would be in addition to the offers of extra crude supplies to customers that have already been made by MCs with remaining, sizeable spare capacity. The President of the OPEC Conference and Secretary General, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, who is also Kuwait's Minister of Energy, announced today that he was in consultations with OPEC's other Ministers of Oil and Energy identifying what additional measures could be taken.

Sheikh Al-Sabah said that such an action would be in the spirit of cooperation between producers and consumers in the interests of oil market stability, at a time when a natural disaster of great magnitude has caused a significant reduction in energy supplies in the US, a major oil-consuming nation, with implications for the global energy market. He added that he was also in touch with the US authorities and the IEA, with a view to determining more precisely the nature of the country's needs and any additional measures producers may be able to take. Speaking as Kuwait's Minister of Energy, Sheikh Al-Sabah said that the Kuwait Petroleum Corporation was looking into what could be done in terms of contributing supplies of crude and products, to ease the fuel shortages faced by the US.

On 31 August 2005, shortly after the hurricane struck the southern states of the US, the OPEC President sent a message, on behalf of OPEC, to the US Secretary of Energy, Samuel W Bodman, expressing the condolences of the Organization to the government and the people of the US, and reassuring him that OPEC MCs would continue their ongoing efforts to ensure that the oil market remained well-supplied with the crude oil it required and that these countries stood ready to consider whatever other ways they might be able to assist.

OPEC will give all these matters further serious consideration at the forthcoming Meeting of its Conference in Vienna, Austria, on 19 September 2005.

## OPEC Member Country Kuwait pledges $500m aid package to US, in wake of Hurricane Katrina

Vienna, Austria, 4 September 2005

OPEC MC, Kuwait has pledged an aid package of $500 million to the US, in the wake of the devastation caused by Hurricane Katrina last week. The emergency aid will include both humanitarian and petroleum supplies, in particular, gasoline, and a special session of the country's Parliament, now in summer recess, will be convened to approve the package.

Kuwait's Energy Minister, who is also President of the OPEC Conference, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, confirmed today that this action was in line with his statement on Friday (2 September) that he was in consultations with his counterparts in other MCs, to identify what additional measures could be taken to help ease the severe problems caused by the hurricane. He added that, in his capacity as Kuwait's Energy Minister, he was in touch with the US authorities to determine how best their needs could be met. He expressed the hope that such actions by producers, as well as by other nations, would make an important contribution towards relieving the human suffering and towards easing the severe problems created by the hurricane to production and refining facilities, which had led to shortages of supplies in the region, with repercussions further afield in the international energy sector.

Other OPEC MCs have also made offers of assistance to the US. They include Qatar, which today pledged $100m of humanitarian assistance, as well as Indonesia, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela. Moreover, it will be recalled that the Saudi Arabian Minister of Petroleum and Mineral Resources, Ali I Naimi, last week said that, "to the extent that markets are concerned about the impact of Hurricane Katrina on the availability of crude oil supply, Saudi Arabia stands ready to increase oil production immediately to 11 mb/d and sustain that level to replace any shortages in the crude oil market."

## OPEC clarifies news report on 2 mb/d production increase

Vienna, Austria, 11 September 2005

Our attention has been drawn to some newswire reports quoting from an interview to be published in the German magazine *Der Spiegel*, that OPEC plans to announce an increase of its MCs crude oil production by just under 2 mb/d at the next Conference, scheduled for 19–20 September, attributing the statement to the Acting for the Secretary General, Dr Adnan Shihab-Eldin. We wish to state that the above statement is incorrect and does not reflect what Dr Shihab-Eldin told *Der Spiegel*. In response to a question about OPEC's plans to increase production, Dr Shihab-Eldin had answered that MCs of the Organization still have sizeable remaining spare production capacity, currently just under 2 mb/d, around 1.5 mb/d of which is in the Kingdom of Saudi Arabia.

He had stated further that Saudi Arabia had indicated earlier that it stands ready to increase its oil production to replace any shortage in the crude oil market, following the shutdown of some US oil production in the Gulf of Mexico, in the wake of the destructive Hurricane Katrina. In this regard, Dr Shihab Eldin mentioned that several proposals to increase OPEC production have been advanced and supported in recent days by many OPEC MCs, as part of continued efforts of the Organization to ensure that the market remains well supplied, and that such proposals will be considered and decided upon during the forthcoming Ministerial Conference.

## 137th Meeting of the OPEC Conference

Vienna, Austria, 20 September 2005

The 137th Meeting of the OPEC Conference convened in Vienna, Austria, on 19 and 20 September 2005, under the Chairmanship of its President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, Dr Edmund M Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation. The Conference welcomed Seyed Kazem Vaziri Hamaneh, Acting Minister of Petroleum of the IR Iran, and paid tribute to the outstanding contribution made to the Organization by the former Iranian Minister of Petroleum, Bijan Namdar Zangeneh. The Conference extended its condolences to the Government and people of the Kingdom of Saudi Arabia on the sad death of the Custodian of the Two Holy Mosques, King Fahd Bin Abdulaziz Al-Saud.

The Conference also extended its sincere condolences and sympathy to the government and the people of Iraq on the recent, tragic incidents that have led to such loss of life and expressed its hope that Iraq will be spared further violence in the future. The Conference also repeated its condolences to the people and government of the United States of America following the devastation wreaked by Hurricane Katrina in late August and noted, with satisfaction, that humanitarian aid and pledges of fuel supplies by MCs had contributed to relieving the situation in affected regions. The Conference warmly welcomed the Minister of Petroleum of Angola, the Minister of Energy & Mining of Sudan, the Minister of Petroleum & Mineral Resources of Syria, the Vice Minister of Industry & Energy of the Russian Federation, the First Under-Secretary of the Ministry of Petroleum of Egypt, the Under-Secretary for Hydrocarbons of Mexico and the Ambassador of the Sultanate of Oman, and recorded the importance it accords to continued dialogue and consultations with fellow oil-producing nations in achieving stability in the oil market.

The Conference considered the Secretary General's report, the report of the ECB, the report of the MMSC, chaired by Vaziri Hamaneh, Head of the Delegation of the IR Iran, whose Members the Conference again thanked for their continued efforts on the Organization's behalf, and various administrative matters. Having reviewed the current oil market, the Conference noted that action taken by OPEC MCs to increase production over the preceding quarters – OPEC production being currently estimated at 30.2 mb/d (excluding Iraq 28.3 mb/d) – has led to a build-up in inventory levels, especially of crude, which now stand well above their five-year average, sufficient to ease concerns in the market about potential supply disruptions, such as those witnessed following Hurricane Katrina. The Conference further noted that MCs are implementing costly investment plans to accelerate the expansion of crude production capacity from about 32.5 mb/d to at least 38 mb/d by 2010, to meet future demand growth.

Acknowledging that, although growth in crude oil supply in recent years has continued to be ahead of growth in demand, and that commercial oil stocks, in particular of crude, are at comfortable levels, oil prices have, nevertheless, continued to rise, mainly on account of tightness in downstream capacity and concerns over availability of adequate future supplies leading to increasing activity in futures markets, the Conference reiterated that the Organization will continue its proactive policy of supporting market stability by ensuring availability of adequate supply, at prices reasonable to both producers and consumers.

Towards this end, and recognising the importance of maintaining oil market stability, for the benefit of the world economy, including, in particular, the economies of the developing world, the Conference agreed to make available to the market the spare capacity of around 2 mb/d in MCs, should it be called for, for a period of three months, starting 1 October 2005. The Conference further decided to review market developments at its 138th (Extraordinary) Meeting, to be held in Kuwait on 12 December 2005, and take decisions as deemed appropriate and necessary.

The Conference again acknowledged the important role of non-OPEC producers in the global oil industry, and repeated its call on non-OPEC oil producers to continue actively cooperating with OPEC in maintaining price and market stability. Similarly, the Conference again called on all parties concerned to join these efforts to maintain market stability, with reasonable prices consistent with robust economic growth, as well as steady revenue streams, for producing countries and the industry, conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil and products.

Further, the Conference noted that, whilst assurances from OPEC of its commitment to meet supply shortfalls and its readiness to offer additional supplies to the market, should these be called for, as well as emergency response action taken by the IEA MCs to release petroleum stocks to overcome temporary refinery shutdowns in the aftermath of Hurricane Katrina, had provided welcome relief, the continuing shortage of appropriate refining capacity remains one of the main reasons behind recent oil price increases and price volatility. Applauding the growing recognition by consumer country governments of the serious refining capacity constraints, which could pose a threat to future market stability in the next few years, the Conference repeated its call on industry and consumer governments to urgently address the pressing issue of refining shortages and to take prompt action to facilitate and speed up refinery capacity expansion. OPEC MCs have taken the initiative – on their own and in partnership with others

*Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference responding to questions during the 137th Meeting of the OPEC Conference. To the right, Hamid Dahmani, Chairman of the Board of Governors and Governor for OPEC, Algeria.*

– to pursue and invest in downstream projects, but this remains the primary responsibility of the main consuming countries, and, without appropriate and timely measures on their part, volatility is likely to remain a feature of the market for some time.

The Conference welcomed recent actions taken by consuming countries to ease the burden of higher fuel prices on the final consumer. In this connection, the Conference also welcomed the continuation of consultations between OPEC and the IEA and noted the increasing effectiveness of the International Energy Forum (IEF) as a platform for global dialogue, as well as its leading role as overall coordinator of the important international Joint Oil Data Initiative (JODI), supported by six international organizations, including OPEC. In this context, the Conference reiterated its satisfaction with the on-going EU-OPEC Dialogue, and recorded its readiness to enter into similar dialogues with other regional and international bodies – dialogue which must address all the issues of interest to all parties – the Organization remaining committed to so enhancing and strengthening cooperative relations between producers and consumers. The Conference elected Dr Edmund M Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation, as President of the Conference for one year, with effect from 1 January 2006, and Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation, as Alternate President, for the same period. The Conference appointed Dr Maizar Rahman, Governor for Indonesia, as Chairman of the BoG for the year 2006, and Hossein Kazempour Ardebili, Governor for the IR Iran, as Alternate Chairman for the same period, with effect from 1 January 2006.

The Conference reviewed the report from the Deputy Ministers on the Long-Term Strategy (LTS) and decided to adopt the proposed LTS. The Conference recorded the Organization's particular thanks to HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Chairman of the Meetings of the Deputy Ministers of Petroleum/Energy on Long-Term Strategy; Dr Bernard Mommer, Vice Chairman; all Heads and Members of Delegations to these Meetings; as well as the staff of the Secretariat involved, for the outstanding work they had performed in drawing up a comprehensive long-term strategy for the Organization.

The Conference decided that its next Ordinary Meeting will convene in Vienna, Austria, on 8 March 2006. The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting. In addition, the Conference recorded its particular thanks to the Mayor and authorities of the City of Vienna for the organization of events to celebrate the 40th Anniversary of the OPEC Secretariat's move to Vienna. Finally, the Conference passed Resolutions that will be published on 20 October 2005, after ratification by MCs.

## OPEC adopts comprehensive Long-Term Strategy

Vienna, Austria, 20 September 2005

OPEC has adopted a comprehensive Long-Term Strategy (LTS) at its Ministerial Conference which ended in Vienna today. This strategy, which was prepared over a period of two and a half years, provides a coherent and consistent vision and framework for the Organization's future. It recognises the important role of oil in the world economy at large and for the socio-economic development of OPEC MCs. The strategy defines specific objectives, identifies the key challenges that the Organization faces now and in the future, and explores scenarios for the energy scene. It is designed to be robust and adaptive throughout the various possible futures.

When the process of drawing up a LTS began in March 2003, the oil market was experiencing a high level of stability. Recently, however, the market has been more volatile, making a long-term strategy for the Organization all the more relevant. Meetings of the MCs' Deputy Ministers of Petroleum/Energy were held under the Chairmanship of HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Assistant Minister of Petroleum Affairs, Kingdom of Saudi Arabia, with Dr Bernard Mommer, Vice Minister of Hydrocarbons, Bolivarian Republic of Venezuela, as Vice Chairman, and these were supported by the OPEC Secretariat's Research Division.

The final proposed strategy was presented to the 137th Meeting of the OPEC Conference, which convened in Vienna on 19–20 September and which gave it its endorsement. The strategy sets objectives in relation to the long-term petroleum revenues of MCs, fair and stable prices, the role of oil in meeting future energy demand, the stability of the world oil market, and the security of regular supplies to consumers, as well as the security of world oil demand. They also relate to the legitimate interests of OPEC MCs in multilateral agreements. The strategy identifies the key challenges that may constitute constraints for OPEC in the attainment of the objectives. These include uncertainties surrounding future oil demand, stemming from, *inter alia*, the prospects for the world economy, consuming countries' energy and environmental policies, and technological developments. They also concern the supply side, taking into account the resources, potential non-OPEC production, and the extent and timing of required investment, together with the associated uncertainties.

While considering the wide range of possible futures and the need to be effective across these plausible circumstances, the strategy covers various elements, such as the oil price, upstream and downstream investment, technology, the role of OPEC National Oil Companies, multilateral negotiations, in particular those related to trade and the environment, the important relationships with both producers and consumers, as well as with international organisations and institutions, OPEC's public information and the strengthening of the OPEC Secretariat. In addition, it also includes elements that are pertinent to specific situations, given the need to be flexible and adaptive. Regarding oil prices, the strategy builds upon the fundamental recognition that extreme price levels, either too high or too low, are damaging for both producers and consumers, and points to the need to be proactive under all market conditions. The strategy also re-emphasises OPEC's commitment to support market stability and, in achieving this, stresses the role of other producers, as well as, especially with regard to the downstream sector, consuming countries. The strategy recommends that OPEC MCs strive to strengthen cooperation in upstream and downstream scientific research and technological development among themselves and with international institutions. It also recommends supporting research in the production and use of cleaner petroleum-based fuels, and taking an active role in the development of technologies that address climate change concerns, while improving and expanding the role of oil in meeting future world energy demand, such as $CO_2$ sequestration. The strategy also addresses the role of OPEC National Oil Companies and encourages enhancing their competitive performance, as well as developing close cooperation among them in various areas such as technology, industrial networking, knowledge- and experience-sharing, etc.

The strategy maintains that it is important for OPEC MCs to continue to have an active role in climate change-related multilateral negotiations, recalling the principle of common but differentiated responsibilities, as well as the obligations of industrialised countries with regard to developing country parties. The strategy also calls for an active and more coordinated role of OPEC in trade-related negotiations, as well as increased cooperation with other developing countries, reinforcing the principle of permanent national sovereignty over natural resources, and recognising the exhaustible and non-renewable character of oil. It also stresses that it is important for OPEC MCs to continue enhancing their economic and social development by using the comparative advantage offered by their natural resources.

Dialogue among producers and between producers and consumers constitutes a crucial element of the strategy. It is recommended that such dialogue should be widened and deepened to cover more issues of mutual concern, such as security of demand and supply, market stability, investment, technology and the downstream. Communication is also recognised as a key element of the strategy and this calls for, *inter alia*, a strengthening of the Organization's public information capabilities. Finally, the LTS recognises the importance of an enabling environment, and recommends the strengthening of the OPEC Secretariat to broaden its research activities and cope with the growing challenges.

## OPEC Acting for the Secretary General receives major Italian honour

Vienna, Austria, 31 October 2005

Dr Adnan Shihab-Eldin, Acting for the OPEC Secretary General, has been awarded the Medal of the President of the Italian Republic. The award was made at the 31st Pio Manzù Conference in Rimini, Italy, on 30 October, in recognition of "the unparalleled and highly prestigious international impact of his dedicated strategic commitment" to scientific and energy matters, to which the major part of his professional career has been devoted.

"The most demanding responsibility facing the world today, that of governing the oil market, is, to a large part, in the hands of OPEC," the citation of the award said, adding that as "Secretary General (Acting) of OPEC, Dr Adnan Shihab Eldin is currently responsible for the complex and delicate task of directing the work of OPEC's Secretariat in shaping the policies of the Organization and its oil exporting MCs."

Dr Shihab-Eldin joined OPEC's Vienna-based Secretariat as Director of its Research Division in 2001, and this year has been Acting for the Secretary General. In 1999–2001, he was Director of the Division for Africa, East Asia and the Pacific, Department of Technical Cooperation, at the International Atomic Energy Agency, and, in 1991–99, Director of UNESCO's Regional Office for Science and Technology, as well as UNESCO's Representative in Egypt, Sudan and Yemen. An earlier post he held for ten years was Director General of the Kuwait Institute for Scientific Research. Dr Shihab-Eldin, born in 1943 and a Kuwaiti physicist and nuclear engineer, is a member of numerous professional associations and has served as a board member of, and advisor to, many international organisations, foundations and companies around the world.

The Scientific Committee of the Pio Manzù International Research Centre, whose members are leading international scientists, selected him for the award because of his "commitment to encouraging a cooperative approach and to finding solutions of mutual benefit and of wide value to the international community to successfully meet future energy needs." The Centre, whose General Secretariat is in Verucchio, Italy, is a non-governmental organization in general consultative status with the United Nations. It has been operating since 1969 as an institute for the in-depth study of the main economic and scientific aspects of the relationship between man and the environment

## Joint press release of the 2nd Ministerial Meeting of the EU-OPEC Energy Dialogue

Vienna, Austria, 2 December 2005

The second meeting of the EU-OPEC Energy Dialogue took place at the OPEC Headquarters in Vienna, Austria, today. The participants from OPEC were: Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference; Dr Edmund M Daukoru, Minister of State for Petroleum of Nigeria and Alternate President of the OPEC Conference; and Dr Adnan Shihab-Eldin, Acting for the OPEC Secretary General. The participants from the EU were: Malcolm Wicks, Minister for Energy of the United Kingdom and President of the EU Council; Dr Martin Bartenstein, Minister of Economy and Labour of Austria; and Andris Piebalgs, European Commissioner for Energy. The participants reflected upon the good progress made with the EU-OPEC Energy Dialogue following the first meeting held at a ministerial level in

Brussels on 9 June, including the first joint roundtable in Vienna on 21 November when recent oil market developments and future prospects were addressed.

It is recalled that this Dialogue is seen by the EU as part of a broader approach to strengthen energy relationships with the main oil and gas suppliers, and by OPEC as a significant further step in its continued efforts to enhance understanding and cooperation among oil producers and consumers. They emphasised once again the importance of maintaining the dialogue when prices are low, as well as high. Both sides recognise the importance of an effective framework enabling an exchange of views on energy issues of common interest, and the potential this has for contributing to stability, transparency and predictability in the international oil market.

Participants at today's meeting reviewed the report from the first joint roundtable on oil market developments, welcoming the constructive nature of the exchange of views and information, and discussions, and recognising two identified areas of mutual interest for further reflection, namely the refining sector and financial markets. In this connection, they recommended that a study on refining could be undertaken and that a workshop on the financial markets, with broad participation, could be organised, following further preparatory research work.

The participants, while expressing concern about continued oil market volatility, welcomed the moderation in oil prices in recent weeks. They acknowledged the positive impacts of OPEC's actions to raise output, as well as to implement costly investment plans to accelerate the expansion of crude production capacity. They reiterated the importance of market stability and reasonable prices for both producers and consumers, for the world economy at large, and especially the economies of the developing countries. In this connection they recognised that extreme prices, in either direction, over a sustained period are potentially damaging and, therefore, not desirable. The participants confirmed not only the importance of mobilising investments both in the upstream and downstream, and ensuring adequate spare capacity and stocks, but also the need to reduce the uncertainties associated with the level of future oil demand.

Publication by OPEC and other producers of information about their investment plans in upstream and downstream was welcomed as a further means of contributing to market stability, as would greater clarity in the demand outlook. They also acknowledged that actions on the part of both the EU, through the strong support for the emergency oil stocks release within the IEA mechanism, and OPEC, by making available to the market its spare capacity of around 2 mb/d for a period of three months as of 1 October, should it be called for, amongst others, had helped calm markets after the devastation caused by Hurricanes Katrina and Rita in the US. They recognised, however, that the serious tightness in the global refinery system would continue to strain market stability in the next few years, which calls for more efforts to create an environment that promotes downstream investments in major consuming countries and regions.

The Energy Dialogue's work programme for 2006 was discussed, in particular the preparations for meeting on energy technologies, with focus on carbon capture and storage in conjunction with enhanced oil recovery, as well as a second roundtable on the impact of energy policies on both demand and supply. In order to enhance cooperation on technology, the participants also explored the possibility of establishing an EU-OPEC technology centre. They also took note of the efforts being made to develop the Commission's internal energy market observation system and, in this connection agreed to explore cooperation possibilities.

They welcomed an important advance in the producer-consumer dialogue – the formal inauguration of the IEF's Secretariat in Riyadh, Saudi Arabia, and the official launching of the JODI database, to which both OPEC and the EU have contributed. OPEC and Eurostat of the European Commission are two of the six international organisations behind the development of the JODI database. The third meeting of the Energy Dialogue will be held in June 2006 in Brussels, with a view to following a cycle of yearly meetings at ministerial level.

## 138th (Extraordinary) Meeting of the OPEC Conference

### Kuwait City, Kuwait, 12 December 2005

The 138th (Extraordinary) Meeting of the OPEC Conference convened in Kuwait City, State of Kuwait, on 12 December 2005, under the Chairmanship of its President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, Dr Edmund M Daukoru, Minister of State for Petroleum of Nigeria and Head of its Delegation.

The Conference extended a warm welcome to Seyed Kazem Vaziri Hamaneh, Minister of Petroleum of the IR Iran, and congratulated him on his recent appointment. The Conference extended its sincere condolences to the Governments and people of the IR Iran and the Federal Republic of Nigeria at the tragic loss of life caused by recent aeroplane accidents. The Conference welcomed the presence of the Minister of Energy and Mining of Sudan, the Minister of Petroleum and Mineral Resources of Syria, the Undersecretary of Petroleum of Egypt, and the Undersecretary of Oil and Gas of Oman, whose presence in the Meeting again highlights the importance these countries attach to constructive dialogue and cooperation with OPEC and its MCs.

The Conference considered the report of the MMSC, whose Members the Conference again thanked for their untiring efforts on behalf of the Organization, as well as other presentations. Having reviewed the oil market situation, the Conference observed that the market has been well supplied and commercial stocks, especially of crude oil, have been building, in terms of absolute levels and forward days' cover. This is due to OPEC's prompt responses and willingness to provide the market, if and when needed, with the required supplies. The Conference further considered the outlook for 2006 and noted that the ceiling adopted by OPEC in its 136th (Extraordinary) Meeting in June 2005 of 28 mb/d (excluding Iraq) will be adequate, if fully observed, to balance the market for the first quarter of the year. However, in view of the supply/demand outlook for the second and third quarters 2006, when demand is seasonally lower, thus requiring reduced supplies from OPEC to balance the market, the

*Ministers and Delegates at the 138th (Extraordinary) Meeting of the OPEC Conference in Kuwait.*

Conference decided to convene an Extraordinary Meeting in Vienna, Austria, on 31 January 2006, in order to review the situation and take the appropriate decisions on production levels for the second and third quarters of the year. The Conference also reconfirmed that its next Ordinary Meeting will convene in Vienna, Austria, on 8 March 2006. In taking the foregoing decision, the Conference reaffirmed the Organization's determination to take all measures deemed necessary to keep market stability and maintain prices at reasonable levels through the provision of adequate supplies, as it has demonstrated repeatedly in the past, including the recent offer to make its additional capacity of 2 mb/d available for three months, an offer that expires on 31 December 2005 and which, the Conference noted, had not been taken up by the market because it is so well-supplied.

The Conference reiterated its call on consumers and the industry to join efforts to alleviate the refinery bottlenecks which are the main engine driving prices in a market which is well-supplied with crude oil and, in this regard, welcomed the recommendation made by the recent 2nd Ministerial Meeting of the EU-OPEC Energy Dialogue to undertake joint studies on refining and futures markets. In this regard, the Conference also agreed that, with a view to reassuring the market about future availability of production capacity, the Organization will, henceforth, publish information relating to MCs' capacity expansion plans, investment in downstream projects, as well as other relevant information. The issue of the appointment of the Secretary General having been deferred until the next Ordinary Meeting of the Conference, the incoming President of the Conference, Dr Edmund M Daukoru, Minister of State for Petroleum of Nigeria, will assume the responsibilities of the Secretary General from 1 January 2006, in accordance with the provisions of Resolution No. 128.406.

The Conference paid tribute to the services of its outgoing President, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, expressing particular appreciation of his also shouldering the responsibilities of Secretary General of the Organization during the year 2005, and thanked Dr Adnan Shihab-Eldin, the OPEC Secretariat's Director, Research Division, for his excellent conduct of the day-to-day affairs of the Secretariat, as Acting for the Secretary General, during the same period. The Conference approved the Budget of the Organization for the year 2006.

The Conference expressed its sincere gratitude to His Highness Sheikh Jaber Al-Ahmed Al-Jaber Al-Sabah, Emir of the State of Kuwait, and His Highness Sheikh Saad Al-Abdallah Al-Sabah, Crown Prince of Kuwait, as well as the government and people of the State of Kuwait, for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. The Conference also recorded its appreciation to His Highness Sheikh Sabah

Al-Ahmed Al-Jaber Al-Sabah, Prime Minister of Kuwait, for his generous patronage of the Meeting. Finally, the Conference voiced its special thanks to Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait, and his staff for their warm hospitality and the excellent arrangements made for the Meeting. Resolutions that were passed will be published on 12 January 2006, after ratification by MCs.

## Joint statement of the 1st China-OPEC Energy Dialogue

Beijing, People's Republic of China, 22 December 2005

A formal Energy Dialogue has been established in Beijing today between the People's Republic of China and OPEC. The delegations were headed by Minister Ma Kai, Chairman of the National Development and Reform Commission, People's Republic of China, and Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, the OPEC President and Secretary General, who is also Kuwait's Minister of Energy. The purpose of the Energy Dialogue is to establish a balanced, pragmatic framework for cooperation, and to develop an ongoing exchange of views at all levels on energy issues of common interest, in particular security of supply and demand, in order to enhance market stability.

China's economic growth requires secure, steady supplies of energy, while OPEC's crude oil reserves and production are expected to continue growing, ensuring that there will be enough oil to meet rising world demand for decades to come. Some of OPEC's MCs also have substantial quantities of gas.

The Energy Dialogue covers broad issues and will build upon the existing oil and gas bilateral investment and trading relations between China and many OPEC MCs. In doing so, it will provide an insight into critical global energy issues, as well as identify potential areas for cooperation. Both parties believe that effective producer-consumer dialogue provides a "win-win" situation for all participants, as well as for the industry as a whole. The framework for the China-OPEC Energy Dialogue was set up at today's meeting, determining its objectives, scope, modalities and overall structure. It was stressed that there should be a pragmatic and sustained process of dialogue, that would maintain its momentum at all times, regardless of short-term developments in the market.

It was agreed that there would be meetings at Ministerial level at mutually convenient times, as well as technical exchanges. Both parties will hold a high-level technical roundtable in Vienna in the first half of 2006.

## Russia-OPEC meet on Energy Dialogue

Moscow, The Russian Federation, 26 December 2005

Today a meeting took place in Moscow between delegations headed by Victor Khristenko, Minister of Industry and Energy of the Russian Federation, and Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, OPEC Conference President and Secretary General, who is also Minister of Energy of Kuwait.

Russia and OPEC are major oil producers. Considering the growing energy demand for the global economy, both Parties are consistently increasing their exports of hydrocarbons and developing new supply capacities. Meanwhile, both Parties have a mutual interest in the predictability and transparency of all factors affecting the oil market. The OPEC activities aimed at oil market stabilisation have been supported by Russia, thus having considerably increased their effectiveness. In addition, Russian and OPEC authorities have maintained numerous contacts at a high level, both informally and in the process of participation in conferences, workshops, and other events.

Next week, Russia commences its Presidency of the G-8. The Russian Federation has adopted the energy security theme as the main strategic initiative. Russia stages a wide dialogue today. The Parties believe that major energy resource producers and growing consumers have to be involved in it.

The Dialogue between Russia and OPEC offers an opportunity to provide a balanced and constructive common perspective of producers on the energy theme on the Agenda of the G-8 next year. The framework for the Russia-OPEC Energy Dialogue was set up at today's meeting, determining its objectives, scope, modalities, frequency, and overall structure. It was stressed that there should be a pragmatic and sustained process of dialogue.

It was agreed that there would be annual meetings at Ministerial level, as well as technical exchanges, seminars, joint studies and research. In addition to on-going oil market developments, other areas of interest to the two Parties included energy policies, upstream and downstream investment, data flow, and multilateral issues.

# Activities of the Secretariat

## Office of the Secretary General

The year 2005 brought a change in leadership at the Secretariat as a result of the 133rd (Extraordinary) Meeting of the OPEC Conference in December 2004. The Conference held in Cairo, Egypt, again requested its President to "assume the responsibilities of the Secretary General" from 1 January 2005 until such time as a substantive Secretary General could be appointed. Having been authorised by the Conference to make whatever arrangements he deemed appropriate for the efficient direction of the Secretariat, the President of the Conference, Sheikh Al-Sabah, charged the Secretariat's Director, Research Division, Dr Adnan Shihab-Eldin, to Act for the Secretary General in supervising the day-to-day activities of the Secretariat in Vienna.

Over the course of the year, the activities of the **Office of the Secretary General** (SGO) were, as customary, focused on satisfying the requirements of the Chief Executive in the execution of his duties. As in the past, considerable time and energy was expended on preparing documentation for, and servicing, Meetings of the Conference, the Ministerial Monitoring Sub-Committee, and the Board of Governors (BoG), as well as a variety of other high-level meetings. In addition to coordinating the preparation of reports and documentation for submission to the various Ministerial and Gubernatorial gatherings, SGO staff members were also occupied taking minutes at these meetings, preparing *précis* of the discussions held, as well as putting together summaries of the decisions taken. They also prepared formal, edited minutes of the deliberations for distribution to Ministers, Governors and Management, as and where appropriate. The SGO was also concerned with coordinating the Secretariat's protocol, as well as organizing the many missions conducted by the Secretary General and other Members of the Secretariat staff during the course of the year. The SGO also prepared monthly accounts of the Secretariat's activities for distribution to Member Countries (MCs).

## Research Division

In implementing its activities during 2005 the **Research Division** (RD) endeavoured to follow its planned work programme, within the framework of the Medium-Term Programme (MTP), as well as accommodating additional research requested by the Organization's various governing bodies throughout the year.

Close integration of the various departments – the **Petroleum Market Analysis Department** (PMAD), the **Energy Studies Department** (ESD) and the **Data Services Department** (DSD) – work activities, alongside a flexible approach, was fundamental in attaining the overall objectives of the Research Division. These objectives included providing support to the Member Countries' (MCs) decision-making processes in key oil policy matters; enhancing cooperation; and providing input for OPEC's participation in global fora and multilateral negotiations. The continued exceptional oil price behaviour in 2005 underlined the critical importance of the division's close monitoring of oil market developments, which again resulted in an increased workload particularly in light of the ever expanding number of Ministerial level meetings held during the year.

OPEC's commitment to maintaining market stability was again demonstrated, through OPEC Conference decisions to further increase production levels by 1 mb/d to over 30 mb/d. Furthermore, MCs implemented costly investment plans during the year with the announcement of an acceleration in the expansion of crude production capacity, from around 32.5 mb/d to at least 38 mb/d by 2010, to meet future demand growth; a further indication of OPEC's ongoing efforts to promote market stability. In addition, during the fourth quarter OPEC made available to the market MCs' spare capacity of around 2 mb/d should this be called for, notwithstanding the acknowledged fact that the market was well-supplied with crude, with commercial oil stocks at comfortable levels, and high oil prices being significantly impacted by downstream tightness and geopolitical factors.

The fourth quarter measures were initiated by the Organization in the wake of the devastation caused by Hurricane Katrina in the US, commencing with the immediate pledge by Kuwait of a $500 million aid package, followed by similar offers of assistance from many other MCs, and the assurance from Saudi Arabia that they stood ready to increase oil production immediately to levels adequate to replace any shortages in the crude oil market. It is also worth recording that such measures on the part of the Organization were met with increasing recognition from consumers during the year, a clear indication of the value and mutual benefit of closer cooperation and dialogue between consumers and producers.

Indeed, 2005 was a year of much dialogue and cooperation. Major progress was made in the various energy dialogues already well established with partners in the global energy scene. In June, the first joint Ministerial Meeting of the EU-OPEC Energy Dialogue took place and an agreed work programme was drawn up to provide the dialogue with forward momentum. The meeting also advanced recognition of OPEC's position on global energy issues and stressed that a coordinated international response to the severe production disruptions following the US hurricanes had demonstrated the effectiveness of governments and organizations working in close collaboration.

At the second EU-OPEC Ministerial Meeting in December it was agreed that a joint study focusing on the refining industry should be undertaken, a roundtable on the impact of oil prices on financial markets in 2006 be organised and further mutual interest research on carbon capture and storage be developed. In addition, a joint roundtable was held in November to discuss the international oil market, with both organizations being in agreement that discussions in areas of commonality had led to direct benefits for both parties.

Elsewhere, enhanced dialogue was also undertaken with both Russia and China, respectively. Of particular importance in 2005 were the official visits paid to China and Russia by the Acting for the Secretary General (ASG) and the Director of Research, both accompanying the President of the OPEC Conference. In Russia, the framework for the objectives of the Russia-OPEC Energy dialogue were agreed, along with the scope, themes and modalities, and in China, the initiation of dialogue that included preparations for a joint workshop in 2006, was agreed.

High-level representatives of non-OPEC producing countries continued to attend OPEC's Ministerial Conferences as observers in 2005, while at a more technical level, the well-established annual experts meetings that cover many topics of mutual interest and concern continued. Similarly, as part of efforts to continuously monitor oil market developments, and enhance cooperation with non-OPEC producing countries, the 5th Annual Meeting of High-Level Experts of OPEC and non-OPEC Producing Countries was held in Algiers, Algeria, in November 2005. These regular meetings provide a valuable forum for informal discussions on developments in the world economy, the oil market and other topical issues, including near-term market prospects, downstream problems, production outlook and investment plans.

The RD continued to pursue active cooperation with other international organizations. Following the tradition of organizing joint meetings with the International Energy Agency (IEA) on an annual basis, the third such meeting was held in Kuwait in May focusing on the topic: *The Outlook for Energy Demand and Supply in the Middle East and North Africa*. Close relations with the International Energy Forum (IEF) continued, OPEC's participation in the meetings of the various bodies culminating in the inauguration of the IEF Secretariat in November, where OPEC's contribution to its creation was acknowledged.

Careful consideration was given here to the necessity of avoiding any work duplication, the role of OPEC being to support the IEF, while at the same time acknowledging the complementary dimension of synergies in international dialogues. Dialogue with other entities was also strengthened, for example through increased cooperation with the World Bank in the form of a joint workshop on the topic of *Global Gas Flaring Reduction*.

Additionally, further expansion of OPEC's international network of contacts continued. For example, with the United Nations International Development Agency (UNIDO), the United Nations Framework Convention on Climate Change (UNFCCC), the Organization of Arab Petroleum Exporting Countries (OAPEC), the United Nations Commission for Trade and Development (UNCTAD), with whom a joint workshop on trade was held, the World Petroleum Council, the Energy Working Group of Asia Pacific Economic Cooperation (APEC), the International Monetary Fund (IMF), the International Road Transport Union (IRU).

High priority was again accorded to activities related to the finalisation of OPEC's Long-Term Strategy, adopted by the Conference of Ministers in September 2005, following the 6th, 7th and 8th Meetings of the Deputy Ministers of Petroleum/Energy held earlier in 2005. Extensive resources were allocated to the preparation of the Strategy itself, as well as to the preparation of reports on *Three Overall Scenarios based upon the identified Key Challenges*, depicting alternative future energy scenarios, and an *Analysis of the factors causing High Oil Prices – has there been a structural change in the Oil Market?* The Strategy recognises the important role of oil in meeting future global energy demand for the socio-economic development of OPEC MCs, and provides a coherent and consistent vision and framework for the Organization's future.

The Director of Research, in his effective coordination and supervision of the research output from the Division's departments, continued to actively seek, encourage and guide inter-departmental integration, so as to pool knowledge and resources and harmonise research results in order to maximise division's output. For example, much inter-departmental collaboration was witnessed in the development of the Long-Term Strategy, and task forces were set up on such topics as the outlook for China; reserves and production capacity; the new OPEC Reference Basket (ORB); and the division's long-term and short-to-medium term modelling capabilities.

Furthermore, it should be emphasised that during 2005 the Director of Research was also Acting for the Secretary General, entailing considerable additional duties representing the Secretary General at outside events, and in connection with the responsibilities of coordinating and supervising the activities of the Secretariat during the year.

Detailed research continued on global energy and oil developments, all of which necessitated the allocation of significant resources throughout the year. This included work on upstream developments in the reserves and resource base, a workshop having been held on reserves, including definitions and data; on the outlook for the downstream sector; China's energy policies; the refining industry; prospects for the North Sea; Russian oil and gas company performance; technologies affecting oil demand, and environmental issues, such as $CO_2$ capture and storage (CCS).

In the field of coordinating technology development the first annual Meeting of Officials of R&D Institutions in MCs was held in Doha in May, where the report on *$CO_2$ Capture and Storage Research and Development: Options for OPEC* was presented. This meeting endorsed the recommendation that OPEC join the IEA Greenhouse Gas R&D Programme, an international collaborative programme established in 1991 under an IEA Implementing Agreement. The programme's key mission is to provide an objective source of information on technologies capable of making deep reductions in greenhouse gas emissions.

To date most of the programme's efforts have been focused on CCS and has included reviewing and reporting on technologies being developed by others, facilitating technology R&D and ensuring that all relevant aspects of CCS are looked into. The Doha meeting also began laying the groundwork for a future OPEC-led CCS R&D initiative. Working Groups were formed for each area of R&D: oil-to-hydrogen; oil-to-power; clean fuels; carbon management, including enhanced oil recovery; and gas-to-liquids. To complement this, on-line discussion fora on the OPEC intranet were established for each working group.

The RD also continued to play an active role in the Joint Oil Data Initiative (JODI), which included attending the JODI Review Committee Meeting leading up to the launch in November of the JODI World Database, which has already received acclaim and continues to be improved and strengthened. The importance of the JODI database as a means of increasing transparency in the oil market was also acknowledged during the joint meetings with the EU. In addition, OPEC participated in brainstorming sessions of the joint OPEC/IEA/UNECE/IEFS group within the harmonisation of energy reserves/resources terminology project of the United Nations Framework Classification for Fossil Energy and Mineral Resources.

Some other reports that were prepared for submission to various meetings of the OPEC governing bodies were: $CO_2$ Capture & Storage; Technologies Affecting Oil Demand Part I: Transportation Sector; Options for OPEC An Analysis of Energy Intensity; Non-OPEC Production and Finding Costs; Outlook for the Oil Downstream Sector to 2015 and Impacts of Russian and Caspian Oil Developments; Russian Oil & Gas Companies: A Performance Analysis; The Rules on Special and Differential Treatment of the World Trade Organizations and its Implications for OPEC Countries: An Analytical Overview; and Implications of Competition Laws and Policies for Oil Exporting Countries.

As part of its ongoing, regular activities, the division prepared various reports to provide timely and up-to-date assessments of international oil market trends including briefings on daily oil price movements, daily and monthly oil market reports, monthly production reports, and other regular studies. These were produced for submission to Secretariat meetings, distribution to MCs' representatives, and in some instances these were made available to the public.

The monthly oil market report, with significant improvements and enhanced analyses, continued to provide up-to-date information, including feature articles covering timely technical issues which are available for OPEC website users. In addition to covering key aspects of the market, such as oil demand and supply, the refining industry, developments in the tanker market, storage, stock movements, oil trade, price differentials and formulae, oil companies, economic and financial developments, US$ and various economic indicators, detailed analysis of some current issues were provided in the form of annual, complementary reports or special studies. For example, these included reports prepared for the Economic Commission Board (ECB): *North Sea Oil Prospects, The Impact of Higher Oil Prices on World Economic Growth, and Refinery Capacity, Constraints and Prospects*.

In addition to the close monitoring of current oil market conditions and trends, the division prepared a number of studies and reports, in the areas of the short-to-medium-term oil market fundamentals, upstream and downstream outlook, technologies affecting oil demand, the medium-to-long-term outlook and energy modeling, energy policies and their impact on future oil supply and demand balances, the oil industry structure, and multilateral issues such as WTO, UNFCCC, UNCSD, and oil & energy statistics, with the objective of providing the Organization with relevant, timely analyses and vital information on global energy developments.

The models utilised by the RD were further extended and developed with respect to both the upstream and downstream sectors. In particular, the OPEC World Energy Model (OWEM), World Oil Refining Logistics Demand (WORLD), Replacement Value Methodology (RVM), and the non-OPEC Supply Forecasting System were all advanced. These provide a firm basis for OPEC's research and quantitative analysis into environmental policies, long-term energy projections for the oil and energy markets, scenario developments, downstream trends, demand prospects for gas and solids with the aim of providing a broader range of policy options and responses for the MCs.

The OWEM model was the central tool used in drawing up the scenarios for the process of developing elements of the Long-Term Strategy, with long-term projections for the world energy market, expanded to take advantage of the latest data available, with all stochastic equations re-estimated on that basis, and new modes of scenario development employed, going beyond conventional scenario sensitivity testing. The report, *The Outlook for the Oil Downstream Sector to 2015 and Impacts of Russian and Caspian oil developments*, utilised the WORLD model. The main focus of the study was to evaluate how refining investments, regional capacity expansions, crude and product trade patterns and price differentials could change by 2015 as a result of shifts in world crude slate, non-crudes supply, product demand and product quality. The model was used to provide quantitative analysis of the potential changes in the global downstream sector to 2015, and extended the preliminary work on this topic initiated in 2004.

The main focus of the Division's research on multilateral issues in 2005 was again aimed at covering ongoing multilateral debates, negotiations and treaties, primarily the WTO and climate change negotiations. With regards to the WTO, the study *Implications of Competition Laws and Policies for Oil Exporting Countries*, conducted in collaboration with the Legal Office, was an expanded and updated version of the study prepared the previous year, on the important issue of competition laws and policies, their application in different national jurisdictions and their implications on OPEC and the oil industry as a whole.

A second study, on *Rules and Differential Treatment of the WTO and its Implications for OPEC Countries: An Analytical Review*, provided a comprehensive review of the ways specific demands from developing countries were addressed in the multilateral trading system. This also analysed the provisions dealing with these types of countries and linked this analysis to the position of energy exporting countries. The report on *The run-up to the WTO Sixth Ministerial Conference* was prepared for the coordination meeting for MCs held prior to this event, while the study on *Implications, Including for Development, of WTO Rules on Subsidies and Countervailing Measures and Anti-Dumping, for Oil-Exporting Countries*, commissioned to an outside consultant, primarily addressed those issues of relevance to MCs' pricing policies in the energy sector.

As in previous years, the Secretariat monitored and researched developments in the UNFCCC negotiations and actively participated in the Subsidiary Bodies and COP meetings. A report entitled *Run-up to COP-11: Implementation Issues and Implications for OPEC* was prepared for the coordination meeting for MCs held prior to the 11th Conference of the Parties (COP-11) in Montreal, Canada, while input was also prepared on the climate change issue in advance of the 2005 G-8 Summit. Furthermore, the Secretariat presented OPEC's views on environmental issues at all major events during the year and continued distribution of the Quarterly Environmental Newsletter.

Work in **Data Services**, such as statistical database updates, computer system maintenance, user supports and services were ongoing to accommodate the needs of the RD and MCs. Further emphasis was also placed on improving the quality of service, for example through strengthening direct data communications with MCs, the installation of fault-tolerant systems, proactive maintenance of the hardware and software systems and the expansion of an online catalogue of library periodicals.

There was also enhancement in the quality and timeliness of data received from MCs. The expanded coverage of statistical data areas was utilised to enhance reports and analyses in the Secretariat. The positive outcome of these on-going efforts to enhance compilation of data from MCs was reflected in the improved completeness and timeliness of responses to the Annual Questionnaire. The Secretariat also continued its active stance in the discussions on harmonisation of data definitions with international organisations, as well as with international experts.

The quality of the data is assured through careful analysis, comparison and validation that utilises new software. Besides direct input data modules to the in-house models and customised data services, delivery of key and up-to-date information to end-users is prepared through regular dissemination of electronic reports, including publications such as the *Annual Statistical Bulletin, Quarterly Energy and Oil Statistics* and *The Annual Report*. Activities to expand data-exchange directly through electronic means and sources increased, for example, through electronic media such as the Intranet and Internet. The OPEC Intranet serves as the medium for data communication, as well as for collaboration between and among MCs.

With regard to improvements to the *Annual Statistical Bulletin*, and in more general terms improvements in direct data communication between the Secretariat and MCs, official visits to Indonesia, Kuwait and Venezuela were made, to meet and consult officials involved in the completion of the Annual Questionnaire. The 5th Working Party on the Flow of Oil Statistics was held at the Secretariat in November to review Annual Questionnaire tables and propose modifications.

Besides the flow of regular information and data to MCs, *ad hoc* requests on different topics were provided, and representatives from MCs were accommodated by the departments of the RD for training and assistance. The 6th Multi-Disciplinary Training Course was held in April. The RD's efforts to strengthen its collaboration and direct communication with research institutes continued, with ten senior research fellows from MCs participating in the annual summer fellowship programme, while three interns were also supervised in 2005. The division strengthened the Organization's contacts with many other institutions and put together a number of lectures and presentations from institutions in the energy field to facilitate discussions and an exchange of views on pertinent issues of common interest. Staff attended and presented papers and speeches at outside international conferences, seminars, and participated in various roundtable discussions, expert group and coordination meetings.

## Public Relations and Information Department

Very much in line with the preceding year, the **Public Relations and Information Department** (PRID) continued to discharge its responsibilities to the Secretariat in a variety of ways. This included using the most effective communication and public relations tools available to initiate and execute programmes aimed at informing and educating the general public about the aims, objectives, actions and decisions taken by the Organization, with a focus on its aim of providing stability to the global oil market.

The year under review marked the start of the implementation of the PRID Medium Term Plan (MTP), approved by the 114th Meeting of the OPEC BoG. In order to ensure the effective implementation of the MTP, the Department was sub-divided into three distinct programmes: Editorial, Public Relations and Production. Though workflow continued on a cross functional basis. The idea behind this was to ensure close coordination and collaboration as a means of enhancing efficiency in the delivery of services.

The key vehicles used by PRID to promote the Secretariat comprised the following publications: the *Monthly OPEC Bulletin*, the *Annual Statistical Bulletin*, the *OPEC Review* and the OPEC website. Other related channels included special publications, PRID briefings, the drafting of comprehensive and detailed speeches and articles for conferences, energy dialogues and publications, as well as the utilisation of the extensive in-house audio-visual facilities. PRID also continued to provide essential support services to other Secretariat operations, especially in the areas of editorial, graphic design and audio-visual.

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

One feature of the Department's activities that came to the fore during 2005 was the live webcasting of meetings of the OPEC Conference of Ministers, as well as the press conferences that normally follow such meetings or events. This proactive approach to public communications assisted in widening the scope of the Organization's communication outreach, especially on the web. In addition, the dissemination of news stories, as well as other data generated in house, have been filtered through the Web. This followed changes to the structure and appearance of the Organization's website to better reflect the various activities of the Secretariat and improve on the quality, content and delivery time of the various publications. This included all of the Secretariat's regular and special publications, as well as various pamphlets produced throughout the year.

In 2005, ten issues of the *OPEC Bulletin* were produced, including a special edition to mark OPEC's 40th Anniversary celebration in Vienna, four issues of the *OPEC Review*, as well as the *OPEC Annual Statistical Bullet*in (2004) and the *OPEC Annual Report* (2004). PRID, with



support from the RD, also updated a number of very useful publications, including *Who gets what from Imported Oil?*, *What is OPEC?*, and *Frequently Asked Questions about OPEC*. These items were then distributed at OPEC Conferences and other meetings, which the Organization held or participated in. This was in addition to being leveraged as handouts and supporting literature to guests and students who visited the Secretariat.

The *OPEC Bulletin* continued to improve, both in terms of editorial content and design. The average print-run of the magazine stood at 2,700 at the end of the year, an increase of nearly 30 per cent from the previous year. The publication's circulation covered approximately 100 countries, in both electronic and print formats. One of the noticeable features of the *OPEC Bulletin* in 2005 was its exclusive interviews with key stakeholders in the oil and energy industry – Energy Ministers, Heads of International Organizations, and CEO of Multinational Oil Companies. This included much coverage of MC's oil and gas sectors. The special edition to mark OPEC 40th Anniversary celebration in Vienna in September 2005 was also widely commended for its insightful features revealing OPEC's history, development and achievements over the years.

The quarterly *OPEC Review*, now in its 29th year of consistent publication, saw more concerted efforts at promoting and encouraging acknowledged and widely respected contributors to submit articles. This resulted in the publication of some highly commended articles during 2005. The publishing agreement with Blackwell Publishing in London continued with the publishers printing and distributing the Review in both electronic and print form. For the publication and sale of the journal in 2005, Blackwell paid OPEC the sum of £21,540, an increase of 24 per cent on 2004.

The *Annual Statistical Bulletin*, once again, provided a comprehensive review of OPEC's historical data, including information on OPEC and its MCs, as well as the energy industry as a whole. The data was collated by the Secretariat's Data Services Department, which is then edited, typeset, designed and produced by PRID. Its comprehensive statistical information on petroleum and related socio-economic indicators continued to attract considerable interest from a wide variety of sources.

In addition, PRID coordinated, collated, edited and produced the Secretariat's *Annual Report*. The official internal publication of the Secretariat provided a comprehensive overview of global economic, energy and energy-related developments, as well as an insight into the various activities performed by Secretariat departments during the year, including studies and related activities carried out by the various departments.

In 2005, PRID witnessed a greater demand than ever for writing assignments, covering speeches, articles, written interviews and press releases. More than 80 such assignments were completed for the Conference President/Secretary General, the Director of RD, as well as other key Secretariat officials. This involved PRID working to very tight deadlines, often at very short notice, whilst maintaining the highest editorial standards.

Key highlights of 2005 include the numerous written assignments and speeches that were drafted in support of the three Energy Dialogues that OPEC set up with the EU, China and Russia. Significant editorial support was also given to the launch of OPEC's Long-Term Strategy (LTS) in September, as well as some of the preliminary meetings related to the LTS. Such assignments were generally carried out in close collaboration with the RD and with various targeted audiences in mind.

Other notable events included the World Economic Forum in Davos, the 2nd African Petroleum Congress in Algiers, the 8th Annual Asia Power Conference in Singapore, the 13th Annual Middle East Petroleum and Gas Conference in Dubai, the 3rd Joint OPEC/IEA Workshop in Kuwait, the Nordic Energy Conference in Oslo, the 27th Oxford Energy Seminar in Oxford the World Petroleum Congress in Johannesburg, the APEC Energy Ministers' Meeting in Gyeongju and the 5th Russian Oil and Gas Week in Moscow.

PRID also produced and designed various graphs to support the Secretariat's internal and external presentations. In 2005, the unit was involved with the preparation and presentation of various graphs and printed materials for the celebration marking OPEC's 40th Anniversary in Vienna. The celebration was held at the Vienna City Hall in conjunction with the City of Vienna. In addition, PRID provided graphic support to numerous key meetings and workshops held both within the Secretariat and outside. These included the IEF Business Forum Meetings, the Joint OPEC/World Bank Workshop on Global Gas Flaring Reduction, the OPEC/EU Roundtable on Oil Market Development, the JODI Review Committee Meeting, among many others. PRID's graphic design unit was responsible for the production of much material for OPEC's internal publications.

The provision of video and photographic coverage for Ministerial Conferences, Meetings of the BoG and the ECB, as well as other important meetings and courtesy visits by, and to the Secretary General and the OPEC Secretariat, was organized by PRID. The edited materials were then distributed to MCs, as well as to the press. Video and photographic coverage were also provided for many in-house workshops, as well as for many important meetings of OPEC's sister Organization, the OPEC Fund for International Development. Digital photographs from

2005 were stored in the OPEC archive and photo gallery CDs were produced for distribution to MCs. Relevant photographs were also used for OPEC publications, the OPEC calendar, and were distributed electronically upon request.

In June 2005, live streaming of interviews with OPEC Heads of Delegation and other key industry participants were conducted for the first time. These were then archived as video-on-demand in the multimedia section of the website. By the end of the year a total of 65 interviews had been carried out. For the first time in 2005, a link was also created with the website of ORF, the Austrian Broadcasting TV company, during OPEC Conferences.

Full coverage of OPEC events in 2005, including interviews conducted by PRID staff with high-level visiting officials, were distributed to all MCs. Many of the interviews conducted for the *OPEC Bulletin* were also covered by video, among which were exclusive interviews with the Energy Ministers from Algeria and Nigeria. Both Ministers discussed their joint gas investment initiatives underscoring the collective development efforts and cooperation among OPEC MCs. A short documentary film entitled *An Introduction to OPEC* was produced on DVD and distributed during the 140th OPEC Conference in Kuwait. Alongside this, PRID also produced a seven minute documentary titled, *OPEC 2005: Meeting the Challenges*, as well as a ten-minute documentary to mark OPEC's 40th Anniversary in Vienna. These two films were distributed as corporate gifts.

## Administration and Human Resources Department

In addition to its day-to-day activities, the **Administration & Human Resources Department** (AHRD) made the necessary arrangements for the meetings of the Conference and other gatherings during the year 2005. It also compiled reports for Gubernatorial Meetings on a variety of subjects and implemented decisions resulting from the Board of Governors. Following on from previous years, the Department continued its pursuit of increasing staff morale, which resulted in, inter alia, the establishment and implementation of promotion procedures for Category II staff members, as approved by the BoG at its 117th Meeting in July 2005. Furthermore, the Department worked intensively on the Job Analysis & Classification Project, a project initiated in 2003. This is aimed at supporting the dynamic development of the Organization and to ensure the attainment of two inter-related targets, namely meeting the objectives set for the Organization by optimal definition and allocation of staff resources and maintaining and managing a highly-qualified and motivated body of staff with well-defined duties, responsibilities and targets. It is hoped that the project will be completed in 2006.

*Pictured above are Members of the OPEC Management:*

*Seated: Acting for the Secretary General and Director, Research Division, Dr Adnan Shihab-Eldin.*
*L-R: Head of the Office of the Secretary General, Karin Chacin Castellanos; Head, PR & Information Department, Dr Omar F Ibrahim; Head of the Energy Studies Department, Mohamed Hamel; Head of the Data Services Department, Fuad Al-Zayer (as of beginning July 2005); Head, Administration & Human Resources Department, Senussi J Senussi; Head of the Data Services Department, Dr Muhammad A Al-Tayyeb (until end of June 2005); Head of the Petroleum Market Analysis Department, Mohammad Alipour-Jeddi; Senior Legal Counsel, Dr Ibibia L Worika.*

# Heads of Delegation

**INDONESIA**

Dr Purnomo Yusgiantoro
Minister of Energy &
Mineral Resources

**IRAQ**

Dr Ibrahim Bahr Alolom
Minister of Oil
(from May)

**ALGERIA**

Dr Chakib Khelil
Minister of Energy & Mines

**IR IRAN**

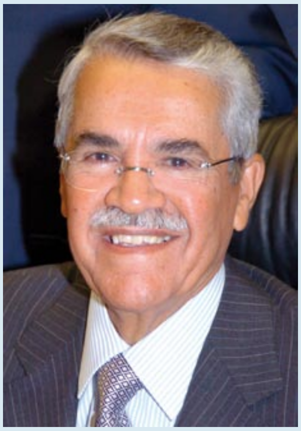
Seyed Kazem Vaziri Hamaneh
Acting Minister of Petroleum
(from August)
Minister of Petroleum
(from December)

**KUWAIT**

Sheikh Ahmad Fahad Al-Ahmad
Al-Sabah
President of the Conference
Secretary General
Minister of Energy

**NIGERIA**

Dr Edmund M Daukoru
Presidential Adviser on Petroleum & Energy
(from November 2003)
Minister of State for Petroleum Resources
(from July 2005)



**SAUDI ARABIA**

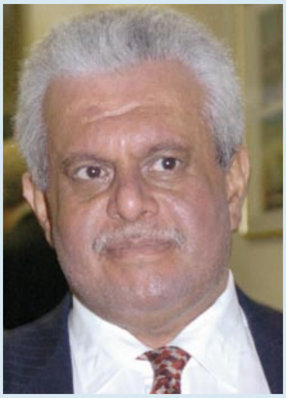
Ali I Naimi
Minister of Petroleum & Mineral Resources

**VENEZUELA**

Rafael Ramírez
Minister of Petroleum & Energy

**SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA**

Dr Fathi Hamed Ben Shatwan
Secretary of the People's Committee of Energy



**QATAR**

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

**UNITED ARAB EMIRATES**

Mohamed Bin Dhaen Al-Hamli
Minister of Energy

# Members of the Board of Governors


Members of the Board of Governors and the Acting for the Secretary General at their 116th Meeting.

*Governor for OPEC*
*Iraq*
*Dr Dhia Al-Bakkaa*
*(left May 2005)*

**ALGERIA**
Hamid Dahmani
(Chairman of the Board of Governors)

**INDONESIA**
Dr Maizar Rahman

**ISLAMIC REPUBLIC OF IRAN**
Hossein Kazempour Ardebili

**IRAQ**
Dr Mussab Al-Dujayli (appointed June)

**KUWAIT**
Siham Abdulrazzak Razzouqi

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

**NIGERIA**
Ammuna Lawan Ali

**QATAR**
Abdulla H Salatt

**SAUDI ARABIA**
Dr Majid A Al-Moneef

**UNITED ARAB EMIRATES**
Saif Bin Ahmed Al-Ghafly

**VENEZUELA**
Iván A Orellana

# National Representatives to the ECB


Members of the National Representatives to the Economic Commission Board and the Acting for the Secretary General at their 103rd Meeting.

**ALGERIA**
Mustapha Hanifi

**INDONESIA**
Novian M Thaib

**IR IRAN**
Javad Yarjani

**IRAQ**
Mubdir AS Al Khudair
(from January)

**KUWAIT**
Nawal Al-Fuzaia

**SP LIBYAN AJ**
Mohammed Abani

**NIGERIA**
Mohammed S Barkindo

**QATAR**
Jassim Nama

**SAUDI ARABIA**
Yasser M Mufti

**UNITED ARAB EMIRATES**
Ali Al-Yabhouni

**VENEZUELA**
Fernando Valera

# Officials of the Secretariat

**Acting for the Secretary General**
**Director, Research Division**
Dr Adnan Shihab-Eldin (left December)

**Head,**
**Office of the Secretary General**
Karin Chacin Castellanos

**Senior Legal Counsel**
Dr Ibibia L Worika

**Head, Data Services Department**
Dr Muhammad A Al-Tayyeb (left June)
Fuad Al-Zayer (joined July)

**Officers**
Denie Tampubolon (left January)
Olatunji Kolawole (left June)
Bagus Prihastono
Ayodeji Adeosun (joined July)
Puguh Irawan (joined December)

**Head, Petroleum Market Analysis Department**
Mohammad Alipour-Jeddi

**Officers**
Oswaldo J Salas Casanova
Mohamed Behzad
Dr Seyyed M Tayyebi Jazayeri (left September)
Jamal M Bahelil
Zaid A Mohammad Hammo (left April)
Feyez Al Nassar
Safar A Keramati
Brahim Aklil
Ivan Sandrea Silva (joined February)
Dr Mohamed El-Shahati (joined June)
Dr Mehdi Asali (joined December)

**Head, Energy Studies Department**
Mohamed Hamel

**Officers**
Dr Faten Alawadhi (left January)
Khaled Arebi (left January)
Ramiro Ramirez Contreras
Abdulaziz Al-Attar
Dr Nimat B Abu Al-Soof
Dr Fuad M Siala
Mohammad Khesali
Osam F Abdul Aziz
Dr Mohammad Mazraati

**Head, Administration and**
**Human Resources Department**
Senussi J Senussi

**Officers**
Sugeng Haryanto (left July)
Endro Guritno
Layla Abdul-Hadi (joined July)

**Head, Public Relations**
**and Information Department**
Dr Omar F Ibrahim

**Officers**
Dr Abdulrahman Al-Kheraigi (left October)
Umar G Aminu

# Diary of the President/Secretary General

| | |
|---|---|
| January 6 | Ministerial Roundtable Discussion on *"Regional Cooperation: Key to Energy New Security"*, Delhi, India |
| January 21 | Societé General's Oil Day, Paris, France |
| January 26–30 | 2005 World Economic Forum (WEF), Davos, Switzerland |
| February 14–15 | IP Week, London, UK |
| February 15–17 | 2nd African Petroleum Congress, Algiers, Algeria |
| February 25 | Preparatory Meeting with Senior European Union Officials (EU-OPEC Energy Dialogue), Brussels, Belgium |
| March 1–4 | 8th Annual Asia Power Conference, Singapore |
| March 21 | Conference on Legal and Legislative Forum of Natural Resources: Legal and Economic Aspects, Kuwait City, Kuwait |
| April 2–3 | EuroGulf Energy Forum, Kuwait City, Kuwait |
| April 4–5 | 13th Annual Middle East Petroleum and Gas Conference, Dubai, UAE |
| April 11–12 | 9th Meeting of the International Energy Forum Executive Board and 1st Meeting of the Informal Support Group, Rome, Italy |
| April 19–20 | 9th Economist Government Roundtable, Athens, Greece |
| April 21 | 6th International Oil Summit, Paris, France |
| April 22 | Visit to Institut Français du Pétrole Headquarters, Paris, France |
| May 11–12 | Global Roundtable on Climate Change, New York, US |
| May 15 | 3rd OPEC-IEA Joint Workshop, Kuwait City, Kuwait |
| May 20–22 | World Energy Council, Jordan |
| May 30–June 1 | Montreux Energy Roundtable, Montreux, Switzerland |
| June 6 | 1st Meeting of the EU-OPEC Dialogue, Brussels, Belgium |
| July 5 | European Parliament's Energy Forum, Strasbourg, France |
| August 23–25 | 34th Session of Erice International Seminars on Planetary Emergencies, Erice, Italy |
| August 24–25 | 30th Vienna Conference of Japan Cooperation Centre for the Middle East, Vienna, Austria |

| | |
|---|---|
| August 30 | Nordic Energy Conference 2005, Oslo, Norway |
| September 2–4 | 31st Edition of Ambrosetti's Forum *"Intelligence 2005 on the World, on Europe, on Italy"* ,Villa d'Este, Lake Como, Italy |
| September 14–15 | Oxford Energy Seminar, Oxford, UK |
| September 21 | Oil and Money Conference, London, UK |
| September 23 | 74th Meeting of Ministers of the Group of 24 on International Monetary Affairs and Development, Washington DC, US |
| September 24–25 | World Bank-International Monetary Fund Annual Meetings 2005, Washington DC, US |
| September 26 | European Oil and Gas Conference, Vienna, Austria |
| September 26–29 | 18th World Petroleum Congress, Johannesburg, South Africa |
| October 1 | International Energy Forum (IEF) Executive Board Meeting, Doha, Qatar |
| October 19 | 7th Asia-Pacific Economic Cooperation (APEC) Energy Ministers Meeting, Kyungju, Republic of Korea |
| October 20 | OPEC-APEC Business Dialogue, Kyungju, Republic of Korea |
| October 20–21 | Workshop on Trends in Oil Supply and Demand and Potential Peaking of Conventional Oil Technology, Washington DC, US |
| October 28–30 | 31st Pio Manzu Conference, Rimini, Italy |
| October 31–November 2 | 5th Russian Oil and Gas Week, Moscow, Russia |
| November 3–4 | Emerging Europe Energy Summit, Vienna, Austria |
| November 19 | Inauguration of IEF Secretariat, Riyadh, Saudi Arabia |
| November 21 | IEA Presentation of Middle East North Africa Report, Abu Dhabi, UAE |
| December 4–6 | Salzburg Seminar, Salzburg, Austria |
| December 21–24 | Official mission to the Peoples Republic of China, Beijing, PR China |
| December 24–27 | Official mission to the Russian Federation, Moscow, Russia |

# Calendar

| | |
|---|---|
| January 14 | OPEC-United Nations Conference on Trade and Development (UNCTAD), Vienna, Austria |
| January 29 | 52nd Meeting of the Ministerial Monitoring Sub-Committee (MMSC), Vienna, Austria |
| January 30 | 134th (Extraordinary) Meeting of the Conference, Vienna, Austria |

*Ministers and delegates at the 134th (Extraordinary) Meeting of the Conference in Vienna, Austria.*

| | |
|---|---|
| February 21–23 | 115th Meeting of the Board of Governors (BoG), Vienna, Austria |
| March 7–9 | 103rd Meeting of the Economic Commission Board (ECB), Vienna, Austria |
| March 15 | 53rd Meeting of the MMSC, Isfahan, IR Iran |
| March 16 | 135th Meeting of the Conference, Isfahan, IR Iran |

*Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy, Kuwait and President of the Conference with Bijan Namdar Zangeneh, Minister of Petroleum, IR Iran at the 135th Meeting of the OPEC Conference in Isfahan, IR Iran.*

| | |
|---|---|
| March 30 | 6th Meeting of Deputy Ministers of Petroleum-Energy on Long-Term Strategy (DMLTS), Vienna, Austria |
| March 31 | 116th (Extraordinary) Meeting of the BoG, Vienna, Austria |
| April 4 | Joint OPEC-IEA-UN Economic Commission for Europe (UNECE)-IEFS brain storming Session, Geneva, Switzerland |
| April 13 | Joint Oil Data Initiative (JODI) Review Committee Meeting, Vienna, Austria |

*Participants at the 6th Multi-Disciplinary Training Course, Vienna, Austria.*

| | |
|---|---|
| April 25–29 | 6th Multi-Disciplinary Training Course, Vienna, Austria |
| May 2–3 | 1st Annual Meeting of the Officials of the Oil R&D Institutions in Member Countries, Doha, Qatar |
| May 15 | 3rd OPEC-IEA Workshop, Kuwait City, Kuwait |
| June 9 | 1st Meeting of the EU-OPEC Energy Dialogue, Brussels, Belgium |

| | |
|---|---|
| June 14 | Meeting of the OPEC Legal Defence Team (LDT), Vienna, Austria |
| June 14 | 54th Meeting of the MMSC, Vienna, Austria |
| June 15 | 136th (Extraordinary) Meeting of the Conference, Vienna, Austria |
| June 16–17 | 5th Special Meeting of the ECB, Vienna, Austria |
| June 17 | Workshop on Hedge Funds, Vienna, Austria |
| June 27 | IEF Business Forum Meeting, Vienna, Austria |

*L-R: Sergio Garribba, Commissioner, Regulatory Authority for Electricity and Gas, Italy, Dr Ramzi Salman, Senior Advisor to the Minister of Energy & Industry, Qatar, Dr Adnan Shihab-Eldin, Acting for the Secretary General and Ambassador Arne Walther, Secretary General of the International Energy Forum, at the IEF Business Forum Meeting, Vienna, Austria.*

| | |
|---|---|
| June 30–July 1 | Joint OPEC-World Bank Workshop (Global Gas Flaring Reduction), Vienna, Austria |
| July 7 | 2nd Joint OPEC-IEA-UNECE-IEFS Brain-Storming Session, Geneva, Switzerland |
| July 25–26 | 7th Meeting of DMLTS, Vienna, Austria |
| July 27–29 | 117th Meeting of the BoG, Vienna, Austria |
| September 12 | 104th Meeting of the ECB, Vienna, Austria |
| September 17 | 8th Meeting of DMLTS, Vienna, Austria |

*The 8th Meeting of Deputy Ministers of Petroleum-Energy on Long-Term Strategy (DMLTS), Vienna, Austria.*

| | |
|---|---|
| September 19 | 55th Meeting of the MMSC, Vienna, Austria |
| September 19–20 | 137th Meeting of the Conference, Vienna, Austria |
| September 22 | Preparatory Meeting for OPEC-EU Roundtable on Oil Market Developments, Brussels, Belgium |

*The 3rd Review Committee Meeting and Inter-Secretariat Meeting of JODI, Vienna, Austria.*

| | |
|---|---|
| October 4–5 | 3rd Review Committee Meeting and Inter-Secretariat Meeting of JODI, Vienna, Austria |
| November 8 | Workshop on Reserves, Vienna, Austria |
| November 9–10 | 5th Working Party on the Flow of Statistics, Vienna, Austria |
| November 14 | 5th Meeting of High-Level Experts from OPEC and non-OPEC Producing Countries, Algiers, Algeria |
| November 21 | EU-OPEC Roundtable on Oil Market Developments, Vienna, Austria |
| November 25 | Pre-Conference of the Parties to the Climate Change Convention COP-11 Coordination Meeting, Montréal, Canada |

*EU-OPEC Roundtable on Oil Market Developments, Vienna, Austria.*

| | |
|---|---|
| November 28–December 9 | COP-11-Meeting of the Parties, Montréal, Canada |
| November 29–December 1 | 118th (Extraordinary) Meeting of the BoG, Vienna, Austria |

*Hamid Dahmani, Chairman of the BoG greets Saif Bin Ahmed Al-Ghafli, UAE Governor at the 118th (Extraordinary) Meeting of the Board of Governors, Vienna, Austria.*

| | |
|---|---|
| December 1 | Coordination Meeting for Member Countries Prior to 6th World Trade Organization (WTO) Ministerial Conference, Vienna, Austria |
| December 2 | 2nd Ministerial Meeting of the EU-OPEC Dialogue, Vienna, Austria |

*Dr Martin Bartenstein, Minister of Economics and Labour, Austria with Dr Edmund M Daukoru, Minister State for Petroleum & Energy at the 2nd Ministerial Meeting of the EU-OPEC Dialogue, Vienna, Austria.*

December 11 56th Meeting of the MMSC, Kuwait City, Kuwait

December 12 138th (Extraordinary) Meeting of the Conference, Kuwait City, Kuwait

*The 138th (Extraordinary) Meeting of the Conference, Kuwait City, Kuwait.*

December 12 119th (Extraordinary) Meeting of BoG, Kuwait City, Kuwait

December 13–18 6th WTO Ministerial Conference, Hong Kong, PR China

www.opec.org