

12 September 2006

## HIGHLIGHTS

- **US gasoline futures plunged** by 30% from early August, dragging WTI crude futures below \$67. The end to the driving season combined with higher refinery runs, US gasoline stocks surpassing five-year highs and the successful completion of the switch to ethanol-blended gasoline pushed prices lower.
- **Global oil product demand** has been adjusted downwards by 100 kb/d to 84.7 mb/d in 2006 and by 160 kb/d to 86.2 mb/d in 2007. North America accounted for most of the change, with large revisions to both US and Mexican demand. Milder, rainy weather dampened Asian demand in both the OECD and non-OECD.
- **World oil supply** fell 400 kb/d in August to 85.8 mb/d underpinned by lower output from the North Sea, Iran and Saudi Arabia. Non-OPEC supply for 2006 and 2007 is trimmed by 60 kb/d and 145 kb/d respectively, to 51.0 mb/d and 52.8 mb/d. Downward revisions were centred on the North Sea, Mexico, Brazil and Angola.
- **OPEC August crude supply** averaged 30.0 mb/d, 270 kb/d below an upward-revised July base. Pipeline outages continue to restrict supply from Iraq and Nigeria. An unchanged call on OPEC crude and stock change averages 28.9 mb/d in 2006 and 28.4 mb/d in 2007. A prevailing thin margin of spare capacity and high *miscellaneous to balance* may curb the impact of 2007's reduced call.
- **OECD total industry oil stocks** built by 22 mb to 2,668 mb in July as a 30 mb increase in products was partly offset by a decline in crude stocks. The stock increase was concentrated in North American 'other products' and a broad build in OECD distillate inventories. OECD forward demand cover came to 54 days, on par with last month and 1 day below last year.
- **OECD crude throughputs** increased by 430 kb/d in July to 39.5 mb/d. Gains in the Pacific, where seasonal maintenance declined, were partly offset by unplanned outages in Europe and North America. Global offline capacity is projected to have fallen by 1.5 mb/d in August as refiners exited maintenance, but recent weakness in margins could soon prompt economic run cuts, particularly in Asia.

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## FOCUSING THE DEBATE

With a precipitous 30% decline in the US gasoline market dragging down crude prices by 6-18%, it may seem tangential to talk about oil market data in this overview. But, the data reflect fundamental issues which are pertinent to the debate over whether the recent fall in crude prices marks the top of oil's seven-year bull market rally or is merely a pause before reaching greater heights.

The *miscellaneous to balance* in Table 1 has reached a very high 1.3 mb/d in 2Q 2006 and deserves explanation. Many oil market balances neatly add up, with the usual data anomalies apportioned elsewhere. But this report has a philosophy of being explicit where uncertainty exists and does not force the anomalies into one particular country or category. That being said, we can sometimes have a good idea of where some of these discrepancies lie.

Timing differences between crude oil supply and product demand, unreported OECD or non-OECD stock changes and under or over reported supply and demand might all have an impact. We noted in the past that there appears to be a cumulative underestimation of demand, which over the past few years lies around 300-400 kb/d. This is only likely to be improved when better quality annual data for 2005 is available over the course of the next 9 months.

Difficulties in collecting biofuel data are also apparent. It is much easier to collect ethanol and biodiesel supply than to capture the demand side of the equation. Further, there is very little information on stocks. The US Energy Information Administration has been very open about the difficulties of reporting US data, but the same problems apply elsewhere - does gasoline or diesel demand from a non-OECD country include or exclude biofuels? Ethanol blending takes place at terminals rather than refineries, so its inclusion in primary stocks data is unclear.

China has rarely been off the analytical radar since its oil demand surged in 2004, with debate revolving around demand growth, stocks and demand measurement issues. The IEA defines Chinese apparent demand as refinery output plus net product imports, but an alternative definition would be to look at crude production plus net crude and product imports. The divergence of the outcomes from both methods has been particularly large over the past year, leading to debate over whether there has been a more volatile pattern of demand or simply large stock movements. However, looking at the cumulative implied change in stocks since 2004, the apparent crude stock build since the start of 2006 may simply reflect the replenishment of commercial inventories from a drawdown the previous year. The debate over cause and effect will continue to support prices until stock data is available, but specifically for the second quarter this discrepancy is adding around 300 kb/d to the *miscellaneous to balance*.

Despite the great progress that has been made by the seven organisations behind the Joint Oil Data Initiative to improve oil data transparency there are still countries where stock data are not yet in the public domain. However, where such data or stock changes are published it can be revealing. In particular, we note that available OPEC stock change data shows a 190 kb/d stock build over the second quarter (largely due to changes in Saudi Arabian stocks).

Measuring oil in transit and floating storage is difficult. Where possible we include such data, but it is far from complete. With large national oil companies owning their own tanker fleets, builds in floating storage can often go undetected. Anecdotal reports have suggested a large build in Iranian floating storage in 2006 (and recent sell-off) and in the Gulf of Mexico in Q4 2005, little of which showed up in tanker-tracking surveys. Recent data show a large build in floating storage in Asia in June, but with measured crude stocks at high nominal levels, this may be only part of the picture. Large crude fill projects such as the BTC and Kazakhstan - China pipelines are a further source of unreported stock building and could account for a possible additional 60 kb/d of *miscellaneous to balance* over the past year.

Despite a large second quarter *miscellaneous to balance*, the underlying data uncertainty may not be too far out of the ordinary. Subtracting the possible causes outlined above lowers the second-quarter *miscellaneous to balance* to 300-400 kb/d. The price debate should therefore re-focus not on data anomalies, but on the real issues at play: the risks to global economic growth, the duration of the tightness in diesel and jet markets (in our opinion likely to lessen only in the medium term), the potential for hurricane damage (downgraded but still a danger) and (still high) geopolitical and project completion risks. In addition, for policy makers the message is still clear - more transparency would help to reduce uncertainty, help planning and possibly, in the current circumstances, even reduce prices.

# DEMAND

## Summary

- **Global oil product demand** has been adjusted downwards by 100 kb/d to 84.7 mb/d in 2006 (implying an annual growth rate of +1.3% over 2005), and by 160 kb/d to 86.2 mb/d in 2007 (+1.8% over 2006). This followed downward revisions to preliminary OECD figures and to non-OECD countries data.

### Global Oil Demand from 2005 to 2007

	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)	84.6	82.4	83.2	84.1	83.6	84.9	83.1	84.4	86.3	84.7	86.6	84.7	86.0	87.6	86.2
Annual Change (%)	2.6	1.5	1.4	-0.1	1.3	0.4	0.8	1.4	2.6	1.3	1.9	1.9	1.9	1.5	1.8
Annual Change (mb/d)	2.1	1.2	1.1	-0.1	1.1	0.3	0.6	1.2	2.2	1.1	1.6	1.6	1.6	1.3	1.5
Changes from last month's report (mb/d)	-	-	-	-	-	0.0	-	-0.4	-	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2

### Global Oil Demand by Region

(million barrels per day)

	Demand		Annual Change			Annual Change (%)		
	2006	2007	2005	2006	2007	2005	2006	2007
North America	25.51	25.90	0.09	0.05	0.39	0.3	0.2	1.5
Europe	16.19	16.20	0.01	-0.01	0.01	0.1	0.0	0.0
OECD Pacific	8.56	8.54	0.10	-0.03	-0.02	1.2	-0.4	-0.2
China	7.05	7.44	0.17	0.43	0.39	2.6	6.5	5.5
Other Asia	8.89	9.11	0.16	0.09	0.22	1.8	1.0	2.4
Subtotal Asia	24.50	25.09	0.43	0.49	0.59	1.8	2.0	2.4
FSU	3.87	3.90	0.05	0.06	0.03	1.3	1.6	0.8
Middle East	6.47	6.81	0.32	0.33	0.34	5.6	5.4	5.3
Africa	2.95	3.02	0.08	0.07	0.07	3.0	2.4	2.4
Latin America	5.20	5.31	0.13	0.10	0.11	2.7	1.9	2.0
World	84.68	86.22	1.11	1.09	1.54	1.3	1.3	1.8

- **OECD demand** has been revised downwards by 87 kb/d to average 49.5 mb/d in 2006, almost unchanged vs. 2005, largely due to revisions to North American preliminary data, flat consumption in Europe, and continued demand sluggishness in the Pacific. For 2007, OECD demand is projected to grow by 0.8% to reach 49.9 mb/d (-129 kb/d compared to our previous report). We have kept our economic growth assumptions for 2006 and 2007 unchanged, but according to the IMF and other economic forecasters, the risks of a slowdown are increasing.

### Preliminary Inland Deliveries - July 2006<sup>1</sup>

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other <sup>2</sup>		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
USA <sup>3</sup>	9.61	1.7	1.66	-2.4	3.31	10.3	0.81	-5.7	0.67	-25.0	4.8	-3.8	20.83	-0.1
Mexico	0.70	8.5	0.06	1.6	0.34	6.7	0.00	na	0.26	-23.2	0.3	0.3	1.70	0.0
Japan	1.11	1.4	0.32	3.5	0.65	0.9	0.40	-6.1	0.40	-9.2	1.6	2.3	4.47	0.0
Korea	0.16	-0.6	0.07	-4.3	0.26	-18.8	0.03	22.7	0.19	-11.4	1.1	9.0	1.85	0.5
France	0.25	-6.9	0.15	4.0	0.66	2.7	0.22	4.1	0.04	3.7	0.4	-3.3	1.77	0.0
Germany	0.53	-4.0	0.20	4.1	0.61	1.6	0.43	-2.3	0.10	7.5	0.5	0.1	2.35	-0.3
Italy	0.30	-7.3	0.10	2.6	0.53	2.0	0.08	4.9	0.14	-1.9	0.4	-2.1	1.52	-1.2
<b>Total</b>	<b>12.67</b>	<b>1.3</b>	<b>2.55</b>	<b>-0.6</b>	<b>6.36</b>	<b>5.2</b>	<b>1.98</b>	<b>-3.3</b>	<b>1.80</b>	<b>-16.7</b>	<b>9.1</b>	<b>-0.9</b>	<b>34.49</b>	<b>-0.1</b>

Sources: US EIA, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry.

<sup>1</sup> Excludes refinery fuel and bunkers (except US).

<sup>2</sup> Includes direct use of crude oil.

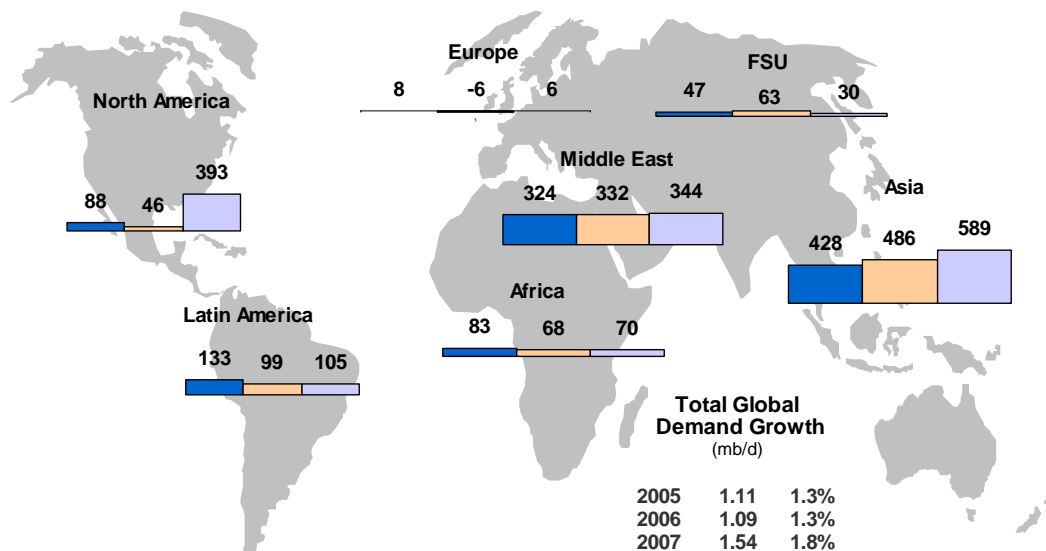
<sup>3</sup> Fifty states only. Diesel's share of total distillate is estimated.

Note: Monthly US demand data are subject to revision, as discussed in the Reports dated 13 July and 11 August 2005.

- **Non-OECD demand** has been slightly adjusted by -15 kb/d to 35.2 mb/d in 2006 (+3.2% y-o-y), and by -30 kb/d to 36.3 mb/d in 2007 (+3.3% y-o-y). The revisions were prompted by bad weather in Asia for most of July and part of August, which has significantly curbed gasoline and middle distillates use.

## Global Demand Growth 2005/2006/2007

thousand barrels per day

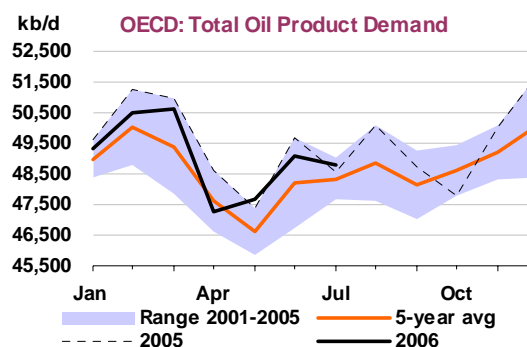


## OECD

## Overview

According to preliminary July 2006 inland delivery data, OECD demand growth was modest (+0.5% versus July 2005), but with divergent regional trends. Year-on-year growth was flat in North America, strong in Europe (+1.6%) and weak in the Pacific (-0.1%). These figures are mostly related to weather conditions and lower-than-expected average consumption of residual fuel oil and other products in the OECD as a whole.

Compared to last month's Oil Market Report, we have revised downwards our total OECD demand forecast for 2006 and 2007, by -87 kb/d and -129 kb/d, respectively. As noted in the following sections, data changes are centred in the US and Mexico, and on seasonal adjustments to residual fuel oil and other products in Europe and the Pacific. For 2006 as a whole, OECD demand now stands at 49.5 mb/d, virtually unchanged from 2005, while for 2007 we expect demand to average 49.9 mb/d (+0.8% over 2006).



## Total OECD Demand by Product

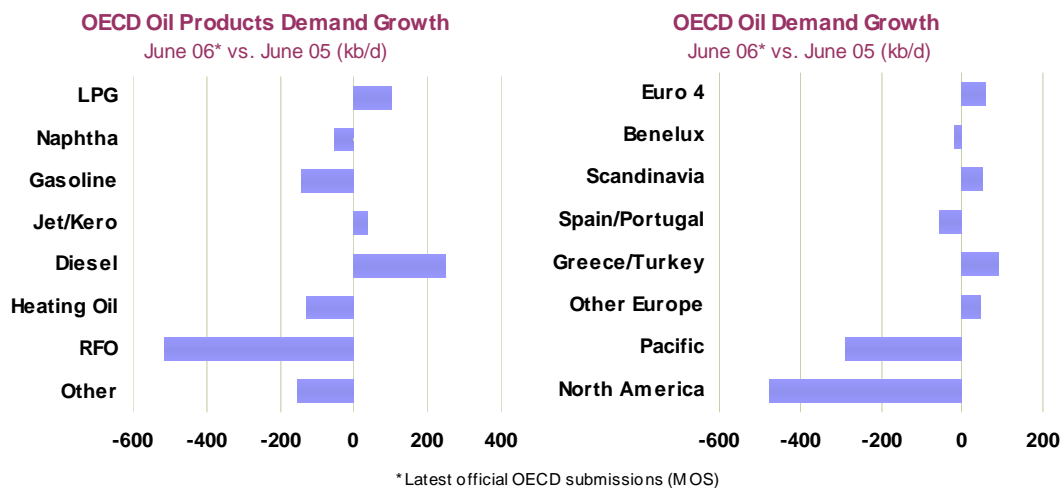
(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Apr 06	May 06	Jun 06*	Latest month vs. May 06	Jun 05
LPG & Ethane	4.69	4.66	4.31	4.73	4.99	4.40	4.36	4.39	4.46	0.07	0.10
Naphtha	3.21	3.19	3.24	3.09	3.18	2.92	2.86	2.96	2.94	-0.02	-0.05
Motor Gasoline	14.87	14.93	15.19	14.75	14.35	14.99	14.76	14.96	15.24	0.28	-0.14
Jet & Kerosene	4.22	4.27	3.96	4.38	4.52	4.01	4.14	3.88	4.02	0.14	0.04
Gas/Diesel Oil	13.06	13.22	12.75	13.39	13.74	12.65	12.46	12.60	12.90	0.30	0.12
Residual Fuel Oil	4.44	4.20	4.30	4.48	4.65	3.81	3.85	3.78	3.80	0.02	-0.52
Other Products	5.05	5.05	5.38	5.03	4.72	5.23	4.85	5.10	5.73	0.63	-0.15
<b>Total Products</b>	<b>49.53</b>	<b>49.52</b>	<b>49.13</b>	<b>49.86</b>	<b>50.14</b>	<b>48.01</b>	<b>47.29</b>	<b>47.67</b>	<b>49.09</b>	<b>1.41</b>	<b>-0.60</b>

\* Latest official OECD submissions (MOS)

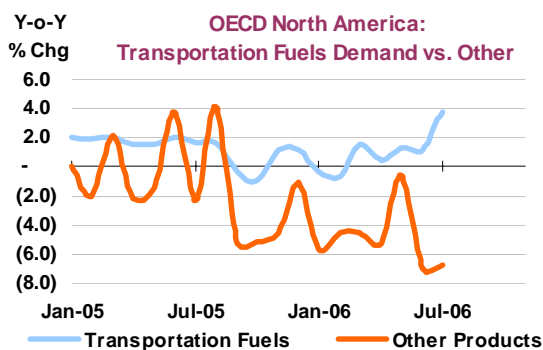
It is important to note that the GDP projections that underline this forecast have not been revised. The IMF has pointed out to risks ahead, but most recent regional figures are somewhat contradictory. In the US, some economists argue that the economy is heading towards a soft landing or even a slowdown following the trail of its housing market, but others point out that manufacturing activity,

albeit somewhat subdued, remain firm and that interest rates are likely to remain at current levels. In Europe, meanwhile, there seems to be a sharper-than-expected rebound, but there is an ongoing debate on whether interest rates will continue to rise. Finally, Japan's economy continues to recover, but it remains to be seen whether monetary policy will be tightened. In sum, while the forecasts of major economic institutions remain positive, there is a broad consensus that the risks to growth are increasing. Axiomatically, therefore, the risks to oil product demand growth projections have also risen.



### North America

Following June's robust pace, regional demand growth in transportation fuels was even stronger in July. Provisional data indicates that motor gasoline and jet/kerosene deliveries in the region increased in line with the seasonal holiday pattern, by 2.4% and 2.7%, respectively, compared to July 2005. Meanwhile, diesel shot up by 11.3%. The region's overall demand, however, was actually flat, as transportation fuel deliveries were offset by large drops in other categories (notably naphtha, heating oil, residual fuel and 'other products'). Within the region, transportation fuels represent more than 60% of total consumption, with the US accounting for roughly 90% of that total.



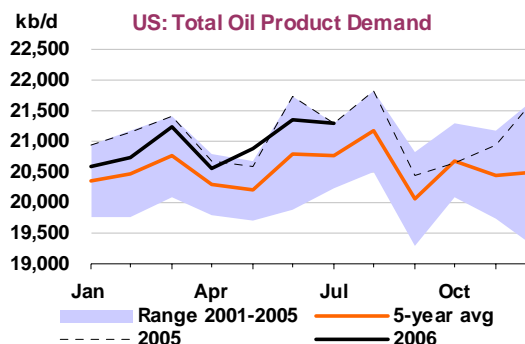
### OECD North America Demand by Product

	(million barrels per day)									Latest month vs.	
	2005	2006	3Q05	4Q05	1Q06	2Q06	Apr 06	May 06	Jun 06*	May 06	Jun 05
LPG & Ethane	2.80	2.82	2.58	2.81	2.98	2.65	2.70	2.63	2.61	-0.02	-0.02
Naphtha	0.45	0.44	0.50	0.30	0.36	0.40	0.34	0.45	0.40	-0.05	-0.07
Motor Gasoline	10.61	10.75	10.77	10.58	10.35	10.80	10.60	10.82	10.98	0.16	0.05
Jet & Kerosene	1.93	1.95	1.93	1.97	1.87	1.94	1.94	1.92	1.98	0.06	0.03
Gas/Diesel Oil	5.08	5.19	4.93	5.14	5.35	5.01	4.95	5.07	5.01	-0.06	0.02
Residual Fuel Oil	1.57	1.35	1.61	1.62	1.43	1.15	1.18	1.13	1.15	0.02	-0.34
Other Products	3.01	3.00	3.18	3.02	2.77	3.15	2.87	3.07	3.51	0.44	-0.14
<b>Total Products</b>	<b>25.46</b>	<b>25.51</b>	<b>25.50</b>	<b>25.43</b>	<b>25.11</b>	<b>25.11</b>	<b>24.58</b>	<b>25.09</b>	<b>25.65</b>	<b>0.55</b>	<b>-0.48</b>

\* Latest official OECD submissions (MOS)

In July, gasoline deliveries climbed 1.7% in the **United States**, together with distillates (diesel and heating oil) at +6.7% compared to July 2005. Lower deliveries of jet fuel, residual fuel oil and other products, however, offset these gains and pushed total US petroleum deliveries down by 0.1% versus last year.

Despite retail prices averaging nearly \$3 per gallon in July (up 30% from the previous year), the increase in gasoline demand is following seasonal patterns. Nevertheless, consumers appear to be switching to cheaper grades. According to figures from the Energy Information Administration (EIA), since last January the share of regular gasoline sales has gradually increased from slightly over 81% of total gasoline sales to almost 83% in June (and 80% a year before), at the expense of midgrade and premium gasoline deliveries. There has also been an increase in the use of public transportation in large metropolitan areas, according to the American Public Transport Association (APTA). However, looking ahead it seems likely that retail prices will fall sharply over the next few months – in absence, of course, of any hurricane emergency – given August's 30% decrease of wholesale gasoline prices. As such, demand growth over the remainder of this year will probably look strong – especially because of the low baseline of the Katrina-stricken 2H05.



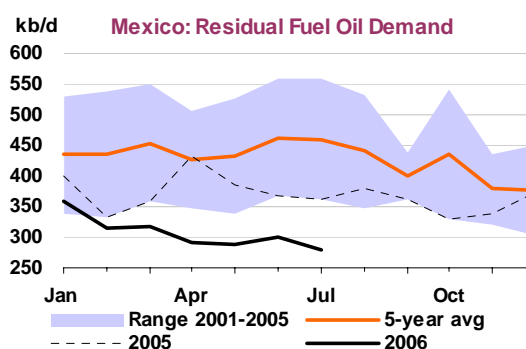
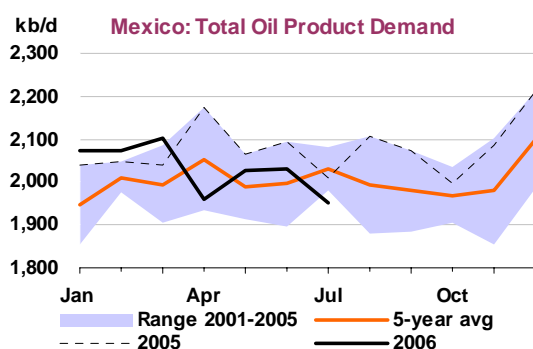
More interestingly, despite of recurrent talk about the US slowing down, diesel demand – a good indicator of economic activity (mostly driven by freight transport) – remained buoyant in July. Heating oil use, meanwhile, declined in line with usual seasonal patterns, while the weakness in jet fuel demand can be attributable to airlines' efforts to reduce their operating costs. In the face of high fuel prices, airlines are consolidating routes and carrying more passengers per aeroplane, thereby reducing the number of flights.

The weakness in residual fuel oil consumption is largely explained by continued price competition from natural gas. On average, gas prices have been lower than fuel oil's over the past four months, thereby encouraging substitution by end-users. This price effect should be seen through to the end of 2006, given last year's relatively strong baseline (demand jumped following Hurricane Katrina in 2005). Finally, the depressed consumption of 'other products' appear to follow a pattern of decline since early 2006.

There were large data revisions for June and July (-233 kb/d vs. preliminary data and -142 kb/d vs. our previous forecast, respectively). We have thus slightly revised down our quarterly and yearly projections. Accordingly, demand for 2006 is down by -27 kb/d, and by -60 kb/d in 2007, bringing the annual growth rates to +0.4 % and +1.4%, respectively. The recurrent downward adjustments of US figures over the past few months highlight collection difficulties of gasoline data, following the switch from MTBE to ethanol blending in 2006. MTBE was blended at the refineries, which then reported these volumes to the EIA. By contrast, ethanol blending with reformulated blendstock for oxygenate blending (Rbob) is carried out at the terminals, which historically did not report to weekly surveys – a requirement that has now been formalized.

Furthermore, given the large adjustments to 2004 growth in last year's Petroleum Supply Annual (PSA), there are concerns that significant demand-side adjustments may be applied to 2005 data. The PSA is expected to be released over the next few months.

Mexico's preliminary data show that fuel oil and other products' demand was much lower than anticipated. This has resulted in a large revision in July (-298 kb/d). Favourable natural gas prices over the past few months, heavy rains, and to a lesser extent, environmental concerns have encouraged a switch away from fuel oil for power generation. As a result, residual consumption has been remarkably weak so far this year.



In early August the first LNG shipment to Mexico reached Shell's brand-new regasification plant in Altamira, on the Gulf Coast – its main customer is the state-owned electricity utility CFE. In addition, there are other regasification facilities under construction or planning, notably on the Pacific Coast. Thus, as the points of natural gas pricing arbitrage multiply (currently the reference price for most Mexican gas is the quite volatile US Henry Hub), a domestic, competitive gas market could emerge, and the weakness of fuel oil demand with respect to natural gas usage could become structural if gas prices remain competitive.

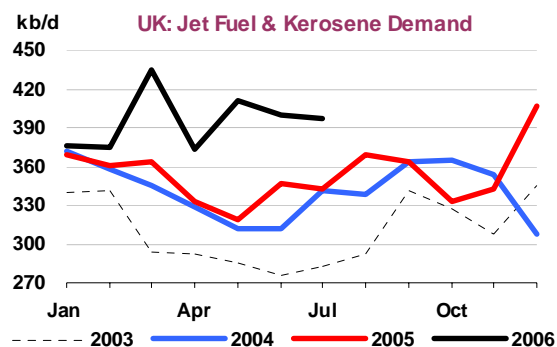
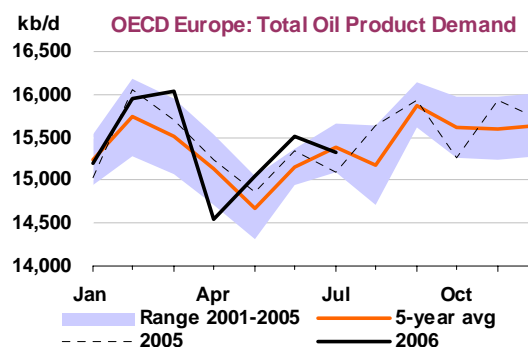
## Europe

In July, oil product demand was generally flat in the largest European countries (**France, Germany and Italy**), despite somewhat stronger-than-expected economic growth, notably in France. Declining sales of gasoline were offset by higher jet fuel and diesel consumption, and marginally by residual fuel oil. Nevertheless, preliminary data indicate that the region as a whole grew by a strong 1.6% vs. the same month of the previous year.

Although demand for transportation fuels as a whole (gasoline, diesel and jet/kero) followed seasonal patterns, a closer examination of each product reveals that jet/kero and diesel growth was indeed strong (+6.5% and 3.0%, respectively), but that gasoline deliveries contracted by 1.2%.

Fuel oil demand for power generation was weak despite higher power consumption, since utilities' stocks were reportedly well supplied, although **Italy** and the drought-stricken **Iberian Peninsula** registered a spike as a result of July's heatwave (which boosted power demand). Meanwhile, heating oil consumer stocks continued to build in **Germany**.

Regarding the **UK**, some reports suggest that London Heathrow's alleged terrorist plot on 10 August did not have as large an impact on jet fuel demand as it had been feared, since the disruptions and delays, albeit significant, lasted only one week. Next month's inland data should provide a clearer picture; for the time being, we have only marginally revised our assessment of UK jet fuel consumption (which represents almost a third of total jet fuel demand in OECD Europe). Any reduction would likely have the same subduing effect as last December's fire at the Buncefield oil depot, which obliged the airport operator (BAA) to implement a "voluntary" fuel allocation system at Heathrow Airport (which dampened UK growth by as much as 0.3%, according to some estimates).



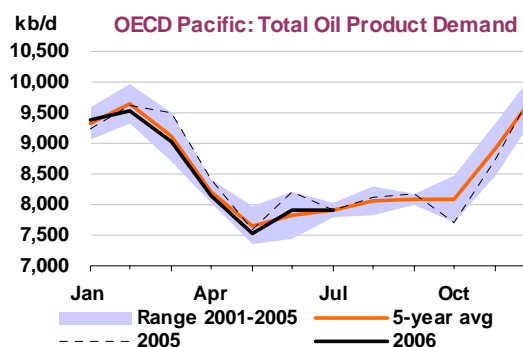
**OECD Europe Demand by Product**  
(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Apr 06	May 06	Jun 06*	Latest month vs. May 06	Jun 05
LPG & Ethane	1.00	0.96	0.91	1.04	1.09	0.92	0.84	0.95	0.96	0.01	0.08
Naphtha	1.18	1.14	1.15	1.21	1.17	1.04	1.09	1.01	1.03	0.01	-0.04
Motor Gasoline	2.65	2.56	2.75	2.56	2.43	2.63	2.58	2.63	2.68	0.05	-0.14
Jet & Kerosene	1.24	1.30	1.33	1.23	1.23	1.32	1.25	1.31	1.39	0.07	0.10
Gas/Diesel Oil	6.10	6.18	6.07	6.34	6.47	5.85	5.68	5.85	6.02	0.18	0.21
Residual Fuel Oil	1.82	1.82	1.70	1.80	2.06	1.71	1.67	1.71	1.74	0.04	-0.09
Other Products	1.49	1.48	1.64	1.46	1.28	1.58	1.45	1.59	1.70	0.11	0.04
<b>Total Products</b>	<b>15.48</b>	<b>15.46</b>	<b>15.55</b>	<b>15.64</b>	<b>15.72</b>	<b>15.04</b>	<b>14.55</b>	<b>15.04</b>	<b>15.52</b>	<b>0.47</b>	<b>0.16</b>

\* Latest official OECD submissions (MOS)

## Pacific

Preliminary delivery data for July 2006 indicate that oil product demand in OECD Pacific was somewhat weak, falling by 0.1% year-on-year. This sluggish growth was mostly related to higher-than-average rainfall and colder weather, particularly in Japan, which accounts for almost two-thirds of the region's total oil product demand. As such, gains in LPG, naphtha, jet/kero and gasoline were offset by weaker demand in diesel (-2.4%), residual fuel (-9%) and other products (-11%).



### OECD Pacific Demand by Product

(million barrels per day)

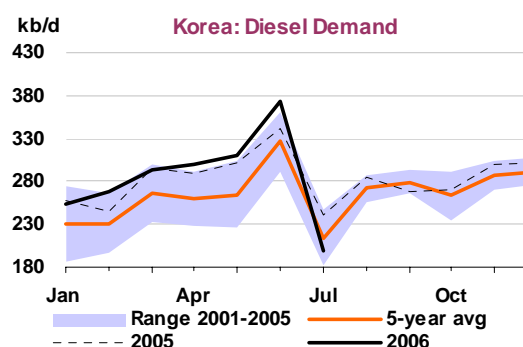
	2005	2006	3Q05	4Q05	1Q06	2Q06	Apr 06	May 06	Jun 06*	Latest month vs.	
										May 06	Jun 05
LPG & Ethane	0.89	0.88	0.82	0.88	0.93	0.84	0.82	0.81	0.88	0.07	0.04
Naphtha	1.58	1.60	1.58	1.58	1.65	1.48	1.43	1.49	1.51	0.02	0.06
Motor Gasoline	1.61	1.61	1.66	1.61	1.57	1.56	1.58	1.52	1.58	0.07	-0.05
Jet & Kerosene	1.04	1.02	0.70	1.19	1.42	0.75	0.95	0.65	0.65	0.00	-0.09
Gas/Diesel Oil	1.87	1.85	1.75	1.91	1.92	1.79	1.83	1.68	1.86	0.18	-0.11
Residual Fuel Oil	1.05	1.02	0.98	1.07	1.16	0.95	1.00	0.94	0.91	-0.03	-0.09
Other Products	0.55	0.57	0.57	0.55	0.67	0.50	0.54	0.45	0.52	0.08	-0.05
<b>Total Products</b>	<b>8.59</b>	<b>8.56</b>	<b>8.07</b>	<b>8.79</b>	<b>9.30</b>	<b>7.87</b>	<b>8.15</b>	<b>7.54</b>	<b>7.92</b>	<b>0.39</b>	<b>-0.29</b>

\* Latest official OECD submissions (MOS)

In **Japan**, preliminary July data indicate that gasoline demand grew by a respectable 1.4% year-on-year, despite to a prolonged rainy season that discouraged holiday travel (August, however, was much drier) and record-high pump prices of over \$1.3/litre and buoyant sales of “mini-vehicles” (with engines not bigger than 600cc). It is worth noting that July was the seventh consecutive month of year-on-year gains in vehicle sales of this category (as opposed to falling sales of other vehicles; overall, these small cars now account for roughly a third of Japan's fleet).

In addition, consumption of both residual fuel oil and direct-burning crude was weak because of a lack of demand from power utilities, following higher reliance on nuclear and hydro power (boosted by rains) and abundant stockpiles. Finally, kerosene demand was boosted by a consumer stock build ahead of the winter, in line with seasonal patterns (the Japanese use kerosene for heating).

Meanwhile, in **Korea** overall oil product demand remained weak in July (-1.2% year-on-year, after slipping by 0.8% on an annual basis in the previous month). Diesel deliveries, in particular, were hampered by new taxes and heavy rains (-17.2% year-on-year). Stock builds prior to the 1 July tax hike seemingly supplied some of the needs of the transportation sector. High prices also help explain Korea's relative consumption weakness.



## Non-OECD

### Overview

We have left our 2006 and 2007 non-OECD demand forecasts essentially unchanged, as minor quarterly Chinese demand revisions in both years offset each other. For 2006, we expect non-OECD demand to average 35.2 mb/d (-15 kb/d compared to the last report, implying a growth rate of 3.2% versus 2005), and 36.3 mb/d in 2007 (-30 kb/d and 3.3% higher than this year).

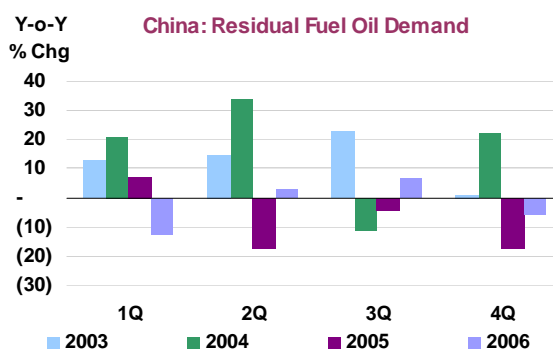
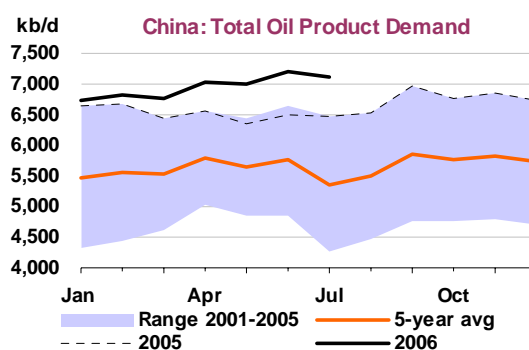
## China

According to preliminary data, Chinese apparent demand remained strong in July; both refinery output and oil product imports were vigorous. The main drivers behind the consumption figures were resilient demand for transportation fuels and, to a lesser extent, warmer-than-average weather.

Indeed, July's refinery output was strong, despite maintenance and unplanned outages that reduced production compared to June's very high levels. Refiners tried to maximize diesel production (which accounts for a third of demand) at the expense of jet fuel – a political decision intended to avoid shortages. However, there was no surge in jet fuel imports, as some reports had anticipated – jet imports were actually lower than in June but within the average of historical trends (it should be noted that June imports were particularly strong). The weakness of apparent jet/kero consumption (-2.6% versus July 2005) suggests either that air travel was less buoyant than expected (but there is no evidence for this), or more plausibly, that Chinese refiners were drawing on their stocks to supply the domestic market.

July's weather, meanwhile, was hotter-than-average. Although fuel oil and gasoline demand would under such circumstances be expected to be strong, some caveats are in order:

- Given new non-oil power generation capacity, hot temperatures did not create as much strain on the national electricity grid (as opposed to previous years, when diesel demand surged for private electricity generation).
- There were wide differences across regions. For example, in drought-stricken central China's Sichuan province, local gasoil demand was strong given a power supply crunch. Meanwhile, southern China faced heavy rains (and a typhoon), which dampened gasoline use.
- It should be noted that high fuel oil demand likely reflects the fact that it is increasingly used as a teapot refinery feedstock, since it is cheaper than crude – crude imports were actually lower than those recorded in each of the past six months. Fuel oil imports have risen by a third over the past two months (June and July), suggesting that they are partly offsetting crude imports.



### China Demand by Product

(thousand barrels per day)

	Demand			Annual Change		Annual Change (%)	
	2005	2006	2007	2006	2007	2006	2007
LPG & Ethane	638	644	648	6	4	0.9	0.6
Naphtha	774	885	943	112	58	14.4	6.6
Motor Gasoline	1091	1179	1261	88	82	8.1	7.0
Jet & Kerosene	238	267	282	29	16	12.2	5.9
Gas/Diesel Oil	2127	2252	2418	125	166	5.9	7.4
Residual Fuel Oil	787	767	766	-20	-1	-2.5	-0.1
Other Products	966	1055	1118	89	63	9.2	6.0
<b>Total Products</b>	<b>6621</b>	<b>7049</b>	<b>7437</b>	<b>428</b>	<b>387</b>	<b>6.5</b>	<b>5.5</b>

As noted, the government is strictly controlling gasoline exports in order to avoid shortages (as happened a year ago when refiners ramped up exports to compensate for their price-induced domestic losses). For example, state-owned PetroChina has not sent a single gasoline cargo abroad over the past four months (and this is likely to continue throughout September, according to recent reports).

The observed pattern of low naphtha imports is expected to continue throughout the rest of the year. Major petrochemical plants (such as Shell/CNOOC's Huizhou, in Guangdong province, or BASF's Yangzi) are reported to be importing condensates instead and have thus significantly reduced their international naphtha purchases. In addition to condensates, petrochemical plants are buying the relatively plentiful domestic naphtha. Supply has grown to feed a host of new naphtha-hungry ethylene projects. There has also been less use of naphtha in gasoline blending. Meanwhile, ex-refinery prices in line with international ones have discouraged imports.

### China Crude & Product Trade

(thousand barrels per day)

	2004	2005	3Q2005	4Q2005	1Q2006	2Q2006	May 06	Jun 06	Jul 06	Latest month vs. Jun 06	Jul 05
<b>Net Imports/(Exports) of:</b>											
<b>Crude Oil</b>	2346	2387	2294	2407	2872	2821	2899	2787	3145	358	723
<b>Products &amp; Feedstocks</b>	661	480	445	599	512	772	697	964	773	-191	773
Gasoil/Diesel	43	-19	-40	-3	-10	-14	-15	-22	-12	10	-12
Gasoline	-125	-130	-155	-55	-107	-56	-72	-34	-52	-19	-28
Heavy Fuel Oil	506	418	397	402	406	522	468	654	624	-30	623
LPG	201	194	216	182	146	227	226	238	113	-126	113
Naphtha	-33	-35	-25	1	-15	-36	-58	-32	-23	10	-7
Jet & Kerosene	16	11	2	30	43	33	7	73	-1	-74	23
Other	52	41	49	42	49	96	141	87	124	37	60
<b>Total</b>	<b>3008</b>	<b>2867</b>	<b>2739</b>	<b>3006</b>	<b>3384</b>	<b>3593</b>	<b>3596</b>	<b>3750</b>	<b>3917</b>	<b>167</b>	<b>1496</b>

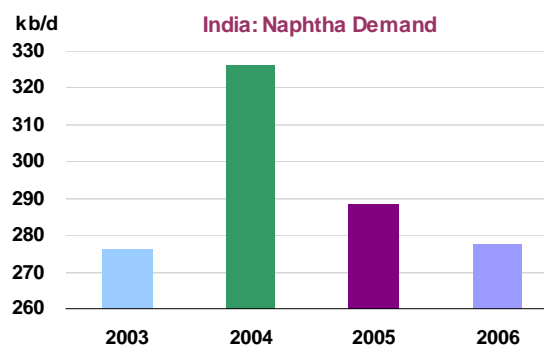
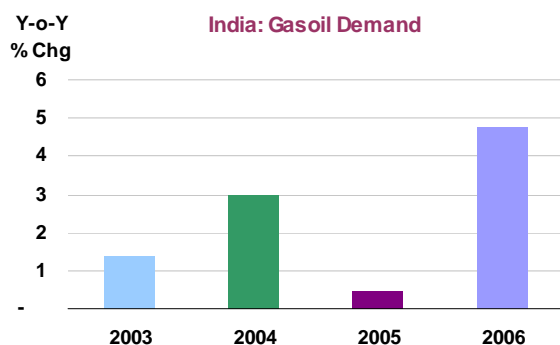
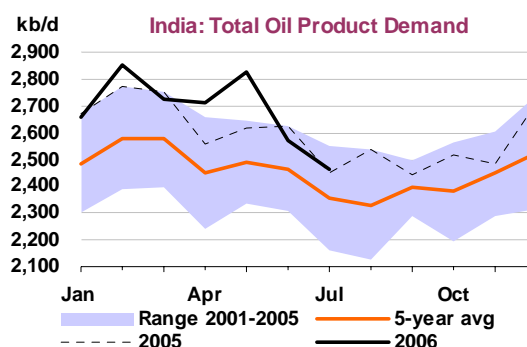
Sources: China Oil, Gas and Petrochemicals plus IEA estimates.

Overall, a large revision to preliminary data in June (-106 kb/d) was offset by an adjustment to our forecast for July (+196 kb/d). June's demand for transportation fuels and fuel oil was weaker than expected; meanwhile, as noted, July's demand for LPG and naphtha was also weaker, but residual and other products consumption was higher. As such, we have kept our growth forecast for 2006 and 2007 unchanged at +6.5% and +5.5%, respectively.

### Other Non-OECD

**India's** preliminary figures indicate that demand rebounded somewhat in July (+0.6% year-on-year, but from a low 2005 baseline). Growth was driven by gasoline (+4.3%) and gasoil (+4.8%). June data were adjusted downwards compared to our previous forecast (-126 kb/d), because of weaker-than-expected naphtha and gasoil demand.

The decline in naphtha consumption follows a trend: this petrochemical feedstock continues to be gradually replaced by natural gas as LNG imports increase. In July there were numerous reports of Indian refiners exporting their naphtha surpluses and depressing naphtha's premium against crude. Floods in western India also contributed to restrict demand and, incidentally, disrupted natural gas supplies, obliging several petrochemical and power plants to shut down.



Gasoil's weakness is related to extreme weather conditions that have impinged upon agricultural output: drought in the largest rice-producing states (West Bengal, Uttar Pradesh and Punjab) and torrential monsoon rains and flooding in the southern sugarcane and cotton belt (Andhra Pradesh, Karnataka, Gujarat, Maharashtra, Orissa, Jharkhand) towards the end of the month (paradoxically, in early July the monsoon rains had been deemed "not very active"). Nevertheless, growth in 2006 should be healthier than last year's. The strong monsoon rains have for now reduced field work, but they could foster larger crops later in the year.

#### India Crude & Product Trade

(thousand barrels per day)

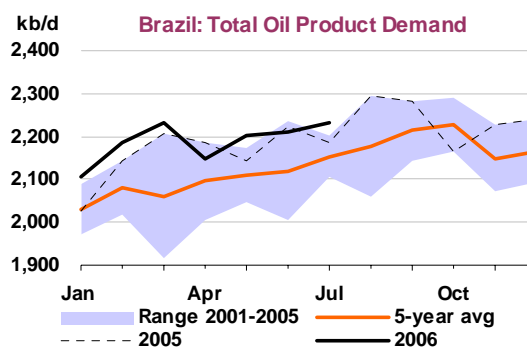
	2004	2005	3Q2005	4Q2005	1Q2006	2Q2006	Apr 06	May 06	Jun 06*	Latest month vs.	
										May 06	Jun 05
<b>Net Imports/(Exports) of:</b>											
<b>Crude Oil</b>	1945	1927	1965	1882	2216	2199	1800	2231	2565	334	701
<b>(by Public Oil Cos)</b>	1158	1131	1112	1164	1427	1412	1092	1409	1734	325	632
<b>Products &amp; Feedstocks</b>	-176	-123	-116	-201	-370	-355	-333	-343	-389	-46	-205
Gasoil/Diesel	-139	-139	-135	-224	-219	-95	-94	-101	-89	12	38
Gasoline	-75	-24	-35	29	-78	-66	-72	-60	-65	-5	-25
Heavy Fuel Oil	-6	-5	7	-34	-47	-49	-47	-47	-52	-6	-59
LPG	86	98	98	126	55	14	23	21	-2	-24	-67
Naphtha	-7	-32	-28	-47	-74	-93	-91	-89	-100	-11	-23
Jet & Kerosene	-47	-34	-33	-63	-65	-58	-42	-59	-72	-13	-43
Other	12	14	10	13	58	-9	-9	-8	-9	0	-28
<b>Total</b>	1769	1804	1849	1681	1846	1845	1468	1888	2176	288	495

\* Preliminary

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

In **Brazil**, the National Petroleum Agency (ANP) posted minor downward revisions from February to May. June was weaker than foreseen (-48 kb/d), essentially in gasoil. This and other small seasonality adjustments have resulted in a slower projected growth rate in 2006 (+1.5% instead of +1.8%).

It is worth noting that sales of flex-fuel cars rose by 71% in the year to date, and represented almost 77% of total sales. This highlights consumers' diversification away from expensive-to-run gasoline-powered vehicles.

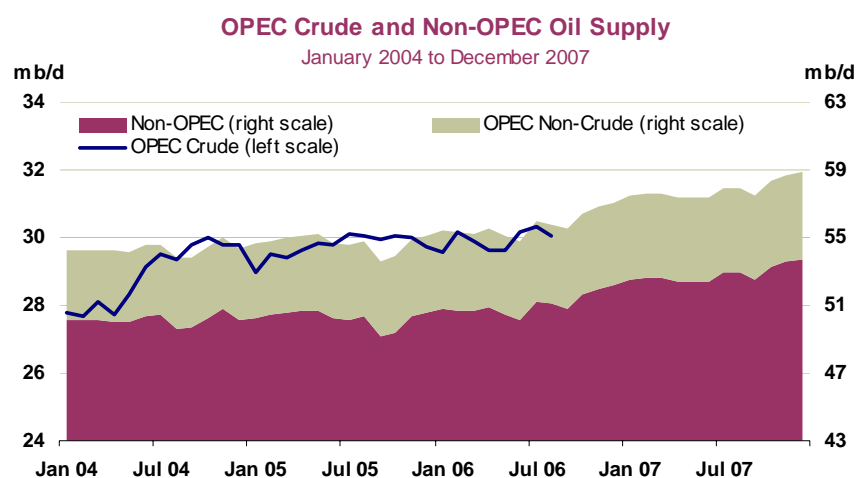


Finally, in the **FSU**, **Russian** fuel oil exports have been falling steadily since early June (by some 200 kb/d in the year to July, according to some estimates), mostly because the giant UES power utility was asked by the Russian monopoly Gazprom a few months ago to substitute part of its natural gas intake with fuel oil, thereby freeing more gas for export. This change is already likely having an impact on Russia's domestic fuel oil demand, since UES's yearly needs are estimated to represent some 5-10% of total domestic fuel oil production. Indeed, it has been reported that domestic fuel oil prices increased by some 6% in July – in a month when prices normally plunge. By the same token, fuel oil exports will continue to diminish.

## SUPPLY

### Summary

- **World oil supply** fell by 400 kb/d in August compared to July, and reached 85.8 mb/d. Lower North Sea production and weaker Iranian and Saudi Arabian exports were key contributors. However, the July baseline was revised up by 730 kb/d amid evidence of markedly higher production from OPEC, the North Sea and the FSU.
- **August output stood 975 kb/d above year-ago levels**, despite falling versus July. Non-OECD supply stands 1 mb/d above August 2005, OPEC total liquids supply is up by 220 kb/d but OECD production lags last year by 335 kb/d. 2Q supply growth slowed to 210 kb/d on an annual basis after the recovery to 1.1 mb/d seen in 1Q. Outages affecting OPEC, the USA and the North Sea have limited global supply growth.
- **Non-OPEC supply** for 2006 is now forecast at 51.0 mb/d, a 60 kb/d downward revision from last month. Weaker supply from Canada, Mexico, the North Sea, Brazil and Angola, focused in 4Q, account for most of the revision. This report, however, has retained a deliberately conservative output profile for a number of oilfields and expansion projects in 2006 (notably Prudhoe Bay, forecast US GOM hurricane outages, and elements of Canadian and FSU supply) suggesting some potential upside from the current 810 kb/d growth forecast. Lower supply expectations for Mexico, the UK, Brazil and Angola carry forward to trim the 2007 estimate by 145 kb/d, to 52.8 mb/d. Nonetheless, 2007 non-OPEC growth is still seen at an impressive 1.8 mb/d.
- **OPEC crude supply** for August is estimated at 30.0 mb/d, 270 kb/d below a revised July level of 30.3 mb/d. In August, modest increases of 10-50 kb/d from Venezuela, Kuwait and Nigeria were eclipsed by lower Iranian supply, and more modest reductions from Iraq, Indonesia and the UAE. Iraqi and Nigerian production stabilised in August at 2.0 mb/d and 2.3 mb/d respectively, although security issues affecting crude offtake continue to hamper wellhead production in both countries. Higher exports from Iran and Saudi Arabia caused a 545 kb/d upward revision to July OPEC supply. Effective OPEC spare capacity remains below 2 mb/d.



- The **'call on OPEC crude and stock change'** remains unchanged from last month, at 28.9 mb/d and 28.4 mb/d for 2006 and 2007 respectively. However, demand side reductions for 3Q 2006 and lower non-OPEC 4Q 2006 supply exacerbate the traditional 4Q build in the call, which this year averages 29.5 mb/d. Next year's call is uniformly 0.5 mb/d below this year's levels. However, the impact of a notionally lower call has to be placed in perspective against a very thin margin of OPEC spare capacity and the potential unravelling of a currently high 'miscellaneous to balance'.
- **Crude and condensate quality for the 2006 to 2011 period** shows a heavier average barrel, with API falling from 32.7° to 32.5°. However, supplies are likely to become marginally sweeter, with global sulphur content falling from 1.18% to 1.16%. The Middle East region sees supplies becoming lighter and sweeter, with a focus on condensate developments and Saudi Arabia's shift to a better quality crude slate. Output quality from the FSU also improves. Significant production increases from Latin America and Africa result in a heavier regional supply barrel, albeit one that becomes marginally sweeter. Sulphur and API gravity both deteriorate in North America.

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

**Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. These aside, no contingency allowance for random events is subtracted from the supply forecast. While upside variations can occur, experience in recent years indicates that the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.**

## OPEC

OPEC crude supply for August is estimated at 30.0 mb/d. This was 270 kb/d lower than an upwardly revised July level of 30.3 mb/d. In August, modest increases in the 10-50 kb/d range from Venezuela, Kuwait and Nigeria were eclipsed by lower Iranian supply, and more modest reductions from Iraq, Indonesia and the UAE. However, August changes were over-shadowed by a 545 kb/d upward revision to July supply. This in turn followed evidence of markedly higher exports in July from Iran and Saudi Arabia compared to preliminary estimates made a month ago. Time lags affecting tanker tracking data and other market intelligence mean that OPEC supply estimates for the most recent months may be subject to subsequent revision when more complete information becomes available.

### OPEC Crude Production

(million barrels per day)

	1 July 2005 Target	August 2006 Production	Sustainable Production Capacity <sup>1</sup>	Spare Capacity vs Aug 2006 Production	Production vs. Target
Algeria	0.89	1.33	1.37	0.04	0.44
Indonesia	1.45	0.86	0.95	0.09	-0.59
Iran	4.11	4.00	4.00	0.00	-0.11
Kuwait <sup>2</sup>	2.25	2.50	2.60	0.10	0.25
Libya	1.50	1.72	1.72	0.00	0.22
Nigeria	2.31	2.27	2.60	0.33	-0.04
Qatar	0.73	0.84	0.87	0.03	0.11
Saudi Arabia <sup>2</sup>	9.10	9.35	10.80	1.45	0.25
UAE	2.44	2.64	2.70	0.06	0.20
Venezuela <sup>3</sup>	3.22	2.53	2.70	0.18	-0.70
<b>Subtotal</b>	<b>28.00</b>	<b>28.04</b>	<b>30.31</b>	<b>2.27</b>	<b>0.04</b>
Iraq		2.00	2.50	0.50	
<b>Total</b>		<b>30.04</b>	<b>32.81</b>	<b>2.77</b>	
		<i>(excluding Iraq, Nigeria, Venezuela, Indonesia)</i>		<i>1.68)</i>	

<sup>1</sup> Capacity levels can be reached within 30 days and sustained for 90 days

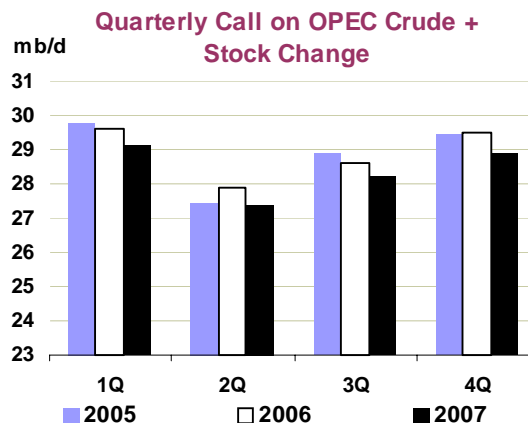
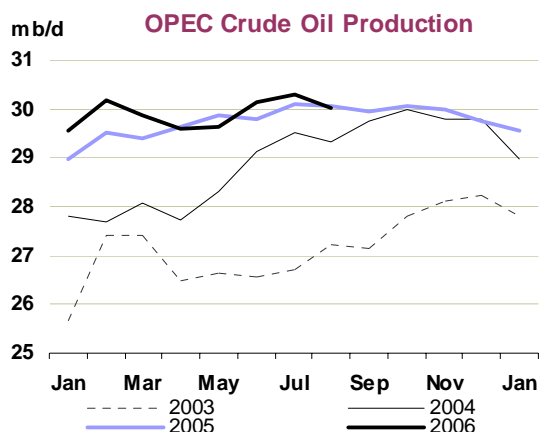
<sup>2</sup> Includes half of Neutral Zone Production

<sup>3</sup> Includes Orinoco extra-heavy oil assumed at 565 kb/d in August

OPEC supply has now spent the past 20 months oscillating within a very narrow, 29.5 mb/d to 30.5 mb/d range. To varying degrees, this reflects members' unwillingness and/or inability to produce or market crude above these levels. Factors mitigating against a substantial further rise in OPEC supply in recent months include:

- a mismatch between the quality of the incremental barrel required by refiners and that potentially offered by Arab Gulf producers;
- an associated divergence between actual and market clearing price differentials;
- unscheduled, but widespread, production outages within OPEC;
- infrastructural constraints due to pipeline availability and gas flaring restrictions;
- delays in capacity expansion projects;
- apparently healthy OECD crude oil stock levels compared to historical levels.

While there is no shortage of prompt OPEC crude supply, market focus remains on the thin margin of spare capacity. Although OPEC supply is assessed to have fallen in August, coming from a higher base this now implies a lower level of spare OPEC capacity than estimated in last month's report, at some 1.7 mb/d on an effective basis (net of Indonesia, Iraq, Nigeria and Venezuela). That said, developments in the past month regarding production outages from Alaska, Nigeria and Iraq have not worsened. There are also indications that meteorologists are cutting their expectations for Atlantic hurricane activity this year compared to earlier forecasts of stronger-than-normal storm activity. Despite this, limited OPEC supply flexibility is likely to remain a market concern at least until the storm season and peak winter demand passes.



At the time of writing, most commentators expected no change in OPEC's production ceiling at the ministerial meeting scheduled for 11 September in Vienna. High prices, the hurricane season, a seasonal rise in oil demand and continued production outages and geopolitical risks overhanging Iraq, Iran, Nigeria and others are cited as likely to pre-empt any immediate moves by the cartel to stem a rise in crude oil stocks. However, there appears to be a growing consensus that production cuts could regain centre stage in 2007, assuming widespread expectations of strong non-OPEC supply growth are realised.

**Iraqi** supply continues to hover around 2.0 mb/d. July's estimate was revised marginally higher to 2.06 mb/d, with higher Basrah exports counteracting lower than originally estimated Kirkuk exports and internal crude use. Flows of crude along the northern export pipeline to Ceyhan only recommenced on 29 August after having been halted again by attacks from insurgents in early July. As a result, no crude was lifted from Ceyhan in August, so exports were limited to 1.63 mb/d from Basrah and some 14 kb/d of cross border deliveries into Syria. With internal refinery runs blighted by repeated power outages and pipeline disruptions and local crude demand restricted to 360 kb/d, net supply in August is estimated at 2.0 mb/d.

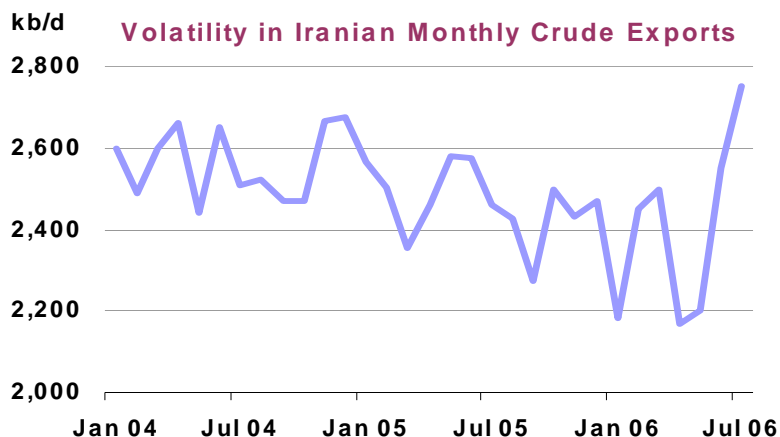
The state marketing concern, SOMO, released a call for tenders for 6 mb of Kirkuk crude on 3 September, saying that the crude was already in storage at Ceyhan. Press reports however were at odds with this latter statement, suggesting storage of less than 2 mb when the pipeline ceased shipments again on 3 September. Bearing in mind that storage was at minimum levels at end-July, that no flows were reported for the bulk of August and that flows during 29 August through 3 September were at or below 400 kb/d, the highest stock level seems unlikely. It is uncertain therefore whether September Ceyhan exports can attain the 200 kb/d suggested by the tender, leaving at best a scheduled 1.7 mb/d from Basrah and production potentially constrained around 2.1 mb/d unless pipeline and refinery offtake constraints can be addressed.

The perils of assessing near-month **Iranian** crude supply were again illustrated in the past month, as consolidated export data for July came in significantly higher than preliminary estimates. Several tanker tracking agencies showed upward revisions of 300 kb/d or more for Iranian shipments compared to earlier estimates. As a result, this report now sees Iranian supply of 4.25 mb/d in July, comprising 1.5 mb/d of domestic crude runs and 2.75 mb/d of exports.

July's surge was driven not by sharply higher wellhead production, but rather by a further draw-down in heavy/sour Soroush-Nowruz crude stored offshore in VLCCs. Market intelligence reported 6 mb in storage in September 2005, some 14 mb in January 2006 and up to 20 mb at mid-year. As noted last month, most of this crude has now been disposed of, either via increased exports or as the crude (plus blended condensate) has been refined locally in the Bandar Abbas refinery. Reports in the past month would tend to suggest that August supply levels should be less prone to distortion by exaggerated swings in storage than in July. Early tanker tracking data suggests, moreover, that exports could have fallen back to a more "normal" level of 2.5 mb/d in August and with that, supply nearer to 4.0 mb/d.

Prospects for raising Iranian production capacity significantly beyond the current 4.0 mb/d hinge on progress in new field developments such as the onshore Azadegan and Yadavaran projects. Japan's Inpex denied reports that it faced a 15 September deadline to begin work at the 260 kb/d Azadegan

project and suggested that work will commence once land mines left over from the Iran-Iraq war were cleared. Press reports have suggested that cost inflation is another factor delaying drilling but that France's Total is considering taking a stake in the project.



**Saudi Arabian** supply, like Iran's, has been revised up on the basis of higher consolidated export numbers. In this instance, June and July supply is revised up 150 kb/d to 9.35 mb/d, recovering after the sharp cut in production seen in April, when refinery maintenance in consuming countries reduced demand. Initial indications suggest stable output in August, although this too may be subject to revision. However, there have been no reports of calls for incremental Saudi oil in light of disruptions to Alaska's Prudhoe Bay output.

Impressive plans aimed at boosting Saudi capacity in excess of 12 mb/d are already being enacted. In addition, press reports in early September cited an earlier article from a former Saudi Aramco executive who suggested that the next phase of Saudi capacity expansion involving the Manifa field might best be achieved by a joint venture between Saudi Aramco and a major IOC. Hitherto, IOCs have been precluded from direct upstream involvement.

August saw the gradual recovery of Bonny Light supply in **Nigeria** following an accidental pipeline rupture on 21 July. In all, little change was recorded versus July supply, and total August Nigerian output is estimated at 2.27 mb/d. Force majeure declared on Bonny Light exports on 26 July was lifted on 7 September, although limited export volumes continued through August. Renewed pipeline sabotage affecting 50 kb/d of Brass River output from 24 August has left close to 600 kb/d of Nigerian production shut-in at the time of writing, albeit this is down from a July peak of 785 kb/d.

However, recent developments suggest progress in reactivating further supply could slow for the time being. Oil unions are planning a three day strike from 13 September, partly in protest at deteriorating security conditions facing oil workers. Frequent previous instances of industrial action have failed to significantly affect production, although unions have suggested that exports will be impacted this time round. Perhaps more seriously, Shell reiterated on 5 September that it has no immediate plans to re-enter the western part of the Niger Delta to reactivate over 450 kb/d of production which has been partially or wholly shut-in since the start of the year.

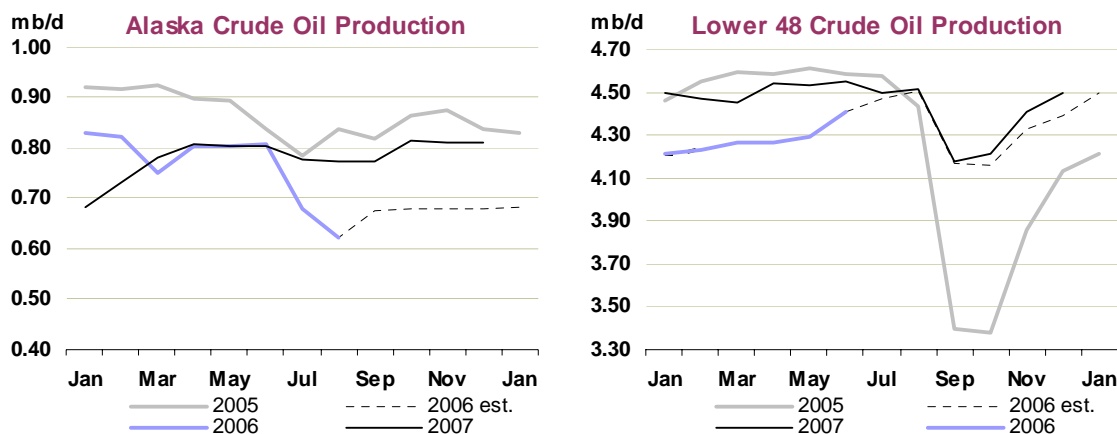
**Venezuelan** supply recovered in August by some 55 kb/d to 2.53 mb/d with the end of maintenance at the Hamaca heavy crude upgrader and renewed capacity operation at the Sincor upgrader, which was affected by an unscheduled outage in June and July. Further recovery of some 60-70 kb/d in Orinoco supply is possible for September, although it remains to be seen whether declining conventional crude output offsets this increase.

In August, Venezuela's Congress approved measures to boost income tax at the four Orinoco projects from 34% to 50%. In addition, Venezuela wants to obtain a minimum 51% to 60% stake in the four projects compared to current minority ownership. While Venezuela's increasingly hawkish attitude towards western company upstream involvement may defer further IOC investment in Orinoco heavy oil, there are signs of a greater role being granted to Chinese companies. China National Petroleum Corporation (CNPC) and Venezuela's PDVSA in August signed an agreement whereby joint production from Orinoco reserves will build to 200 kb/d by 2010. The four existing joint ventures with western IOCs amount to some 630 kb/d of heavy crude production which counts towards Venezuela's OPEC production quota.

## OECD

### North America

**US – Alaska August actual, others estimated:** US oil supply in August fell by 35 kb/d to 7.37 mb/d (including 5.13 mb/d of crude), with lower Alaskan supply counteracting higher GOM production. The impact of August's partial closure of the Prudhoe Bay field in Alaska is discussed below. In addition to the Prudhoe Bay outage caused by pipeline leaks, Alaskan output was further reduced in August by an unrelated gas compressor outage at Prudhoe Bay and a one month scheduled maintenance stoppage at the Endicott field which began on 9 August. Nonetheless, Alaskan production has been revised up for the August to October period now that partial Prudhoe Bay output has been secured. A further contribution comes from an earlier-than-anticipated start in August at satellites to the Alpine field. This report had previously assumed a September start-up.



State-specific production data for April and aggregate US production figures for May-August show GOM production running within 10 kb/d of this report's forecast. August production is estimated to have been close to the 1.55 mb/d evident prior to last year's hurricanes. This report's assumption of a five year average storm outage level for the GOM suggests average offline capacity of 275 kb/d for the remainder of 2006. While it is too early to yet write off this season's storm impact, there are tentative signs that forecasters are scaling back expectations for this year's hurricanes. This factor, allied to reports of recovering Mars production are indicative of possible upward revision to our 2006 GOM forecast in the absence of unexpected developments.

Mid-term GOM prospects received a boost with reports that the Typhoon facilities decommissioned after last year's storms could re-enter service in 2008. Chevron, which sold its stake in Typhoon to Helix Energy, separately announced a successful production test at the Jack field. This could signal the initial development of some 15 billion barrels of oil equivalent in resources held in Lower Tertiary formations in the US Gulf. Jack is the deepest successful well test made in the Gulf, at some 30,000 feet. Production from Jack may begin around 2012/2013.

**Canada – June actual:** While Canadian oil supply for 2007 is held unchanged at 3.38 mb/d, this year's forecast is trimmed by 20 kb/d to 3.21 mb/d. Revisions are driven by weaker-than-expected output of crude (conventional and non-conventional) and NGL from western Canada in June (-65 kb/d versus last month), followed by lower expectations for 4Q 2006 from offshore Newfoundland (-75 kb/d versus last month). The return from maintenance of the Terra Nova FPSO has been pushed back from October to November and expectations of production levels by end-year have also been scaled back to around 100 kb/d from 135 kb/d. Canadian supply growth of 165 kb/d in 2007 is centred on Alberta bitumen and syncrude, plus a now-higher estimate for Newfoundland offshore supply following new wells being added at the White Rose field.

### Update on Alaska's Prudhoe Bay Production Closure

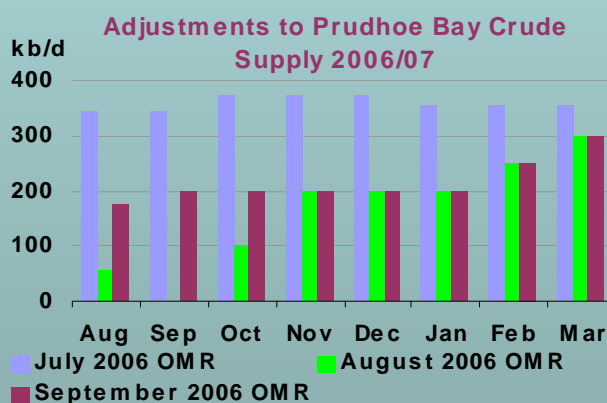
BP was forced to shut-in production at the 400 kb/d capacity Alaskan Prudhoe Bay field in early August following the discovery of minor leaks on its key transit pipelines feeding the main Trans-Alaska Pipeline System (TAPS). The leaks were caused by corrosion in a section of transit pipeline in the eastern portion of the field. Last month's report took a deliberately conservative view of likely production recovery at Prudhoe Bay until further details of planned remedial action became known. In the event, some 200 kb/d of oil production in the western half of the field was reinstated almost immediately, as no pipeline damage was detected on that segment of the field. As such, earlier fears that partial cessation of the TAPS trunkline operations might become necessary were removed.

On 7 September, BP provided the US House of Representatives Energy and Commerce Committee with a number of options it is considering for reactivating production in the eastern portion of Prudhoe Bay. The company was due to submit to the Department of Transportation by 9 September its plans for the eastern transit lines. For now the options appear to be:

- partial restart of the eastern transit line, possibly by end-September, if no further corrosion is detected or;
- the temporary re-routing of all eastern Prudhoe production via nearby Endicott and Lisburne field transit lines to the TAPS line, potentially by end-October.

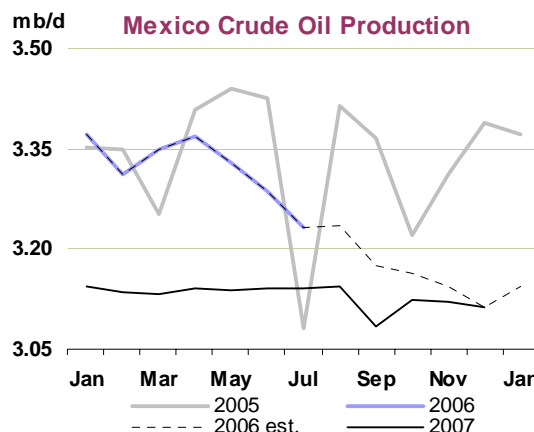
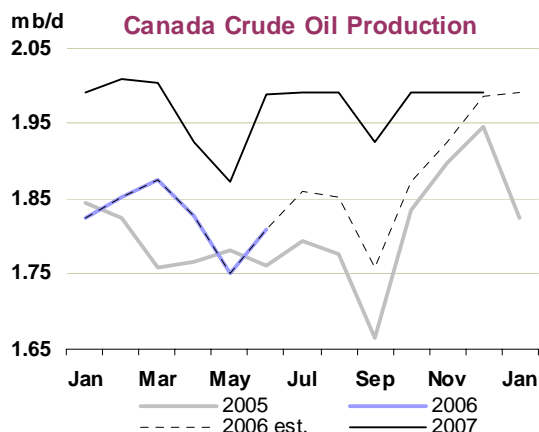
Several US politicians within and outside the Committee were critical of the company's apparent decision to defer pipeline pigging<sup>1</sup>, which they claim might have helped prevent the pipeline closure.

While newswires have suggested the latter recovery option could involve complete reactivation of Prudhoe's 400 kb/d capacity by end-October, this report retains a more cautious outlook, at least until BP's final plans and the response of US authorities becomes clear. This report had already, since late 2005, been working on the assumption of sub-capacity operations at Prudhoe Bay through 2006, well before the latest pipeline leaks came to light. Up to 70 production wells were shut for repair work which was envisaged to run well into 3Q 2006. Separate pipeline leaks in March 2006 further curbed Prudhoe Bay production. In fact, February 2006 was the last time Prudhoe Bay produced at capacity 400 kb/d levels. In addition, daily production data reported to the Alaskan tax authorities, and used by this report as the basis for its monthly estimates, includes some 30-40 kb/d of NGLs. The OMR normally separates out this component of supply to arrive at Prudhoe Bay and Alaskan crude oil totals, the former therefore being less than headline 400 kb/d capacity levels. Finally, BP has said that both the eastern and western transit lines will be sequentially replaced during the upcoming winter construction season, ensuring that Prudhoe Bay production is likely to remain below capacity on a monthly average basis in the short term.



For now, we have made an upward adjustment to assumed Prudhoe crude production for August, September and October from the zero to 100 kb/d range in last month's report, to levels closer to current production around 200 kb/d. Assumed production for the November 2006 to March 2007 period has been held unchanged at last month's levels, with gradual recovery from 200 kb/d in January to 300 kb/d by March. Again, these projections are subject to change as final, more detailed repair and recovery plans become evident.

<sup>1</sup> A pig is a piece of equipment inserted into a pipeline, which is carried along by the flow of oil or gas and is used to clean and monitor the pipeline's internal condition.

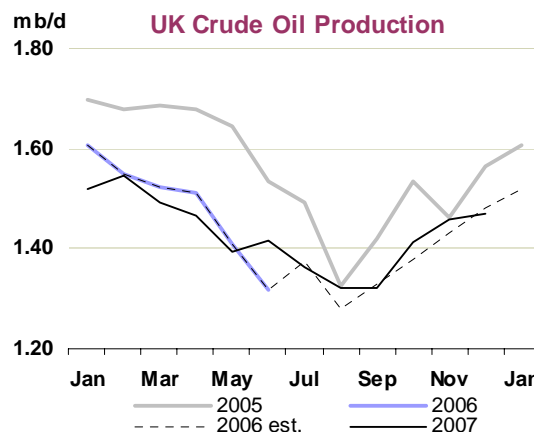
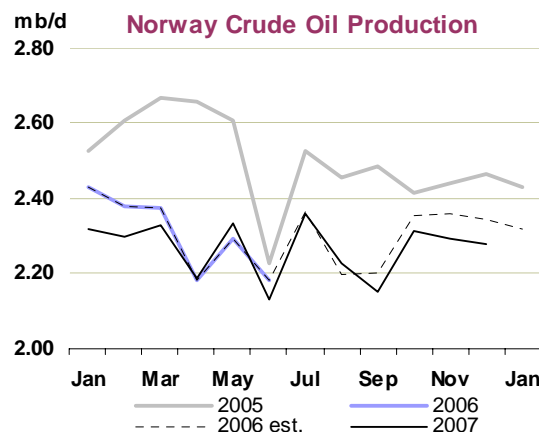


**Mexico – July actual:** A further 55 kb/d drop in Mexican crude production in July to 3.23 mb/d appeared to fly in the face of earlier Pemex claims of a likely second half 2006 recovery in baseload Cantarell production after well outages in the first half of the year. Normally, this report resists the temptation to make substantial changes to forecast production on the basis of a single month's production. However, July's disappointing crude performance (partly offset by stronger than expected NGL output) coincided with field-specific reports from Pemex and the Energy Ministry for mid-year production and expectations for end-year 2006 and for 2007. In line with these, we have cut forecast Mexican crude supply by 20 kb/d for 2006 and by 60 kb/d for 2007 to 3.26 mb/d and 3.13 mb/d respectively. In contrast NGL supply is revised up by 5-10 kb/d. However, crude output looks likely to level off at late-2006 levels in 2007 as incremental volumes from other fields offset Cantarell decline.

Cantarell crude output has been trimmed to 1.85 mb/d for 2006, in line with the latest Pemex estimates, suggesting a decline rate of some 9%. This accelerates to 12% in 2007, resulting in output of 1.63 mb/d. Aside from the above mentioned upward revision to NGL, a further offsetting upward revision accrues from stronger crude output at the Ku-Malooop-Zaap complex. This now appears to be producing some 50 kb/d more than our report had earlier assumed in 2006, with further production increases expected for 2007.

### North Sea

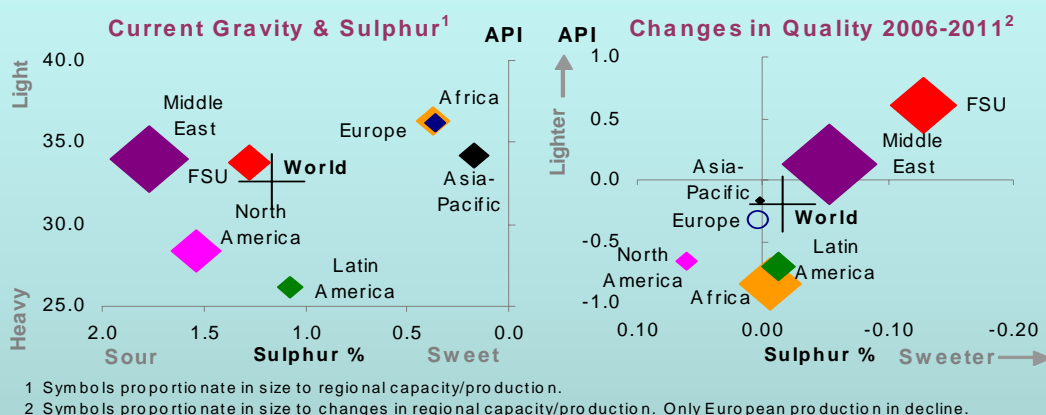
**Norway – June actual, July provisional:** Revisions to July Norwegian data suggest scant maintenance activity that month, with total oil supply (including NGL and condensate) now seen rebounding by 360 kb/d to 2.96 mb/d from suppressed June levels. Maintenance activity is thought to have pushed August/September production back down towards 2.7 mb/d again, but a renewed rebound to 2.9 mb/d is expected for October. Although the 2006 forecast remains unchanged overall at 2.3 mb/d of crude and 550 kb/d of gas liquids, a 15 kb/d downward revision for 2007 centred on the northern Haltenbanken fields takes crude to 2.27 mb/d and NGLs to 600 kb/d.



## Global Crude Supply Expected to Become Heavier, Sweeter

Following July's *Medium-Term Oil Market Report*, further analysis of supply-side developments suggests a global crude slate becoming heavier but slightly sweeter over 2006-2011. Global average crude gravity moves from 32.7°API to 32.5°API, as a lighter barrel from the Middle East and FSU is countered by heavier trend production elsewhere. Meanwhile, sulphur edges down from 1.18% to 1.16%. Later issues of *OMR* and *MTOMR* will integrate more fully upstream and downstream quality developments, but for now it is worth pointing out regional variations in likely oil supply quality.

The calculations include crude oil and gas condensate only, and are therefore a reasonable proxy for the quality of feedstock likely to be available for regional refining systems. Other NGLs, biofuels, transport fuel blending components and refinery processing gains (which feature in the OMR's oil supply/demand balances) have been excluded from this analysis. For now, OPEC capacity rather than production has been used to forecast changes in regional average crude quality shown below. Clearly, this risks over-weighting the impact of changes in quality of OPEC members' production in the regional totals, although this is not thought to distort the overall trends to a significant degree.



The **Middle East** region accounts for 36% of the 9.6 mb/d increase in supply during 2006-2011, and drives quality changes for future supply. Supply lightens, albeit only marginally from 34.0°API in 2006 to 34.1°API in 2011. The sweetening of the regional barrel is more pronounced, sulphur declining from 1.78% to 1.73%. Quality changes are driven by the significant new condensate streams entering production, notably from Qatar and Iran, allied to Saudi Arabia's emphasis on boosting Arab Light supply at the expense of heavier/sourer grades.

**FSU** supply shows the strongest improvement in quality, with the region seeing API gravity rise from 33.7° to 34.3°. At the same time sulphur content drops from 1.28% to 1.15%. The trend towards lighter, sweeter production is steady throughout the forecast period, albeit held in check by the continued predominance of Russian Urals crude. Azeri AGC crude and Shah Deniz liquids, output from Russia's Sakhalin projects and Karachaganak and Kashagan from Kazakhstan underpin the improvement in API and sulphur content.

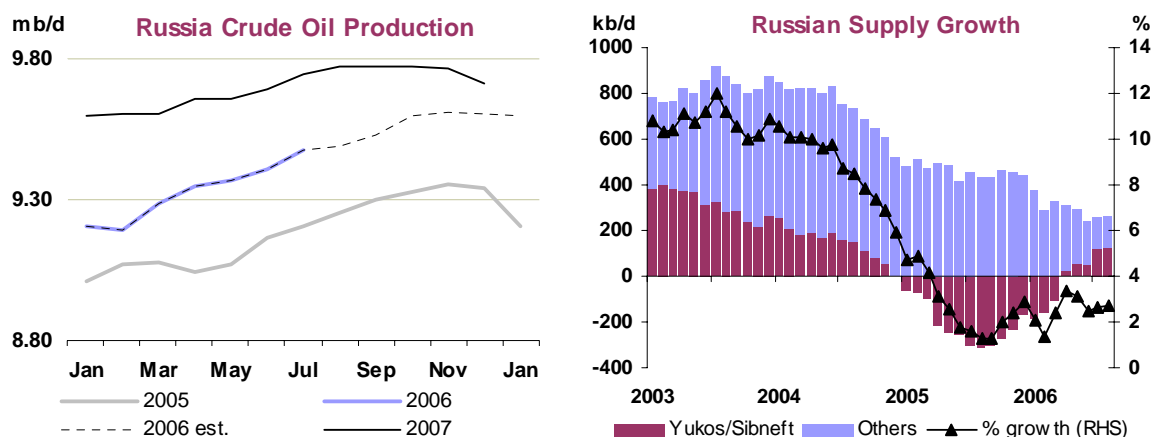
**Africa** and **Latin America** see a modest sweetening of supply (to 0.35% and 1.07% sulphur respectively), although production becomes heavier for both regions to the tune of 0.7-0.8°API. 2011 supply from Africa averages 35.4°API, while Latin America reaches 25.5°API. Deepwater developments in Angola and Brazil drive the quality changes in these regions, with the bulk of the change in quality occurring in 2006-2008, with a levelling off in quality thereafter.

**Asia Pacific** production volumes and quality see little change, with local supplies continuing to average 0.18% sulphur and 34°API in 2011. Meanwhile, maturing production volumes in **North America** and the **North Sea** are likely to become heavier. North America sees API gravity slip by 0.7° to 27.7°API, while North Sea production falls 0.4° to 35.8°API. North Sea production initially gets sourer, reaching 0.38% sulphur in 2008 but sweetens close to baseline 0.37% again in 2011. North America sees production become steadily sourer, sulphur reaching 1.60% in 2011 from 1.54% this year. An expanded contribution from Canadian oilsands drives the change in North American quality.

**UK – June actual:** UK offshore crude production is revised down by 30-40 kb/d for 2006 and 2007 based on weaker baseline performance from fields in the Brent and Teal systems. Operator announcements of later-than-expected start-up at the Brenda and Buzzard fields (now seen online in November and December respectively) also drag down 4Q 2006 output. Ramp-up in production at the 180 kb/d Buzzard field helps to reverse UK offshore crude output decline, which has otherwise averaged over 150 kb/d per annum this decade. In all, UK offshore crude averages 1.68 mb/d in 2006 and 1.71 mb/d in 2007, with onshore output and NGLs adding a further 270-300 kb/d.

### Former Soviet Union (FSU)

**Russia – July actual, August provisional:** Projections of Russian oil supply are again left largely unchanged from last month's forecast (crude oil is shown below left, but net of some 300 kb/d of NGL/condensate). Final July data came in 30 kb/d above earlier expectations, while August was some 15 kb/d lower. A 5 kb/d upward revision for 2006/2007 leaves total Russian oil supply at 9.7 mb/d in 2006 and 10.0 mb/d in 2007. Growth averages 2.6% and 2.8% for the two years. While the 2006 growth accords with the latest Finance Ministry outlook, our expectations for 2007 are slightly higher than government estimates (2.1%). Nonetheless, this report is adopting a cautious attitude as regards 2007 production from former Yukos and Sibneft assets, and projections for the Sakhalin 1 project are also markedly below the operator's own expectations. In addition, further impetus to 2007 growth comes from a "normal weather" assumption which, if correct, should allow supply to significantly outstrip this year's weak first quarter levels. Recent reports of Baltic Pipeline System expansion (see below) also lend support to 2007 growth. Much of the current uncertainty over Russian supply derives from political, legislative and fiscal issues as opposed to reserves or physical production issues. While these could trim growth longer term, projects now coming to completion suggest that 2%-plus growth is readily sustainable.



As envisaged in last month's report, FSU exports nudged modestly higher in July, gaining 100 kb/d from June and averaging 8.38 mb/d, with crude oil via the Black Sea and the BTC pipeline accounting for much of the change. Further increases for crude oil are thought to have materialized in August, focused on higher Black Sea and Baltic Pipeline System (BPS) volumes, together with increased liftings from BTC at Ceyhan. Exports from the Sakhalin 1 project in the Far East also began at the very end of August, although these may not show up in significant volumes until October. Sakhalin represents a significant source of incremental Russian crude supply, with ExxonMobil targeting production of some 250 kb/d by end-2006 (although this report errs on the side of caution and defers peak production into 2007).

Baltic seaborne crude exports have been impeded recently by the cut-off of Russian supplies to Lithuania's Butinge terminal. Initial indications were that this was due to a minor pipeline leak, but with the terminal failing to feature in August and September export schedules rumours abound of political undertones regarding ownership changes for Butinge and the nearby Mazeikiu refinery. Seaborne FSU exports are scheduled to fall in September, with maintenance on the CPC pipeline feeding Kazakh volumes to Novorossiysk contributing. However Russian volumes via BPS/Primorsk look likely to hit record levels of 1.43 mb/d. State pipeline operator Transneft appears to be well on the way to attaining overall BPS capacity of 1.5 mb/d through a combination of flow additives and extra pumping stations.

## FSU Net Exports of Crude &amp; Petroleum Products

(million barrels per day)

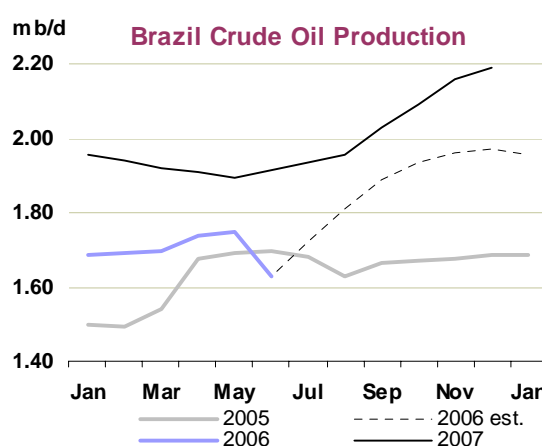
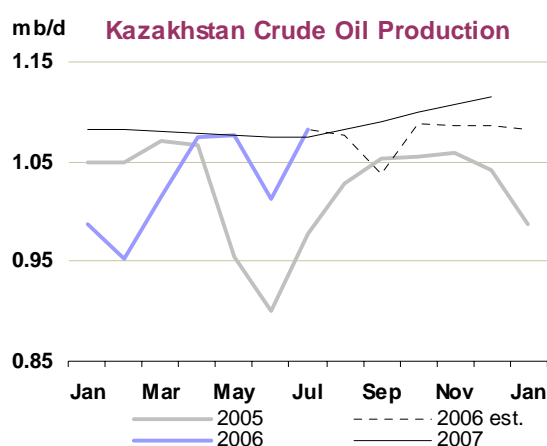
	2004	2005	3Q2005	4Q2005	1Q2006	2Q2006	May 06	Jun 06	Jul 06	Latest month vs. Jun 06 Jul 05	
<b>Crude</b>											
Black Sea	2.20	2.27	2.30	2.23	2.25	2.26	2.46	2.16	2.29	0.13	-0.04
Baltic	1.51	1.59	1.57	1.55	1.54	1.73	1.74	1.79	1.59	-0.20	0.11
Arctic/FarEast	0.25	0.19	0.22	0.17	0.10	0.11	0.13	0.12	0.17	0.05	-0.05
BTC	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.03	0.18	0.15	0.18
<b>Crude Seaborne</b>	<b>3.96</b>	<b>4.05</b>	<b>4.08</b>	<b>3.95</b>	<b>3.89</b>	<b>4.11</b>	<b>4.33</b>	<b>4.11</b>	<b>4.24</b>	<b>0.12</b>	<b>0.20</b>
Druzhba Pipeline	1.10	1.15	1.14	1.23	1.20	1.16	1.17	1.20	1.24	0.04	0.11
Other Routes	0.23	0.25	0.24	0.26	0.31	0.38	0.31	0.42	0.36	-0.06	0.14
<b>Total Crude Exports</b>	<b>5.29</b>	<b>5.45</b>	<b>5.46</b>	<b>5.44</b>	<b>5.39</b>	<b>5.65</b>	<b>5.81</b>	<b>5.73</b>	<b>5.83</b>	<b>0.10</b>	<b>0.45</b>
Of Which: Transneft	3.76	4.04	4.02	4.07	4.05	4.23	4.45	4.25	4.21	-0.04	0.29
<b>Products</b>											
Fuel oil	0.90	0.93	1.02	1.04	0.87	1.05	1.03	0.97	0.94	-0.03	-0.17
Gasoil	0.84	0.87	0.85	0.95	1.01	0.95	0.95	0.92	0.91	-0.01	0.07
Other Products	0.46	0.58	0.58	0.60	0.60	0.70	0.73	0.67	0.70	0.03	0.09
<b>Total Product</b>	<b>2.19</b>	<b>2.38</b>	<b>2.45</b>	<b>2.58</b>	<b>2.47</b>	<b>2.69</b>	<b>2.71</b>	<b>2.56</b>	<b>2.54</b>	<b>-0.02</b>	<b>-0.01</b>
<b>Total Exports</b>	<b>7.48</b>	<b>7.83</b>	<b>7.91</b>	<b>8.02</b>	<b>7.87</b>	<b>8.34</b>	<b>8.52</b>	<b>8.29</b>	<b>8.38</b>	<b>0.09</b>	<b>0.43</b>
Imports	0.01	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.02	-0.01	0.00
<b>Net Exports</b>	<b>7.47</b>	<b>7.81</b>	<b>7.89</b>	<b>8.00</b>	<b>7.84</b>	<b>8.31</b>	<b>8.49</b>	<b>8.26</b>	<b>8.35</b>	<b>0.09</b>	<b>0.43</b>

Sources: Petro-Logistics, IEA estimates

Note: Transneft data has been revised to exclude Russian CPC volumes.

**Kazakhstan – July actual:** Forecast production from Kazakhstan remains largely unchanged this month, at 1.3 mb/d for 2006 and 1.35 mb/d in 2007. This is despite markedly higher-than-anticipated output from the Tengiz field in July, where output averaged 275 kb/d, some 100 kb/d above expectations. This report had assumed June maintenance spilling into July. However, the impact on total 2006 production is muted, since we now also incorporate a 100 kb/d downward adjustment for September supply due to CPC pipeline maintenance. Liquids output from the Karachaganak field in July also came in higher than expected, although this may have been due to a post-maintenance surge, so higher output has not for now been carried through the forecast.

Several market reports in August highlighted the importance of Kazakhstan diversifying export capacity infrastructure away from traditional reliance on Russian pipelines. With expansion of the key CPC pipeline stalled due to ongoing discussions with Russia over tariffs and Bosphorus by-pass routes, focus may be turning to the recently-inaugurated pipeline to China, as well as a potential tie-up with the neighbouring BTC pipeline from Azerbaijan to Turkey. The latter is seen as being critically dependent on adequate cross-Caspian tanker capacity being available.



## Other Non-OPEC

**Brazil – June actual, July provisional:** Brazilian supply is adjusted down by 20 kb/d for 2006 (concentrated in 3Q and 4Q) and by 60 kb/d for 2007 (heaviest in the second half of the year). This follows the release of projections by state company Petrobras on its targets for late-2006 and late-2007. While major new project start-ups appear to be running at or ahead of our own earlier capacity expectations, the implication is that baseload supply may be declining slightly faster than predicted by

this report. We have also trimmed the assumed ramp-up in production from newer project start-ups, such as Golfinho, to more closely match Petrobras' lower capacity expectations. Despite this, Brazil is still expected to generate 150-200 kb/d of crude supply growth in both 2006 and 2007, production averaging over 1.9 mb/d in 2007.

### Revisions to Other Non-OPEC Estimates

Aside from adjustments discussed in the main regional sections above, non-OPEC revisions are less widespread than in last month's report. In all, non-OPEC supply is adjusted down by 60 kb/d for 2006 to 51.0 mb/d and by 145 kb/d for 2007, to average 52.8 mb/d. While 2006 revisions are heavily concentrated in 4Q, the downward adjustment for 2007 runs through the year. As already mentioned above, Mexico, the North Sea and Brazil account for much of this downgrading of expectations.

The only other significant change to 2006/2007 production comes in **Angola**. Here, as in Brazil, there are indications that the state producer (Sonangol) envisages lower 2006 production than contained in this report's earlier forecast. Again, major new deepwater project start-ups, such as Dalia and Rose, appear to be proceeding on schedule, and have restated target production at levels consistent with those used in this report. We have therefore trimmed base-load, mature production to more closely match the lower aggregate targets. Angolan 2006 output is now seen averaging 1.4 mb/d, with 1.7 mb/d expected for 2007.

**Revisions to Non-OPEC Oil Supply**  
(million barrels per day)

	Last Month's OMR					This Month's OMR					This Month vs. Last Month				
	2005	2006	2007	06 v 05	07 v 06	2005	2006	2007	06 v 05	07 v 06	2005	2006	2007	06 v 05	07 v 06
North America	14.09	14.16	14.46	0.07	0.30	14.09	14.16	14.41	0.07	0.25	0.00	0.00	-0.05	0.00	-0.05
Europe	5.61	5.36	5.39	-0.24	0.02	5.60	5.32	5.35	-0.28	0.03	0.00	-0.04	-0.04	-0.04	0.00
Pacific	0.58	0.55	0.63	-0.04	0.08	0.58	0.55	0.64	-0.04	0.09	0.00	0.00	0.01	0.00	0.01
<b>Total OECD</b>	<b>20.28</b>	<b>20.07</b>	<b>20.47</b>	<b>-0.21</b>	<b>0.41</b>	<b>20.28</b>	<b>20.03</b>	<b>20.40</b>	<b>-0.25</b>	<b>0.37</b>	<b>0.00</b>	<b>-0.04</b>	<b>-0.08</b>	<b>-0.04</b>	<b>-0.04</b>
Former USSR	11.64	12.08	12.60	0.44	0.53	11.64	12.08	12.62	0.45	0.53	0.00	0.01	0.01	0.01	0.01
Europe	0.16	0.15	0.13	-0.01	-0.01	0.16	0.15	0.13	-0.01	-0.01	0.00	0.00	0.00	0.00	0.00
China	3.62	3.71	3.75	0.10	0.03	3.62	3.71	3.75	0.09	0.04	0.00	0.00	0.00	0.00	0.00
Other Asia	2.68	2.73	2.76	0.04	0.04	2.68	2.73	2.76	0.04	0.04	0.00	0.00	0.00	0.00	0.00
Latin America	4.30	4.50	4.77	0.20	0.27	4.30	4.48	4.71	0.18	0.23	0.00	-0.02	-0.06	-0.02	-0.04
Middle East	1.86	1.76	1.72	-0.10	-0.04	1.86	1.76	1.72	-0.10	-0.04	0.00	0.00	0.00	0.00	0.00
Africa	3.72	4.05	4.59	0.33	0.54	3.72	4.04	4.57	0.33	0.53	0.00	-0.01	-0.02	-0.01	-0.01
<b>Total Non-OECD</b>	<b>27.97</b>	<b>28.97</b>	<b>30.33</b>	<b>1.00</b>	<b>1.35</b>	<b>27.97</b>	<b>28.95</b>	<b>30.26</b>	<b>0.98</b>	<b>1.31</b>	<b>0.00</b>	<b>-0.02</b>	<b>-0.07</b>	<b>-0.02</b>	<b>-0.05</b>
Processing Gains	1.86	1.90	1.92	0.04	0.02	1.86	1.90	1.92	0.04	0.02	0.00	0.00	0.00	0.00	0.00
Other Biofuels	0.12	0.15	0.26	0.04	0.11	0.12	0.15	0.26	0.04	0.11	0.00	0.00	0.00	0.00	0.00
<b>Total Non-OPEC</b>	<b>50.23</b>	<b>51.10</b>	<b>52.98</b>	<b>0.86</b>	<b>1.89</b>	<b>50.23</b>	<b>51.04</b>	<b>52.84</b>	<b>0.81</b>	<b>1.80</b>	<b>0.00</b>	<b>-0.06</b>	<b>-0.14</b>	<b>-0.06</b>	<b>-0.08</b>

OMR = Oil Market Report

## OECD STOCKS

### Summary

- **OECD total industry oil stocks** built by 22 mb in July, as a 30 mb increase in product stocks was only partly offset by a decline in crude inventories. The product stock build was concentrated in North America, where ‘other products’ saw a substantial build of 17 mb. Distillates also built in all regions, adding close to 15 mb to total inventories. A downward revision of 18 mb to the June baseline left total end-July OECD industry stocks at 2,668 mb or 3 mb higher than last year. Days of forward demand cover came to 54 days for the OECD as a whole, on par with last month and 1 day below last year.

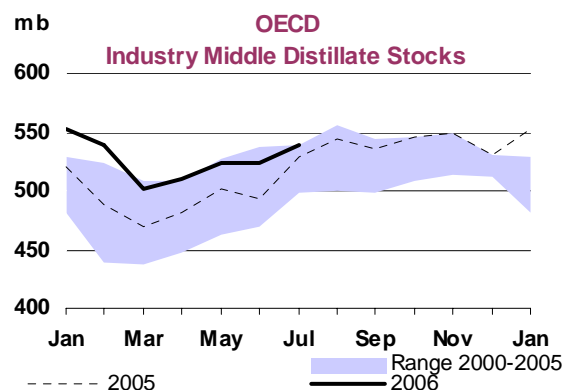
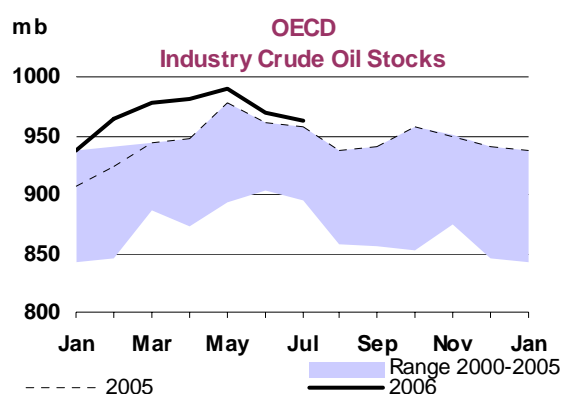
#### Preliminary Industry Stock Change in July 2006 and Second Quarter 2006

(million barrels per day)

	July (preliminary)				Second Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
<b>Crude Oil</b>	<b>-0.16</b>	<b>0.08</b>	<b>-0.16</b>	<b>-0.24</b>	<b>-0.10</b>	<b>-0.11</b>	<b>0.11</b>	<b>-0.10</b>
Gasoline	-0.10	-0.02	-0.04	-0.16	-0.01	-0.11	0.00	-0.12
Distillates	0.17	0.09	0.20	0.47	0.06	0.09	0.10	0.25
Residual Fuel Oil	0.00	-0.03	0.06	0.04	0.02	0.06	0.04	0.12
Other Products	0.55	0.02	0.05	0.62	0.31	-0.02	0.01	0.30
<b>Total Products</b>	<b>0.63</b>	<b>0.07</b>	<b>0.27</b>	<b>0.97</b>	<b>0.38</b>	<b>0.03</b>	<b>0.16</b>	<b>0.56</b>
Other Oils <sup>1</sup>	-0.01	-0.03	0.03	-0.02	0.08	-0.02	0.02	0.08
<b>Total Oil</b>	<b>0.46</b>	<b>0.13</b>	<b>0.13</b>	<b>0.71</b>	<b>0.36</b>	<b>-0.10</b>	<b>0.28</b>	<b>0.55</b>

<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons

- **OECD industry crude stocks** fell by 7 mb in July to 963 mb, some 5 mb higher than last year. The stock draw came in North America, where lower imports and domestic production were only partly offset by reduced throughputs, and in the Pacific where refinery runs picked up sharply. In Europe, crude stocks increased slightly on lower refinery runs and ample regional supplies as North Sea field maintenance took a pause in July.
- **OECD industry gasoline stocks** fell by 5 mb in July with small declines in all regions. Low gasoline stocks in the Pacific and Europe left total OECD stocks below their historical range in July, despite US inventories holding at the upper-end of their five-year range through to end-August. However, OECD European gasoline stocks are mid-range on a forward demand cover basis, reflecting structural declining consumption. Following the end to the driving season, and US gasoline stocks at seemingly comfortable levels (barring any supply disruptions), refiner focus is shifting towards middle distillate inventories ahead of the winter heating season.
- **OECD industry distillate stocks** built by 15 mb in July to 539 mb, or 10 mb higher than last year. The stock increase came from all OECD regions, although the sharpest gains were centred in the Pacific and the US, in large part due to rebounding throughputs as refiners exited maintenance. Weekly data for the US, Northwest Europe, Japan and Singapore show that middle distillate stocks continued to build in key markets in August as refinery throughput reached a seasonal peak.

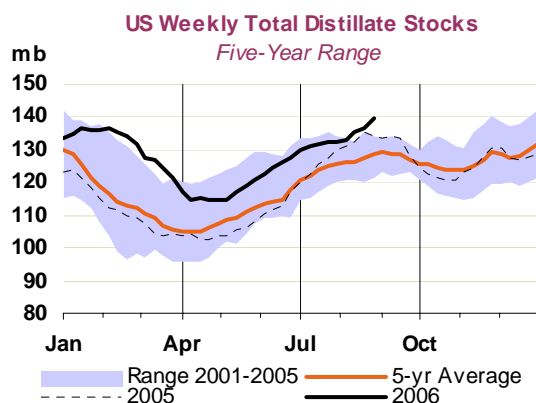
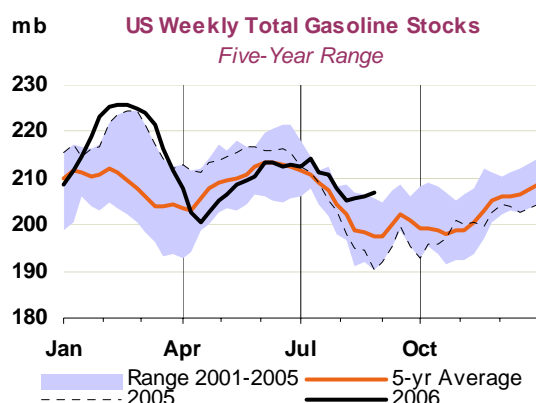


## OECD Industry Stock Changes in July 2006

### OECD North America

North American crude stocks fell by 5 mb in July, as a decline in the US was partly offset by a build in Mexican inventories. Lower imports contributed to the US stock draw which came despite low refinery throughputs. In addition, towards the end of July, domestic crude production slowed to its lowest level since January due to temporary maintenance on the Trans-Alaska Pipeline System. In August, US-50 crude stocks moved lower as refinery throughputs rebounded from the seasonally low levels seen in July. Total US crude production held relatively stable around 5.1 mb/d despite the Prudhoe Bay shutdown due to increases in the Gulf of Mexico. Four-week average imports were 10.3 mb/d, equal to July but 300 kb/d lower than last year. Refinery throughputs averaged 15.7 mb/d, on par with the same period last year.

The 20 mb July gain in North American product inventories originated entirely in the US. The bulk of the increase came in US other products' which built by 17 mb. Total US distillates added another 5 mb, as heating oil continued to increase in line with seasonal trends while an 8 mb addition to ultra-low-sulphur diesel (ULSD) stocks offset a draw of similar magnitude in regular diesel. Gasoline inventories bucked the trend and fell by 4 mb over the month, due to lower refinery output and seasonally strong demand, while imports held flat from the previous month.



In August, total US-50 product stocks continued to build, adding more than 12 mb. Gasoline stocks (including both finished gasoline and blending components) declined by close to 4 mb, despite higher imports. Distillates built by more than 7 mb, as a build in ULSD stocks largely outpaced a fall in regular diesel while heating oil stocks built seasonally. Other products built by 9 mb, most of which came in propane/propylene stocks, in line with seasonal trends. Although unplanned outages (including the possibility of hurricane damage) could always interrupt supplies, with gasoline stocks above the recent seasonal range and the passing of the driving season, supply concerns have ebbed. The market has therefore shifted its focus to distillate stocks ahead of the upcoming winter heating season. Although distillate stocks generally trend higher between now and the end of the year, it is worth noting that US stocks, for both diesel and for heating oil, and combined, are close to their peak five-year winter high

### OECD Europe

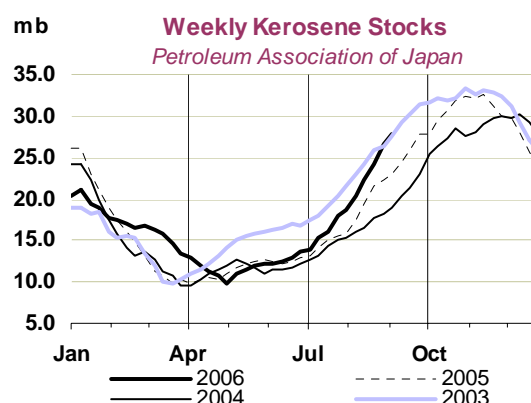
European crude oil inventories built by 2.5 mb in July to 337 mb or 1 mb lower than last year. The build was centred in the UK (+3.7 mb) and in Norway (+1.9 mb) following increasing regional supplies. North Sea crude output was higher in July, as production took a pause from maintenance-reduced levels seen in June and August. Offsetting the increase in the North Sea, stocks in the Netherlands were 3 mb lower than at the end of June.

European product stocks increased by 2.5 mb in July, as small builds in France, Germany and the Netherlands were only partly offset by declines elsewhere. The increase came in middle distillates, despite strong inland deliveries in both France and Italy. German gasoil deliveries were unchanged year-on-year as strong diesel deliveries were offset by a drop in heating oil. Despite the lower heating oil deliveries, German consumer stocks rose to 55% of capacity in July, from 50.5% at the end of June, as households started building inventories ahead of winter. While European outright gasoil prices (barge and ICE) rose to record levels in July, a strong contango means that winter futures are at an even higher level, signalling expectations of tighter supplies during the upcoming heating season.

## OECD Pacific

In the Pacific, a seasonal increase in refinery throughput contributed to a 5 mb decline in crude oil stocks in July. The fall was largely centred in Korea, where higher imports only partly offset a 284 kb/d increase in refinery throughputs. In contrast, a sharp increase in Japanese crude imports offset a much steeper increase in refinery runs. Further, crude purchases by Japanese utilities were reportedly lower in July as utility stocks were ample and nuclear power plants were running near seasonal norms and bad weather reduced peak summer demand. Weekly data from the Petroleum Association of Japan (PAJ) show that, in August, Japanese onshore crude stocks fell by more than 7 mb as throughputs continued to increase seasonally. It was also reported that some of Statoil's Oseberg crude was moved from its leased Korean storage to a Tesoro refinery on the US West Coast to offset Alaskan production outages. More generally, record-high oil prices and falling refinery margins in the region started to have a dampening effect of crude demand.

Pacific product inventories built by 8 mb in July to 190 mb, 4 mb higher than last year. Middle distillate stocks built in both Japan and Korea following increasing refinery runs and slack demand. Diesel demand in Korea was particularly weak due to tax changes, but inland deliveries of heating oil in Japan were also lagging year-ago levels. Only gasoline inventories fell for the OECD Pacific as a whole, as stocks were down in Japan. Lower imports and seasonally higher gasoline demand supported the stock draw. Weekly data from PAJ show that middle distillate inventories, including gasoil/diesel, kerosene and jet fuel rose sharply in August, adding a combined 13 mb.



## OECD Inventory Position at End-July and Revisions to Preliminary Data

Total OECD industry oil inventories built by 22 mb in July to 2,668 mb or 3 mb higher than last year. Only in North America are total oil stocks above last year's position. Days of forward demand cover came to 54 days for the OECD as a whole, on par with last month and 1 day below last year. On a regional basis, forward cover came to 50 days for North America, 61 days for Europe and 53 days for the Pacific.

### Year-on-Year OECD Industry Stock Comparisons for July 2006

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
<b>Crude Oil</b>	<b>14.7</b>	<b>-1.0</b>	<b>-8.2</b>	<b>5.4</b>	<b>Total Oil</b>	<b>-0.9</b>	<b>0.6</b>	<b>-2.0</b>	<b>-0.7</b>
Total Products	-0.7	0.7	4.2	4.2	Versus 2004	2.2	0.9	0.8	1.5
Other Oils <sup>1</sup>	-6.7	-0.2	0.2	-6.7	Versus 2003	1.4	2.1	-3.8	0.6
<b>Total Oil</b>	<b>7.2</b>	<b>-0.5</b>	<b>-3.8</b>	<b>2.9</b>	<b>Total Products</b>	<b>-0.7</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.3</b>
Versus 2004	78.3	8.9	8.5	95.7	Versus 2004	1.1	0.0	1.8	0.8
Versus 2003	89.8	23.7	-24.0	89.5	Versus 2003	0.6	1.4	-1.0	0.5

<sup>1</sup> includes feedstocks, NGLs and other hydrocarbons

Preliminary June stock data for OECD countries has been revised down by 18 mb. The main changes came in Italian crude oil stocks and US 'other products', which were revised down by about 6 mb each. North American (US + Canada) gasoline and distillate stocks were also revised lower, adding to the total. Net changes to May data were small as changes to crude and products offset each other.

### Revisions versus 11 August 2006 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	May 06	Jun 06	May 06	Jun 06	May 06	Jun 06	May 06	Jun 06
<b>Crude Oil</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-2.7</b>	<b>-4.5</b>	<b>0.0</b>	<b>-1.6</b>	<b>-3.0</b>	<b>-6.7</b>
Gasoline	-0.2	-3.4	0.1	0.0	0.0	0.7	-0.1	-2.7
Distillates	-0.4	-2.3	3.1	1.3	0.0	0.4	2.8	-0.5
Residual Fuel Oil	0.1	0.0	0.7	1.4	0.0	-0.2	0.8	1.2
Other Products	0.8	-7.4	-1.2	-2.2	0.0	-0.8	-0.4	-10.4
<b>Total Products</b>	<b>0.3</b>	<b>-13.0</b>	<b>2.8</b>	<b>0.5</b>	<b>0.0</b>	<b>0.1</b>	<b>3.1</b>	<b>-12.4</b>
Other Oils <sup>1</sup>	-0.2	1.2	1.0	0.4	0.0	-0.1	0.8	1.5
<b>Total Oil</b>	<b>-0.3</b>	<b>-12.4</b>	<b>1.1</b>	<b>-3.6</b>	<b>0.0</b>	<b>-1.6</b>	<b>0.9</b>	<b>-17.6</b>

<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons

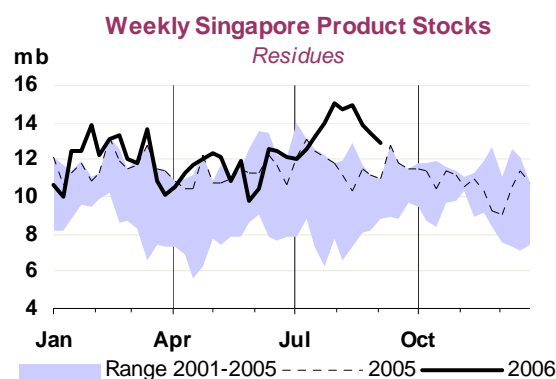
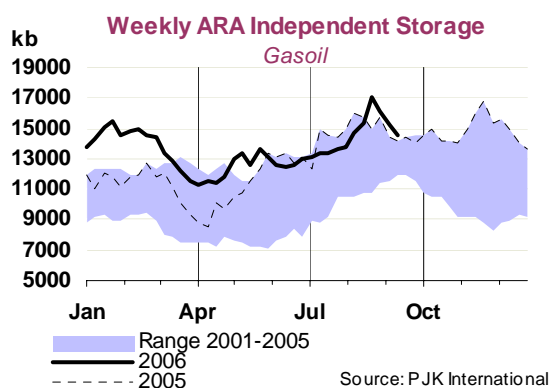
## Recent Developments in ARA Independent Storage

Product stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp saw mixed trends in August, with gasoline and fuel oil stocks slightly lower than end-July levels while gasoil stocks continued to build.

Gasoline stocks nudged lower last month following exports to the US, Nigeria and the UK, as well as to France and Germany. Arrivals from France, Germany, the UK, Sweden and the UAE offset some of the draw. With the driving season largely over and attention shifting to winter heating needs, traders were reducing gasoline storage and shifting the tank space to meet gasoil requirements. Further supporting the draw, a backwardation (prompt prices at a premium to forward) in gasoline paper markets encouraged traders to take gasoline out of storage.

In mid-August, gasoil inventories reached their highest level since December 1999 before falling back somewhat at the end of the month. Record gasoil prices on the Northwest Europe (NWE) barge market and a strong futures contango, attracted distillates from around the world, including India and Singapore as well as the US and Canada. These high prices would appear to reflect covering ahead of heavy September and October refinery maintenance and were perhaps a forerunner for the strong consumer demand for heating oil from Germany, France and Switzerland at the end of August. Strong jet fuel margins also encouraged refiners to maximize jet at the expense of gasoil. In addition, gasoil exports from the FSU were lower due to increased tariffs from the 20 August and seasonal Russian agricultural demand. Further, lower exports from the Mazeikiiai refinery following a pipeline supply problem, further reduced FSU gasoil exports.

August fuel oil inventories fell from recent peaks following high fuel oil exports to Asia, but they continue to trend at the top of their five-year range.



## Recent Developments in Singapore Stocks

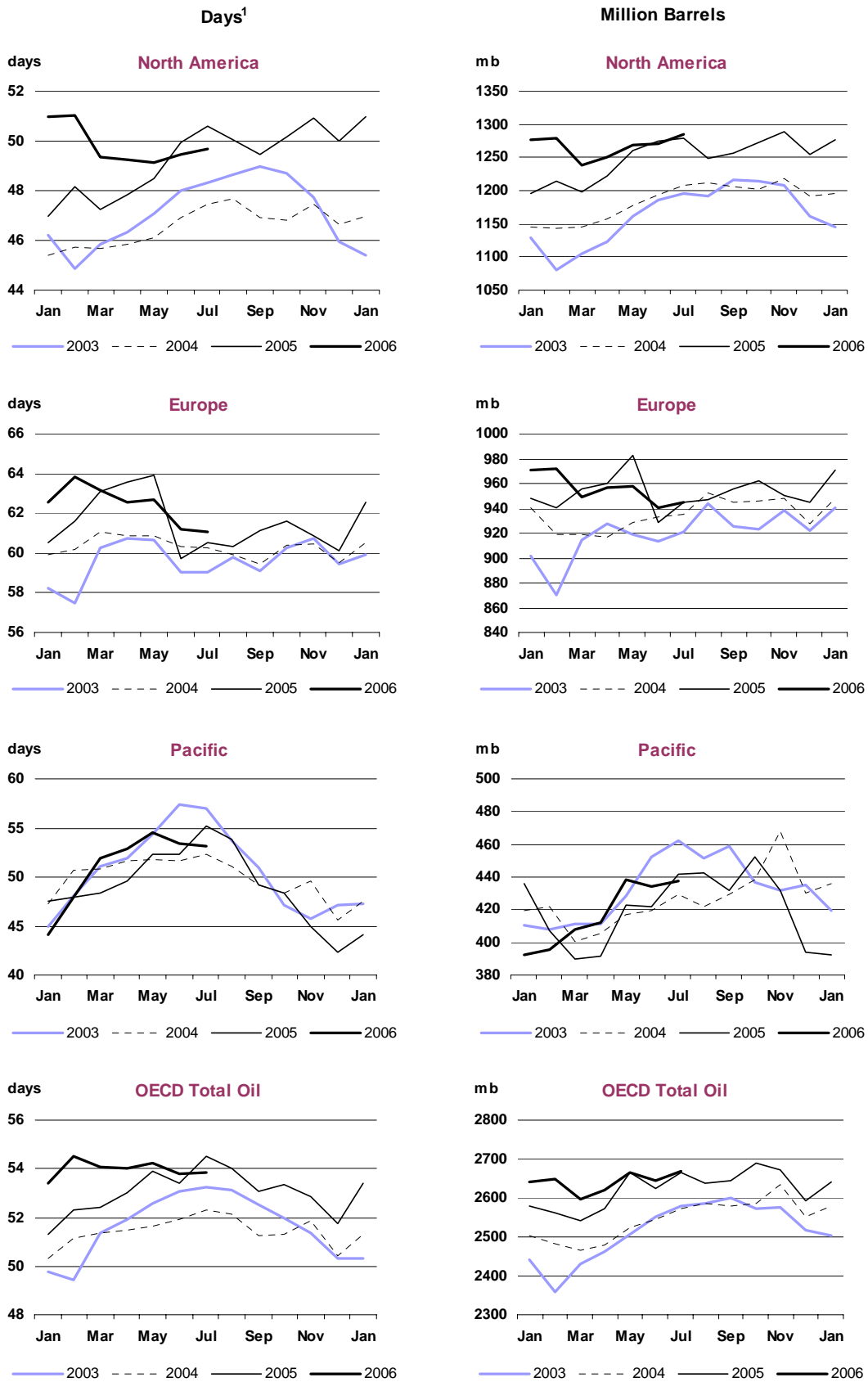
Singapore product inventories, as surveyed by International Enterprise, trended sideways in August as a drop in residue stocks was offset by increases in light and middle distillates. Light distillates, including gasoline and naphtha, moved slightly higher in August. The increase was most likely due to increasing naphtha stocks following high Indian exports and as a series of cracker shutdowns reduced demand. In contrast, gasoline supplies were tightened by higher shipments to the US, a lack of Chinese exports and reduced regional supplies.

Middle distillate stocks moved higher in August as refiners cranked up throughputs and a lack of arbitrage opportunities left surplus supplies in the region. Record-high exports from India and a lack of demand from Vietnam and Indonesia added to inventories. In the first week of September, however, regional buying interest for gasoil picked up, pushing Singapore swaps into backwardation.

Fuel oil stocks came down from recent record highs in the second half of August, but remain well above the upper-end of their historical range. Although still at relatively high levels, arrivals from Europe and the Caribbean eased from the record levels seen since June following worsening arbitrage economics. Weak regional demand, in particular from China, persisted, pushing prompt prices lower and resulting in a record wide contango for September/October fuel oil swaps. Although reports have been made of storage capacity running tight in Singapore, separate reports show Dutch storage firm Vopak expanding fuel oil storage at its Sebarok terminal in Singapore by 1.36 mb by the end of this year.

### Regional OECD End-of-Month Industry Stocks

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



<sup>1</sup> Days of forward demand are based on average demand over the next three months

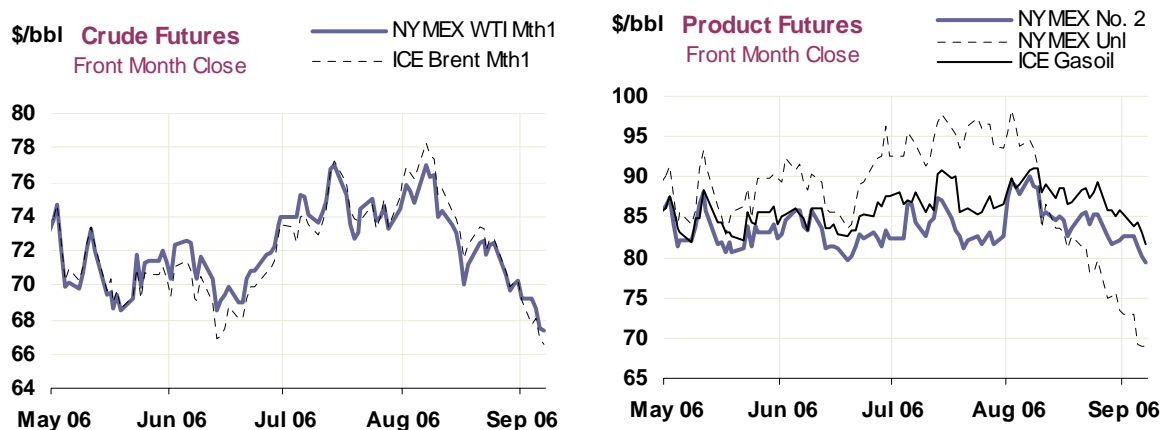
## PRICES

### Summary

- **NYMEX Unleaded and RBOB gasoline plummeted by more than 30%** from early-August highs after an incident-free tail-end to the driving season. The switch to ethanol-blended product in the US has not caused any problems, and unlike last year, neither hurricane damage nor major refining outages has affected supplies so far.
- **Crude futures were dragged down well below \$70/bbl by gasoline's fall** and the perception that supply is sufficient. Iran worries took a back seat for the moment after the UN ultimatum deadline passed without incident, while a stable ceasefire in Lebanon helped to calm markets.
- With the driving season over, the market **focus has shifted to distillates**, which showed the smallest price losses. Global diesel and jet demand remain high, though stocks in the US, Japan and Europe are at the top of their five-year range.
- **Gasoline's sharp fall pulled down refining margins** in all regions in August. While the fall in gasoline was most prominent in the US, its effects were global. Combined with weak fuel oil prices, several Asian refiners have indicated possible economic run cuts in September.
- Sustained demand for crude transportation combined with Alaskan supply outages kept August **freight rates above normal summer levels**.

### Oil Futures Prices

Dragged down by a 30% fall in gasoline and the perception that the US summer driving season had passed without any major hiccups, oil prices fell sharply in August. Crude futures declined from their peaks in early August to five-month lows by early September, sliding well below \$70/bbl. Hurricane forecasts have been revised downwards, lending reassurance to markets, as meteorologists have argued that tropical storms will increasingly veer northwards on warmer water temperatures and miss the US Gulf Coast. The first fully-blown storm to potentially threaten US oil installations, Hurricane Ernesto, changed direction and fizzled out before causing any damage.

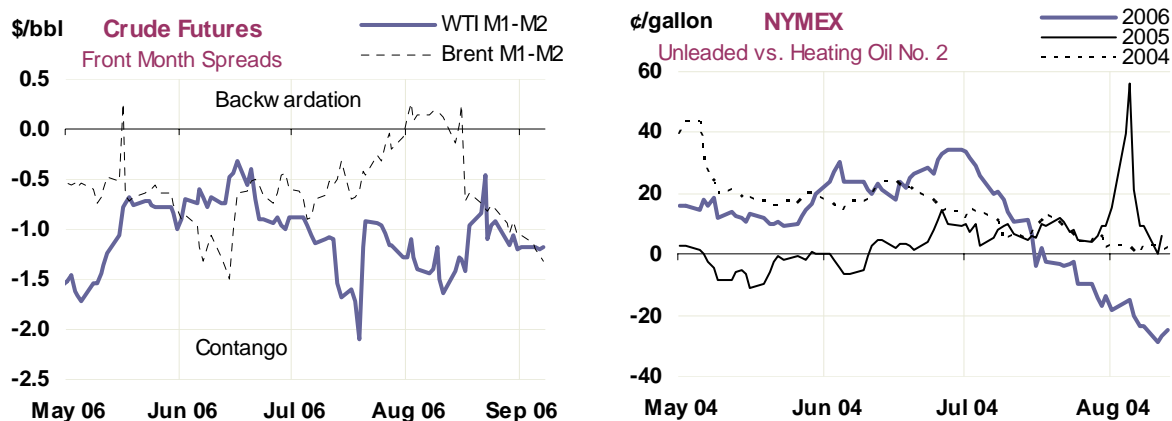


Crude supplies seemed less tight after BP's Alaskan Prudhoe Bay output recovered to some extent. So did some production in Nigeria, though this was largely cancelled out by new problems affecting ENI, and looking ahead, an oil worker strike scheduled for 13 September. The deployment of UN peacekeeping troops to Lebanon, following the ceasefire declared on 14 August, calmed fears that the military conflict with Israel could flare up again. Relatively speaking, the Iran issue took a backseat. Expectations had been high that oil prices would rise sharply after the UN Security Council's 31 August ultimatum expired. However, the fact that no immediate action was taken may ironically have put some downward pressure on crude prices, even though the issue remains far from resolved.

Crude losses were however far overshadowed by dramatic declines in both the NYMEX Unleaded and RBOB contracts, which each shed over 30% since early-August highs. US Labour Day marked the end of the summer high gasoline demand season unmarred by problems with the specification changes, major refining outages, nor any storm-related damage so far (the hurricane season is not yet

over). With the US refining complex running throughputs at nearly 230 kb/d higher than last year in the four-week average, as well as high gasoline yields and strong imports, stocks remain at the top of the five-year range. Some fund selling may have also helped to trigger the strong downturn, though arguably fundamentals were the main cause (see 'Unravelling the gasoline conundrum' below). In addition, the approaching switch to winter-specification material, which is easier to produce, should also have calmed the market.

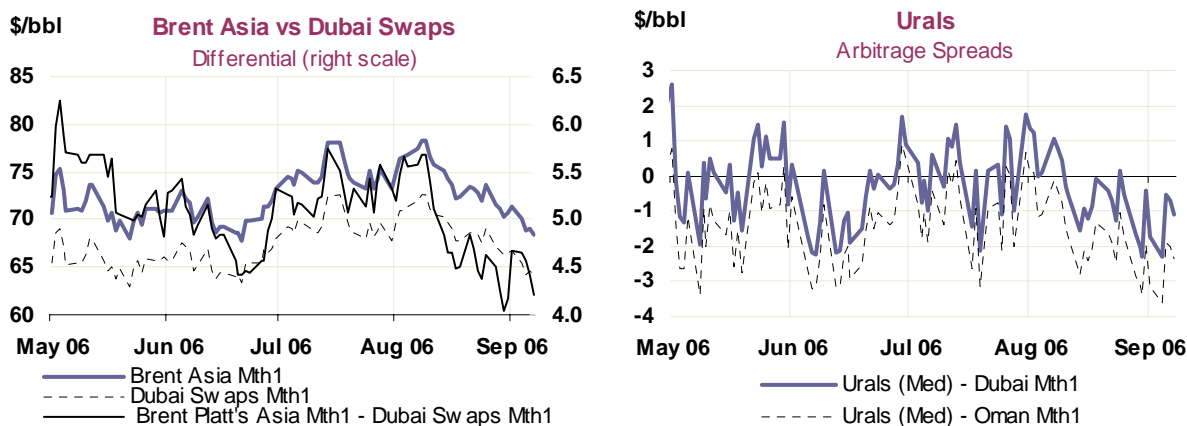
Distillate futures, though lower, saw far smaller losses, anticipating the approach of the winter heating season. Diesel and jet fuel demand also remain strong, with the latest EIA weekly report showing year-on-year distillates consumption growth of 3.2% at 4.1 mb/d. Lastly, NYMEX Natural Gas also plummeted by over 25% on high US stocks, weighing on fuel oil prices.



As regards market structure, ICE Brent not only returned to a contango from mid-August on the perception of significantly less tightness in the Atlantic Basin market, but widened its contango further down the forward curve. Weaker Brent has also led WTI to return to its more familiar premium, likely affecting the transatlantic arbitrage.

**Crude Oil Prices**

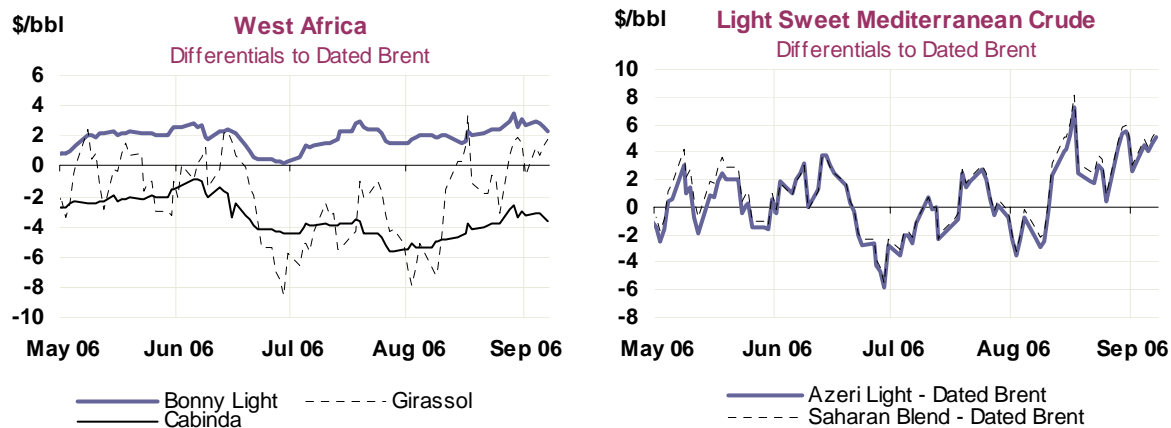
All crudes fell in August, following crude futures and a general downturn in market sentiment. Gasoline-rich grades such as Dated Brent, Bonny Light and LLS were affected most of all due to the motor fuel's pronounced losses. Crudes with a high distillate yield such as medium sour UAE grades, but also Dubai, Oman and some heavier grades that simply have a low gasoline yield, in contrast suffered less. Despite heavy North Sea maintenance, Brent was dragged down by extraordinarily weak US Gulf Coast cracking margins in August, which on average dipped to nearly zero. These relative swings have translated into shifts in arbitrage flows.



Most notably, the Brent/Dubai spread narrowed sharply, while Urals fell to a wide discount to both Oman and Dubai, opening up the possibility of flows of various crudes to the Far East. As for West African (WAF) grades, Bonny Light and other Nigerian light sweets have increased against Dated Brent, as have the heavier Angolan low-sulphur grades such as Girassol and Cabinda. Bonny Light has also

increased against US Light Louisiana Sweet and in particular WTI. These developments are more due to the greater drops in Brent and WTI, but could herald a shift to increasing flows of WAF grades towards Asia.

The Far East has not been buying as much WAF crude over the summer, in part due to some new grades from Sudan and Sakhalin entering the market. The US drew in gasoline-rich cargoes, despite WTI being at a discount to Dated Brent. Mediterranean Azeri Light and Saharan Blend in turn have seen their spreads to Bonny Light and Dated Brent improve in August, which should make them less attractive.



### Delivered Crude Prices in June

The average monthly cost of delivered crude for IEA countries fell by 43 cents to \$65.70/bbl in June. This marked the first month-on-month decrease since the beginning of 2006. Average monthly declines of \$0.96/bbl and \$0.19/bbl in European and North American IEA countries respectively offset the monthly increase of \$0.46/bbl increase in the Pacific. IEA countries in the Pacific paid \$67.63 for the average barrel of crude imported in June, compared to \$65.92/bbl and \$64.49/bbl in IEA Europe and North America respectively. The higher proportion of long-haul imports to the Pacific mean that freight costs partly account for higher CIF prices.

### Refining Margins

In August, gasoline's strong decline and higher crude throughputs pulled down refining margins to their lowest levels since spring this year, while decreases in product prices generally outweighed those of crude prices. The most pronounced losses were in the US, due to the large gasoline share in the product spread, and its weakness there.

Coking margins fell most steeply, but remain by far the strongest globally. Brent cracking margins on the US Gulf Coast dropped to the lowest value in the US, unusually spending much of the month in negative territory, and averaging \$0.16/bbl in August.

In contrast, European and Asian refining margins declined much less, taking strength from healthy distillate values for heating oil, diesel and jet fuel. But all Asian margins remained negative throughout August, with the exception of Dubai hydrocracking, perhaps heralding some run cuts. In Europe, hydroskimming margins in both NWE and Med markets fell further into negative territory due to fuel oil's sustained weakness.

## Selected Refining Margins in Major Refining Centres

		Monthly Average			Change		Week Ending:			
		Jun 06	Jul 06	Aug 06	Aug 06-Jul 06	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep
<b>NW Europe</b>	Brent (Cracking)	7.55	6.49	4.16	-2.33	5.52	3.67	3.36	3.50	4.88
	Urals (Cracking)	9.74	8.82	6.37	-2.46	8.04	5.98	6.23	5.80	5.77
	Brent (Hydroskimming)	-0.39	-2.43	-2.82	-0.40	-3.07	-3.73	-3.40	-2.99	-0.85
	Urals (Hydroskimming)	-0.35	-2.24	-2.86	-0.62	-3.06	-3.95	-2.64	-2.67	-1.95
<b>Mediterranean</b>	Es Sider (Cracking)	8.30	7.46	5.68	-1.78	8.08	6.18	5.38	4.16	4.50
	Urals (Cracking)	9.22	8.50	6.54	-1.96	8.33	6.47	6.42	5.67	5.58
	Es Sider (Hydroskimming)	-0.28	-2.02	-1.90	0.13	-1.11	-1.78	-2.13	-2.90	-1.63
	Urals (Hydroskimming)	-0.95	-2.53	-3.26	-0.72	-2.91	-3.86	-3.22	-3.53	-2.83
<b>US Gulf Coast</b>	Brent (Cracking)	6.66	5.90	0.16	-5.74	5.19	-0.75	-0.75	-0.82	-1.68
	LLS (Cracking)	10.60	10.02	5.73	-4.30	11.00	5.31	4.83	5.74	1.73
	Mars (Cracking)	6.45	6.97	4.26	-2.70	7.07	2.72	4.73	4.98	1.77
	Mars (Coking)	16.08	16.69	13.01	-3.68	17.26	11.64	13.25	13.50	9.21
	Maya (Coking)	23.06	23.05	14.95	-8.11	21.78	15.21	14.52	13.24	10.40
<b>US West Coast</b>	ANS (Cracking)	8.79	7.81	4.36	-3.45	6.16	4.84	4.70	3.21	2.71
	Kern (Cracking)	7.50	7.46	5.36	-2.10	6.19	5.79	4.71	5.38	4.43
	Oman (Cracking)	7.93	6.31	1.76	-4.55	4.97	2.62	1.08	0.53	-0.30
	Kern (Coking)	28.17	28.29	21.43	-6.85	26.16	23.17	22.08	18.83	16.85
<b>Singapore</b>	Dubai (Hydroskimming)	-1.32	-3.72	-4.74	-1.02	-4.22	-4.86	-5.01	-4.83	-4.66
	Tapis (Hydroskimming)	-1.42	-5.36	-7.74	-2.39	-7.41	-7.99	-7.76	-7.75	-7.93
	Dubai (Hydrocracking)	4.51	2.04	1.44	-0.60	1.93	1.39	1.03	1.39	1.49
	Tapis (Hydrocracking)	1.91	-1.68	-3.16	-1.48	-2.85	-3.40	-3.17	-3.21	-3.28
<b>China</b>	Cabinda (Hydroskimming)	-2.09	-4.82	-7.39	-2.57	-8.39	-8.60	-7.26	-6.91	-5.81
	Daqing (Hydroskimming)	-3.81	-8.49	-12.99	-4.50	-13.17	-13.74	-13.18	-12.45	-12.23
	Dubai (Hydroskimming)	-1.96	-4.39	-5.33	-0.94	-4.76	-5.43	-5.68	-5.42	-5.23
	Daqing (Hydrocracking)	1.50	-2.34	-5.95	-3.62	-5.51	-6.30	-6.23	-5.75	-5.84
	Dubai (Hydrocracking)	3.90	1.42	0.84	-0.58	1.41	0.82	0.34	0.77	0.86

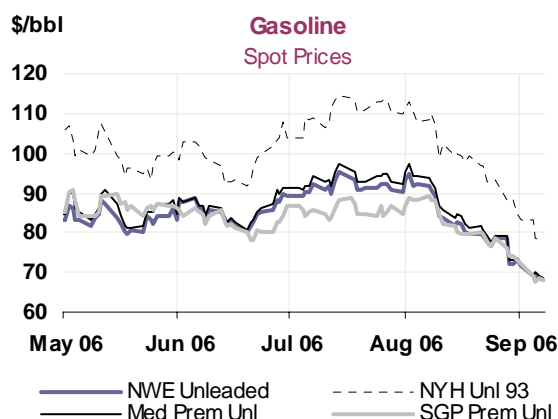
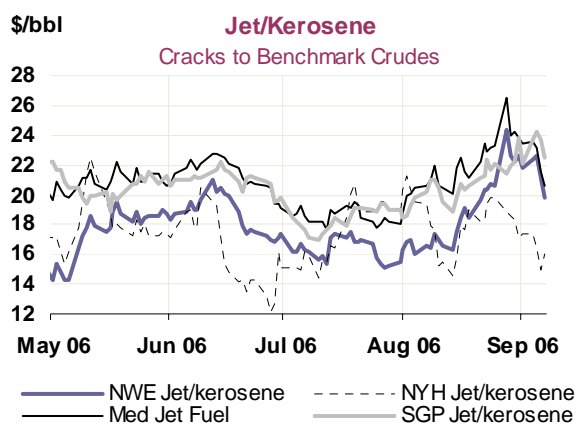
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimized for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability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

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

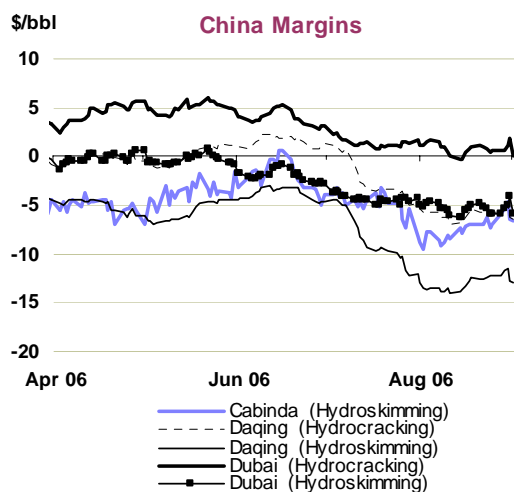
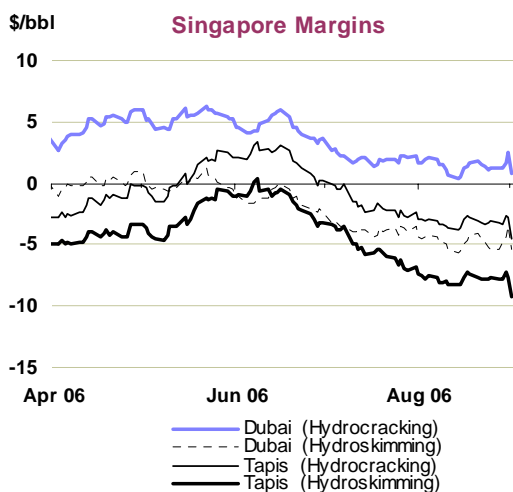
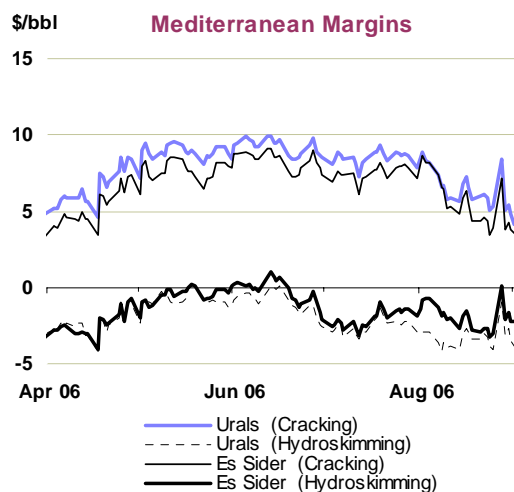
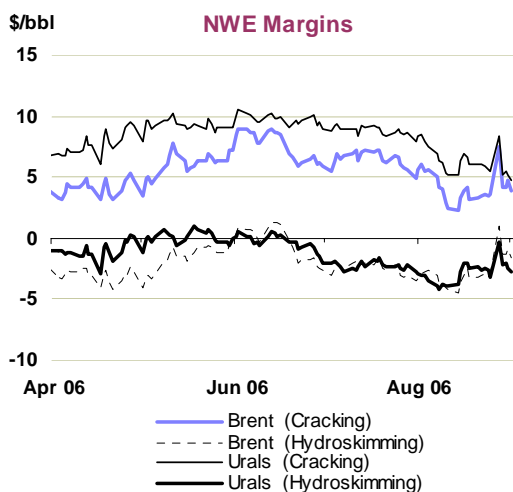
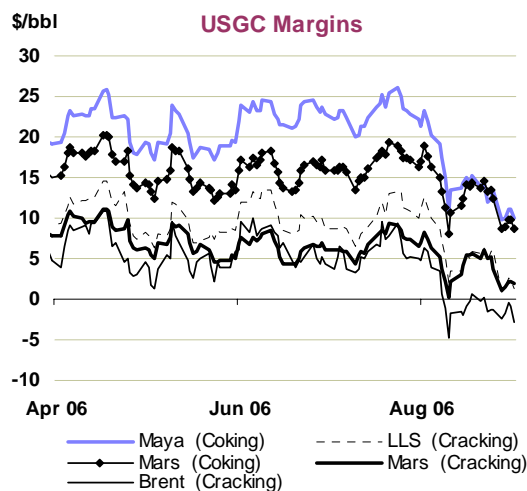
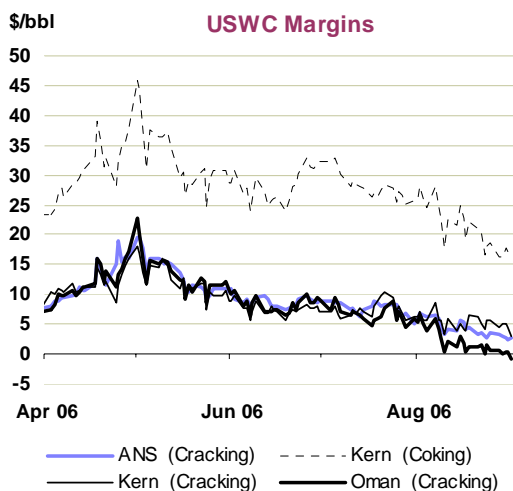
Sources: IEA, Purvin & Gertz Inc.

## Product Prices

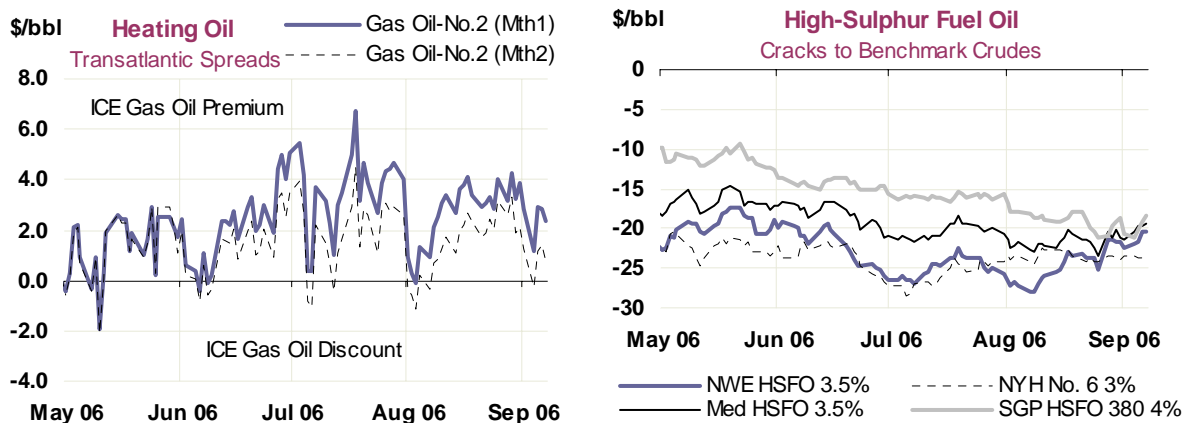
The end of the US driving season has marked a distinct shift in market focus from gasoline towards distillates. NYMEX Unleaded is now at an unseasonably wide discount to NYMEX Heating Oil. Demand for diesel and jet remains strong around the globe, with US distillate demand growth figures for the four weeks ended 1 September showing a 3.2% increase year-on-year. China has bought even more jet fuel for the October/November period than its already-high September purchases. German households are expected to continue strong tertiary stock building.



### Regional Full-Cost Refining Margins



On the supply side, August gas oil exports from Russia were lower, and are expected to fall further in September due to a record-high export duty and the onset of the harvest season leading to greater domestic consumption. Jet has been tight in the Eastern Mediterranean due to the conflict in Lebanon and higher insurance costs for tankers, while South Korean refineries are set to export less jet fuel in September. On the other hand, a significant rise in ICE Gas Oil's premium to NYMEX Heating Oil should, on paper at least, encourage backhaul transatlantic arbitrage shipments to Europe. Worries about the introduction of ultra-low-sulphur diesel (ULSD) in the US are also dwindling. The situation looks less tight in Asia, where Japanese and Korean refiners will be cutting runs in September, and Japanese kerosene stocks are at the top of the four-year range.



Gasoline has plummeted in all markets, though most markedly in the US on the perception that the summer driving season has passed smoothly. There had been fears that the phase-out of MTBE could cause tightness and price spikes. There were also no major refining outages, and so far no hurricane damage to oil installations, while high product imports contributed to keeping stocks at the top of their five-year range. The NYMEX Unleaded/WTI crack has seen a truly dramatic tumble from over \$22/bbl in early August to nearly zero, a low not seen since mid-February.

Fuel oil fell even further in all markets, though cracks remained more or less steady due to crude's weakness. High runs have sustained supply, while demand showed more signs of weakness. According to the EIA, US consumption is down by 19% so far in 2006, compared with the same period last year, also affected by sliding natural gas prices. Indian demand is also down compared to last year, though China has been importing more residue as an alternative refining feedstock, even while its overall consumption stayed steady. Japanese demand for low-sulphur waxy residue for direct burning has been low due to heavy rain and steady hydropower supplies, as well as fewer outages at nuclear power stations. News reports indicate lower volumes of fuel oil heading from Europe to Asia in September, as Singapore stocks remain substantially above their five-year range and cracks for both low and high-sulphur material are at all-time lows.

#### End-User Product Prices in August

Japanese consumers felt a sharp rise in petroleum product prices in August on strong summer demand. Gasoline and automotive diesel prices were both up by around 12% compared to July, on a US-dollar basis, before tax. In the US, net diesel prices rose by 4.5% to \$0.68/litre in August, outpacing gains in net gasoline prices, which rose by less than 1% to reach \$0.69/litre. In contrast, corresponding end-user prices for gasoline, diesel and domestic heating oil fell by up to 2% in August in all European countries surveyed, excepting UK gasoline. Cost trends in industrial low-sulphur fuel oil were mixed with Spain, Italy and UK prices increasing while those in France and Germany fell.

## Unravelling The Gasoline Conundrum

NYMEX Unleaded has fallen by over 30% since early August, dragging down crude prices and reviving the "funds versus fundamentals" debate. A downturn is quite normal when traders feel confident that supplies are sufficient to see the market through to the end of the US summer driving season. But the controversy was sparked due to the coincidence of an 8.4% fall on 10 August following a statement by Goldman Sachs that it was reducing the share of gasoline in the Goldman Sachs Commodity Index (GSCI), a major and much-tracked investment vehicle with over 70% of its portfolio in oil and gas futures. However, given that 10 August also coincided with the announcement of the foiled airline bomb plot in the UK and a wealth of other bearish fundamentals, any fund impact is difficult to distinguish.

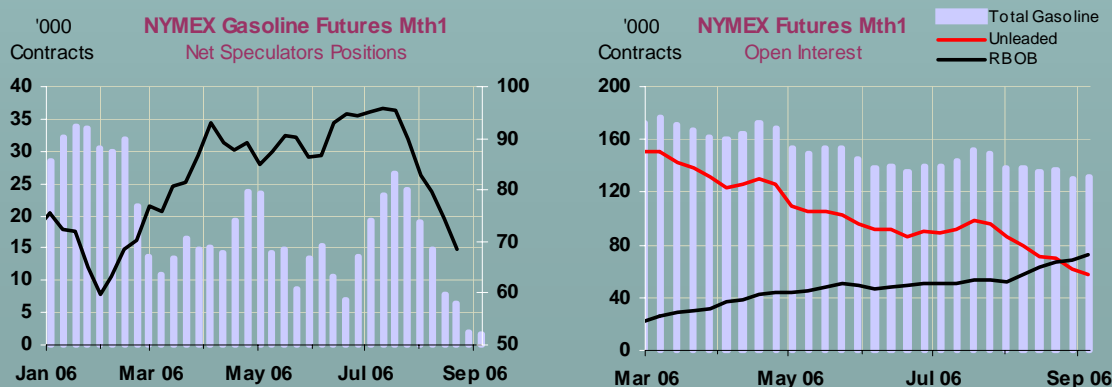
Following NYMEX's decision to phase out the benchmark Unleaded gasoline futures contract, open positions in the contract have been falling, with many switching into NYMEX's reformulated gasoline blendstock for oxygenate blending contract (RBOB). Ultimately, the transition process means that at the point where volumes and open interest are divided 50:50 between the two contracts, liquidity (the ability to buy and sell without unduly affecting price) is low. Although the GSCI had been gradually switching volumes between the two contracts, its 9 August announcement to only roll over one-third of its remaining Unleaded position into the RBOB contract (and move the rest into heating oil and crude futures) is likely to reflect liquidity concerns.

Discerning cause and effect is difficult given data limitations. The number of open positions (open interest) in the unleaded contract certainly fell, but had already been declining since the start of this year. The shifts in open interest in both contracts on 10 August were high, but larger falls had been seen two weeks previously. Further, the fall in combined open interest for the two contracts is not vastly out of line with seasonal norms. Open interest only gives a partial insight, but with index fund money often spread between the commercial and non-commercial sectors of the weekly Commodity Futures Trading Commission Commitment of Traders report (COT), deriving any further insight is difficult.

However, the COT report does show that the net-long position of non-commercials has fallen from a mid-July high of 31,984 lots to 7,463 – a pretty strong sign that the funds have changed their bullish stance. Again, this is in line with seasonal norms – speculative long positions tend to rise ahead of the spring and fall at the end of the driving season. Funds also frequently use chart levels to determine entry and exit points from the market, and the sharp price fall that started in the Unleaded contract towards the end of business on 9 August could have been the true trigger for fund liquidation. Undoubtedly, lower benchmark liquidity could have exaggerated its impact, but the fact that prices remain low suggests that the revaluation was fundamentally justified.

Moreover, a closer look at the price drop reveals a host of other possible fundamental explanations. Primarily, our preliminary data shows that there was 1.5 mb/d less offline global refinery capacity in August than July, which should have lifted global gasoline supplies. The US downstream complex also appeared to be coping well with the switch to ethanol from MTBE blending, and it was significant that the spread between higher-octane and regular grades had previously narrowed sharply. The pending move to winter specs can also increase available volumes. Further, import availability remained high throughout the season and US gasoline stocks moved to the top of the five-year range. Other factors included news of the apparently foiled bomb plot on 10 August, which contributed to a 4-5% decline in jet fuel on the initial fear that there could be a fall in travel demand similar to the post-9/11 period in the US.

Without comprehensive disaggregated data it is impossible to determine the real cause of the sharp sell-off in gasoline, and even with it, the outcome may not have been clear. However, on balance, a significant change in fundamentals from fears of tightness and shortage to a more evenly supplied market appears to have triggered fund liquidation. If there are lessons from this shift it is that the collapse in gasoline prices underscores the impact that tightness in refined products has on the crude prices; that changing product specifications causes uncertainty; and that benchmark liquidity is imperative for a smoothly functioning market.



## Freight

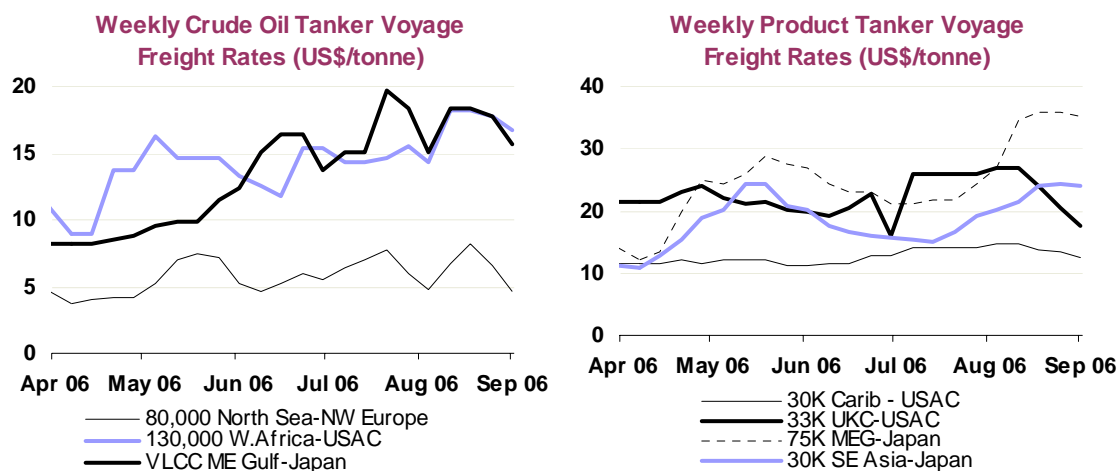
Sustained demand for crude transportation combined with Alaskan supply outages kept freight rates above normal summer levels in August. Dirty rates were boosted as US West Coast refiners turned to higher crude imports from outside the region to replace lost supplies from Prudhoe Bay. Chartering activity in the Middle East Gulf faded towards the end of August as falling refining margins and seasonal maintenance threatened crude throughputs. However, Atlantic Basin rates remained high end-month with strong demand for available crude vessels.

The partial closure of Prudhoe Bay, announced by BP on 6 August, instantly boosted competition for crude vessels in several regions as refiners looked to mitigate the supply loss by importing crude from elsewhere. BP itself chartered two VLCCs to bring Mediterranean crude to the US via the Gulf Coast, while other charters were made for the transportation of crude from West Africa, the Caribbean and Asia, in smaller vessels. In the emerging market of freight futures, the FFA (Forward Freight Agreement) fourth-quarter contract on the benchmark MEG-Japan VLCC route jumped 30 Worldscale points (around 20%) following BP's announcement, amid heavy trading volume. BP also paid a record fee for an express transit of the Panama Canal (which allowed it to bypass the queue of around 80 vessels and a delay of three to four days) for a 50,000-tonne vessel headed for the US West Coast.

Prompt spot VLCC rates in the Middle East Gulf to Japan rose to a peak of \$19/tonne mid-August. This reflected firm vessel demand from Eastern refiners and a scarcity of double-hulled vessels as chartering of September-loading VLCCs in the Gulf began. Rates corrected downwards to \$15/tonne by end-month as transportation requirements were covered. On the longer route to the US Gulf, charter rates rose by \$2 in August to end the month at \$25/tonne, buoyed by Alaskan outages and high US demand. August Suezmax interest in the Middle East Gulf was particularly strong. Million-barrel tanker rates to the US Gulf rose by \$10/tonne in August, ending the month at \$46/tonne.

West African VLCCs were in high demand in August, particularly for routes to the US. Rates to the US Gulf neared \$20/tonne in September, having started August at \$16/tonne. US-bound freight rates for Suezmaxes loading in West Africa and Europe also rose substantially. Some added competition for vessels came as Chinese buying of West African grades rebounded slightly after a summer of low eastbound exports from the region.

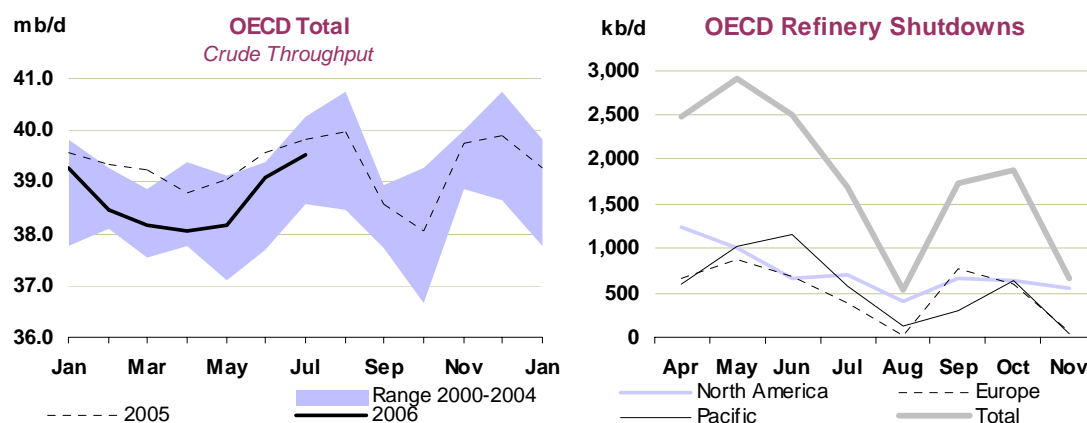
Clean freight rates east of Suez were supported by increased intra-Asian and trans-Pacific chartering activity in August. Increasing Chinese jet imports, tight product supplies on the US West Coast and product tanker demand from Australia all lent support to clean rates over the period. Spot rates for 30,000-tonne clean cargoes from Singapore to Japan rose from \$20/tonne at the end of July to \$28/tonne at the end of August. Transatlantic clean transportation costs fell on high vessel availability following a busy summer's product trading including profitable backhaul middle distillate flows to Europe.



## REFINING

### Summary

- **OECD crude throughputs** continued to increase in July as refiners exited the Pacific maintenance season, but runs declined in the Atlantic Basin due to unplanned outages. Crude runs increased by 430 kb/d to average 39.53 mb/d in July but remained some 304 kb/d below July 2005 levels, with the US still accounting for the majority of the year-on-year shortfall. Weekly data points to higher August throughputs in the US and Japan, although reports of run cuts in Asia may limit subsequent gains in throughputs ahead of the autumn maintenance season.



- **Offline OECD refinery capacity** due to planned and unplanned maintenance reached a low point in August. OECD Offline capacity declined by 1.1 mb/d from July to a projected average of 540 kb/d. Maintenance activity is expected to increase in all OECD regions in September and reach a seasonal peak in October at around 1.9 mb/d
- **Offline Global refinery capacity** shows a similar trend, with a projected decline of 1.5 mb/d to 1.1 mb/d in August, in line with the trend in OECD countries. Global offline capacity is expected to rebound driven largely by the increase in OECD maintenance, but with a 326 kb/d increase in non-OECD planned maintenance, concentrated in Libya and Russia.

### Refinery Throughput

OECD refinery throughputs increased in July by 430 kb/d to an estimated 39.53 mb/d, from a downward revised (-38 kb/d) June figure. Lower crude runs in North America and Europe, due to unplanned maintenance, partly offset the increase in Pacific runs (+783 kb/d) as seasonal maintenance ended. Average July OECD throughputs are 304 kb/d below July 2005's level, with only the Pacific region exceeding last year's level. Consequently, average OECD capacity utilisation was 87.7% in July, compared to 89.1% this time last year. Weekly data for the US and Japan indicate that OECD crude runs increased further in August, although reports of run cuts on lower refining margins in September may limit further gains ahead of the autumn maintenance season.

#### OECD North America

Provisional data for July show that North American crude throughputs fell by 185 kb/d to an estimated 18.68 mb/d. The decline from June's slightly revised level of 18.87 mb/d (-73 kb/d) was the result of a series of shutdowns and unplanned maintenance activity, largely in the US. Crude runs continue to lag 2005 activity levels, although the gap has narrowed to 246 kb/d, its lowest level in 12 months, thanks largely to a low 2005 baseline because of hurricane related disruptions. North American capacity utilisation rates fell to 88.6% in July, from 89.5% in June.

July US throughputs dropped to an average of 15.68 mb/d, 158 kb/d below June's downward revised (-101 kb/d) level of 15.84 mb/d. Average capacity utilisation dropped to 90.2%, from June's 91.1%. US crude runs remain 225 kb/d below the levels seen last year, effectively drawing to a close the impact of last year's hurricane season. With Murphy's Meraux refinery reaching full throughputs in July, BP's Texas City refinery is now the only refinery yet to return to full capacity. Recent industry reports suggest that Texas City crude runs are now expected to reach 300 kb/d by year-end, 100 kb/d

less than previously expected. BP's focus appears to have shifted towards a slower increase of crude throughputs, but a quicker start-up of upgrading units, with external certification of unit performance. This change in strategy should enable the refinery to increase supply of on-spec products more rapidly. As we have previously highlighted, the return to full service of this refinery has been hampered by site-specific issues and is not solely related to disruption caused by the hurricanes.

### Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from		Utilisation rate <sup>2</sup>		
	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	mb/d	%	Jul 06	Jul 05
<b>OECD North America</b>										
US <sup>3</sup>	14.58	14.58	14.94	15.52	15.84	15.68	-0.22	-1.4	90.17	92.83
Canada	1.83	1.80	1.52	1.50	1.81	1.76	-0.03	-1.9	87.05	88.72
Mexico	1.23	1.19	1.26	1.22	1.22	1.25	0.01	1.0	74.09	71.96
Total	17.64	17.58	17.71	18.23	18.87	18.68	-0.25	-1.3	88.59	90.86
<b>OECD Europe</b>										
France	1.54	1.57	1.49	1.49	1.64	1.72	-0.04	-2.1	86.95	90.12
Germany	2.31	2.08	2.30	2.37	2.34	2.27	-0.04	-1.5	93.32	93.80
Italy	1.88	1.82	1.81	1.50	1.87	1.90	-0.03	-1.5	81.73	83.12
Netherlands	1.04	1.00	0.88	0.92	0.99	0.94	-0.01	-1.2	76.54	77.08
Spain	1.21	1.24	1.20	1.22	1.26	1.19	-0.06	-5.0	93.79	98.76
UK	1.57	1.44	1.51	1.59	1.60	1.61	-0.13	-7.6	86.00	95.67
Other OECD Europe	3.90	4.01	4.18	4.20	4.23	4.13	0.08	1.9	85.58	86.75
Total	13.44	13.16	13.37	13.30	13.92	13.76	-0.23	-1.7	86.38	88.99
<b>OECD Pacific</b>										
Japan	4.27	4.31	3.96	3.50	3.51	3.97	0.01	0.2	84.97	84.18
Korea	2.44	2.41	2.33	2.52	2.14	2.43	0.18	8.1	94.26	87.19
Other OECD Pacific	0.67	0.69	0.69	0.62	0.65	0.69	-0.01	-2.1	85.36	81.80
Total	7.39	7.41	6.98	6.64	6.30	7.08	0.17	2.5	87.98	84.88
<b>OECD Total</b>	<b>38.47</b>	<b>38.15</b>	<b>38.05</b>	<b>38.17</b>	<b>39.10</b>	<b>39.53</b>	<b>-0.30</b>	<b>-0.8</b>	<b>87.70</b>	<b>89.11</b>

<sup>1</sup> Estimate

<sup>2</sup> Based on crude throughput and current operable refining capacity

<sup>3</sup> US\$0

### US West Coast Refinery Challenge

The challenges and problems faced by the West Coast refining industry in 2006 are highlighted in a report published by the California Energy Commission (SPRING 2006 PETROLEUM FUELS PRICE SPIKE, August 2006, <http://www.energy.ca.gov>). Demand for product supply from Californian refineries has been boosted by strong demand growth in Nevada and particularly Arizona, where demand is growing at around 4% per annum, resulting in Californian refineries shipping increasing amounts of finished products out of the state. This in turn is leading to higher imports of finished products, increased port congestion and delays in product supply to Californian markets such as Los Angeles. Weekly US data backs up this analysis showing that third-quarter imports of gasoline have been 73% higher than the third quarter last year, while gasoline blending component imports are 134% higher. Similarly, jet fuel imports over the third quarter have been 172% higher than last year and distillate imports have increased more than five-fold.

Furthermore, the analysis suggests that while planned maintenance rarely causes a price spike, unplanned outages can result in upward pressure on margins. The commission estimates that disruptions to refinery operations during the first half of 2006 were three times as frequent as the same period for 2005, while planned maintenance was 15% lower. The average duration of the unplanned outages in 2006 was also greater, at 9.2 days per incident compared to 5.3 days in 2005. Other factors that supported margins include the heavy reliance on supplies of alkylate and ethanol to meet California Air Resources Board gasoline specifications. During the first half of 2006 the phase-out of MTBE in other US regions has resulted in tighter markets for these high-octane components, putting further upward pressure on prices for gasoline blending components, although ethanol supply tends to be on six-month contracts, limiting the impact of recent price spikes.

Weekly US data indicate that crude throughputs were higher in August compared to July and posted the first year-on-year improvement since last August, when hurricanes disrupted refinery operations towards the end of the month. Crude runs finished the month just shy of the 16 mb/d level and within 131 kb/d of the 2006 high. In August, crude runs on the East Coast continued to recover from July's disruptions, with a similar picture emerging for the Midwest, where ConocoPhillips's Wood River refinery reached full capacity early in the month. Gulf Coast runs edged higher over the second half of the month with a lull in reported unplanned maintenance activity. Renewed refinery maintenance, primarily on the Gulf Coast will impact runs from late September onwards.

West Coast average crude throughputs in August were 80 kb/d higher than last year's level, despite disruption to Alaskan crude production. Towards the end of the month however, reports of refinery problems at Shell and ExxonMobil facilities may have contributed to lower runs, which dipped to 2.7 mb/d, (the lowest level since May). The disruption of ANS production would appear to have forced refiners to draw down inventories and import record levels of crude, which hit a record 1.6 mb/d in middle of the month.

Outside the US, preliminary data for July crude runs in Canada and Mexico suggest that these were broadly in line with prior year levels at 1.76 mb/d and 1.25 mb/d respectively. Canadian data for April and May has been revised down by 150 kb/d while June crude runs are now 28 kb/d higher than initially estimated.

### OECD Europe

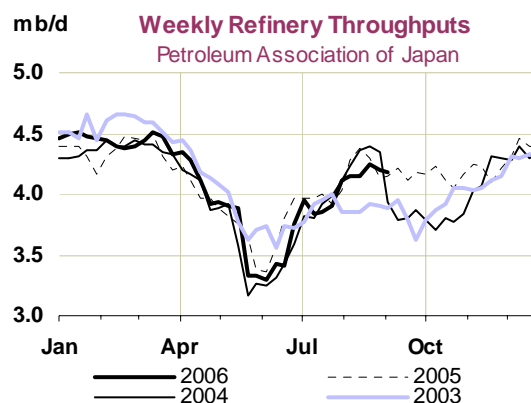
European crude throughputs averaged 13.76 mb/d in July, down 160 kb/d from June's upward revised (+178 kb/d) level of 13.92 kb/d. Crude runs were 232 kb/d below July 2005 level, with shortfalls seen in the UK (-132 kb/d), Spain (-63 kb/d) and Turkey (-38 kb/d). Throughputs recovered in July in Denmark, as Shell's Fredericia refinery exited maintenance work, and France despite reports that Shell's 141 kb/d Petit Couronne refinery was shut for a month-long turnaround. Declines in throughput were reported in Germany, Spain, Turkey and the Netherlands. July crude runs were relatively stable in Austria despite the reports of a fire at OMV's Schwechat plant during the month, suggesting that the capacity returned to service quickly.

European refinery runs are likely to dip in September and October with the onset of the autumn maintenance programme. Work is expected to commence in the UK, Germany, the Netherlands, Spain and Belgium, although the precise timing of the work remains unclear.

### OECD Pacific

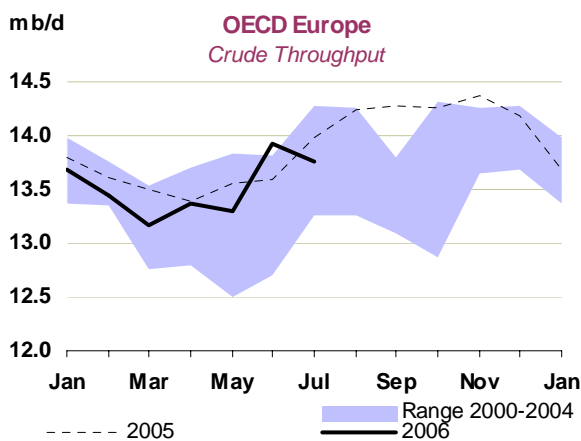
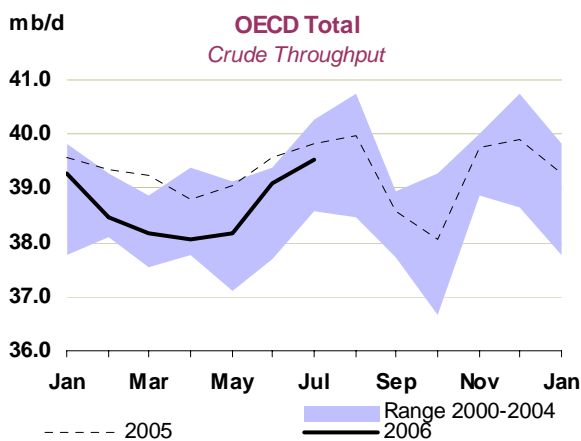
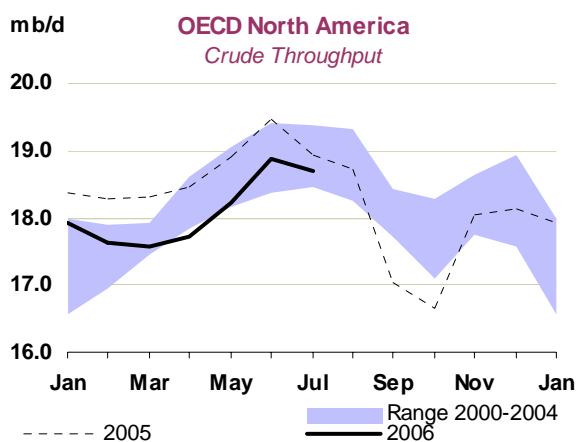
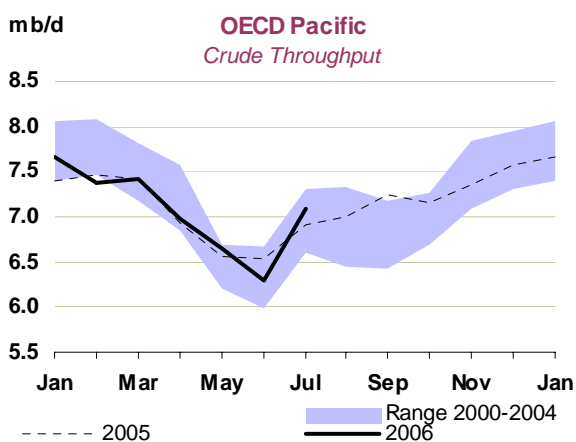
OECD Pacific crude throughputs increased by 783 kb/d in July to average 7.08 mb/d from the downward revised (-143 kb/d) June estimate of 6.30 mb/d. The increase comes as seasonal maintenance activity in Japan and Korea winds down. Japan's July crude runs of 3.97 mb/d are almost exactly in line with the July 2005 level, having increased by 459 kb/d from June's downward revised (-94 kb/d) level of 3.51 mb/d. This is in line with our estimate of a 456 kb/d reduction in maintenance activity from June. We expect maintenance activity to decline by a further 376 kb/d in August, providing a seasonal lull in offline capacity before the autumn's turnaround season.

Weekly data from the Petroleum Association of Japan show that crude runs continued to recover in August, reaching 4.24 mb/d in the middle of the month. Recently runs have dropped away as Cosmo shut down two crude units having discovered falsified maintenance records on the two crude units from around ten years ago. The deterioration in margins in recent weeks has raised the possibility of some refiners cutting runs in order to bolster profitability. However, the evidence suggests that most refiners intend to continue to maximise throughputs for the moment, ahead of maintenance in September and October which could remove as much as 600 kb/d from capacity in October.



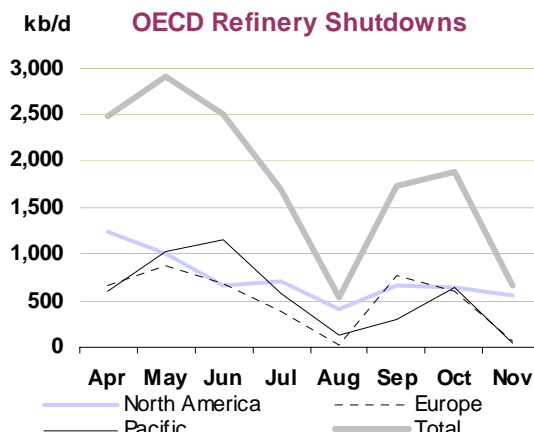
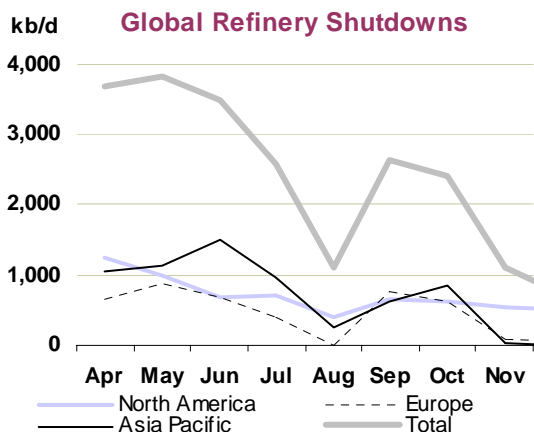
Korean refinery activity in July increased by 284 kb/d, as refiners exited from the June peak for planned maintenance work. Korean throughputs averaged 2.43 mb/d, some 182 kb/d above the July 2005 level. Industry reports suggest crude runs in August declined to 2.39 mb/d, even after the cancellation of

work at SK Corp.'s 260 kb/d Ulsan CDU#2. In September, despite expectations that refiners will increase runs back to 2.45 mb/d, there are reports that some refiners have already taken steps to cut runs in light of the weak margin environment.



### Offline Refinery Capacity

Analysis of planned and unplanned refinery maintenance continues to indicate that August was the low point for offline capacity in OECD countries and indeed on a global basis. Maintenance activity is expected to increase in all OECD regions in September and reach a seasonal peak in October, before refineries increase runs ahead of peak winter demand for heating oils. The estimate for offline capacity in July is revised up by 120 kb/d to 1.7 mb/d, while our estimate for August is 35 kb/d higher at 0.6 mb/d. Confirmation of the timing for several planned maintenance shutdowns, including BP's 400 kb/d Nerefco plant, Chevron's 210 kb/d Pembroke plant and ConocoPhillips 268 kb/d Willemshaven refinery, has allowed us to revise up our estimates for September by 850 kb/d to 1.8 mb/d, while October's estimate is 500 kb/d higher at 1.9 mb/d.



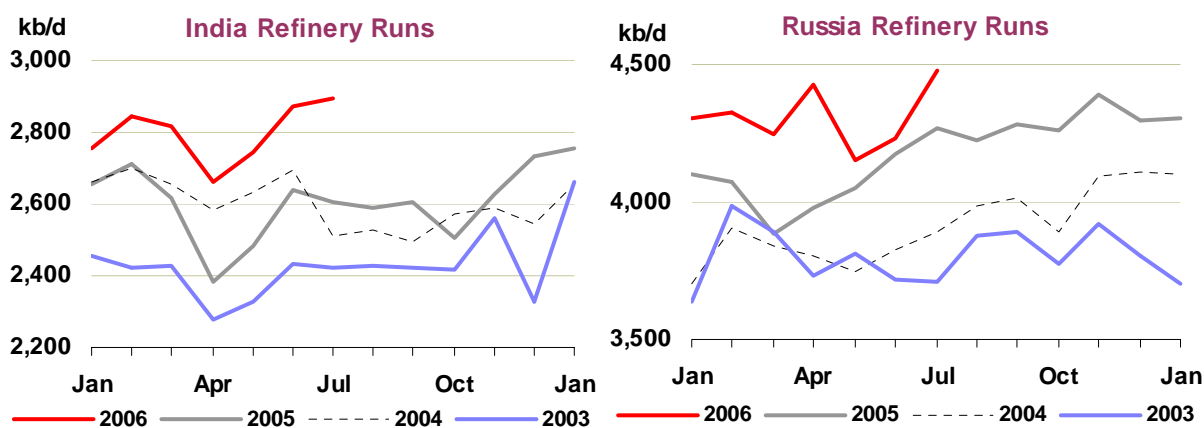
Estimates for global offline distillation capacity have been similarly revised up for September and October, to 2.7 mb/d and 2.5 mb/d, respectively. Global offline capacity in August fell by 1.5 mb/d from July's level of 2.6 mb/d as refineries reached the low point of planned work and reported unplanned shutdowns were also low, particularly in the second half of the month. However, with the second half of September expected to see relatively heavy maintenance and reports of planned run cuts in Asia, offline capacity is expected to rise in the next few months.

### Non-OECD Throughputs

Indian crude throughputs increased in July to a record level of 2.89 mb/d, up 18 kb/d from June's 2.87 mb/d. July's crude runs were 12.6% higher than July 2005's level, as additional crude throughputs from the Panipat refinery expansion boosted total crude runs, despite work being carried out at IOC's 170 kb/d Mathura refinery.

Preliminary data for Chinese crude runs as estimated for Sinopec and PetroChina reached 5.7 mb/d in July, with total crude runs estimated at 6.02 mb/d, some 7.8% above the July 2005 level. Test runs at the Hainan refinery are reported to have started on 28 July, with full production now expected to commence in early September if successful. Sinopec's Guangzhou refinery is reported to have commissioned some of the upgrading units in July and August, with further commissioning work expected in September and October, several months ahead of schedule. The full utilisation of both the new and old crude units will raise runs from 150 kb/d to over 300 kb/d and allow for the processing of more heavy sour crude.

PetroChina runs in August are expected to have declined as work at three of its plants will cut utilisation rates from 77% in July to 72% in August. Despite the higher throughputs that China has reported, the margin pressure that individual refiners face was evident in the first half results of Sinopec's separately listed Shanghai Petrochemical Corporation. Chinese price caps left domestic gasoline and gasoil prices some \$7-8/mt below Singapore prices during the first half of the year. This led to first-half net profit falling by 98% from first-half 2005 level. The refiner indicated plans to cut product output by 13% in 2006 to reduce losses, having cut crude throughputs by some 7% during the first half of 2006. If expectations for a further price hike are realised and the recent oil price declines are sustained, then domestic refining margins could return to levels that are more attractive to restoring runs over the balance of the year.



Russian crude runs increased to a new record in July of 4.48 mb/d from the 4.23 mb/d seen in June as higher crude production and lower exports allowed domestic refiners to increase runs. However, the lower crude exports follow the cessation of crude supplies to the Mazeikiu refinery and Butinge terminal in Lithuania. Consequently crude runs at Mazeikiu have been cut by around 40-50 kb/d in July. Little planned maintenance has been reported for August, suggesting crude runs remained strong, although some work is planned for September at the Salavat refinery.

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

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>OECD DEMAND</b>																	
North America	24.5	25.4	25.6	25.3	25.5	25.4	25.5	25.1	25.1	25.7	26.1	25.5	25.8	25.6	26.0	26.1	25.9
Europe	15.4	15.5	15.6	15.1	15.6	15.6	15.5	15.7	15.0	15.4	15.7	15.5	15.5	15.1	15.5	15.7	15.5
Pacific	8.6	8.5	9.4	8.1	8.1	8.8	8.6	9.3	7.9	8.1	8.9	8.6	9.3	7.9	8.1	8.9	8.5
Total OECD	48.6	49.3	50.6	48.5	49.1	49.9	49.5	50.1	48.0	49.2	50.7	49.5	50.6	48.6	49.6	50.7	49.9
<b>NON-OECD DEMAND</b>																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	3.8	4.0	3.9	3.9	3.7	3.9	4.1	3.9
Europe	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	5.6	6.5	6.6	6.5	6.7	6.8	6.6	6.8	7.1	7.2	7.2	7.0	7.2	7.4	7.5	7.7	7.4
Other Asia	8.1	8.6	8.9	8.9	8.7	8.7	8.8	8.9	9.0	8.7	9.0	8.9	9.1	9.1	9.0	9.2	9.1
Latin America	4.7	5.0	5.0	5.1	5.2	5.1	5.1	5.1	5.2	5.3	5.2	5.2	5.2	5.3	5.4	5.3	5.3
Middle East	5.4	5.8	6.0	6.1	6.3	6.1	6.1	6.4	6.4	6.7	6.4	6.5	6.7	6.7	7.0	6.8	6.8
Africa	2.7	2.8	2.9	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	3.0	3.1	3.1	2.9	3.1	3.0
Total Non-OECD	30.7	33.1	34.0	33.9	34.1	34.2	34.1	34.8	35.1	35.2	35.5	35.2	36.0	36.0	36.4	36.8	36.3
<b>Total Demand<sup>1</sup></b>	<b>79.3</b>	<b>82.5</b>	<b>84.6</b>	<b>82.4</b>	<b>83.2</b>	<b>84.1</b>	<b>83.6</b>	<b>84.9</b>	<b>83.1</b>	<b>84.4</b>	<b>86.3</b>	<b>84.7</b>	<b>86.6</b>	<b>84.7</b>	<b>86.0</b>	<b>87.6</b>	<b>86.2</b>
<b>OECD SUPPLY</b>																	
North America	14.6	14.6	14.4	14.6	13.7	13.6	14.1	14.2	14.2	14.1	14.2	14.2	14.5	14.4	14.3	14.5	14.4
Europe	6.3	6.1	5.9	5.7	5.4	5.5	5.6	5.5	5.1	5.2	5.4	5.3	5.5	5.3	5.2	5.4	5.3
Pacific	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Total OECD	21.6	21.2	20.9	20.9	19.7	19.7	20.3	20.2	19.8	19.8	20.3	20.0	20.6	20.3	20.1	20.5	20.4
<b>NON-OECD SUPPLY</b>																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.7	12.0	12.2	12.4	12.1	12.4	12.5	12.7	12.8	12.6
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.7
Other Asia	2.6	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8
Latin America	4.0	4.1	4.2	4.4	4.3	4.3	4.3	4.4	4.4	4.5	4.7	4.5	4.7	4.6	4.7	4.9	4.7
Middle East	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.7
Africa	3.0	3.4	3.5	3.6	3.8	3.9	3.7	4.0	3.9	4.1	4.2	4.0	4.3	4.4	4.7	4.8	4.6
Total Non-OECD	25.6	27.0	27.5	27.7	28.2	28.5	28.0	28.4	28.6	29.2	29.6	29.0	29.8	30.0	30.5	30.8	30.3
Processing Gains <sup>2</sup>	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other Biofuels <sup>3</sup>	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total Non-OPEC <sup>4</sup>	49.1	50.1	50.4	50.5	49.8	50.1	50.2	50.7	50.5	51.0	51.9	51.0	52.6	52.4	52.8	53.5	52.8
<b>OPEC</b>																	
Crude <sup>5</sup>	27.1	28.9	29.3	29.8	30.0	29.9	29.8	29.9	29.8								
NGLs	3.7	4.2	4.4	4.4	4.5	4.5	4.5	4.6	4.7	4.7	4.8	4.7	4.9	4.9	5.0	5.1	5.0
Total OPEC	30.8	33.1	33.7	34.2	34.5	34.5	34.2	34.5	34.5								
<b>Total Supply<sup>6</sup></b>	<b>79.8</b>	<b>83.2</b>	<b>84.1</b>	<b>84.8</b>	<b>84.4</b>	<b>84.6</b>	<b>84.5</b>	<b>85.2</b>	<b>85.0</b>								
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>Reported OECD</b>																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.6	0.1	0.0	0.5								
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0	0.1								
Total	0.3	0.2	0.1	1.2	0.2	-0.6	0.2	0.0	0.6								
Floating Storage/Oil in Transit	0.2	0.0	-0.4	0.1	0.0	0.1	-0.1	0.1	-0.1								
Miscellaneous to balance <sup>7</sup>	0.1	0.5	-0.1	1.0	1.0	1.0	0.7	0.1	1.3								
<b>Total Stock Ch. &amp; Misc</b>	<b>0.5</b>	<b>0.7</b>	<b>-0.5</b>	<b>2.3</b>	<b>1.1</b>	<b>0.5</b>	<b>0.9</b>	<b>0.2</b>	<b>1.9</b>								
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch. <sup>8</sup>	26.6	28.2	29.8	27.5	28.9	29.4	28.9	29.6	27.9	28.7	29.5	28.9	29.0	27.3	28.2	28.9	28.4
Total Demand ex. FSU	75.7	78.7	80.8	78.7	79.5	80.2	79.8	81.0	79.4	80.6	82.2	80.8	82.6	81.0	82.2	83.5	82.3
Total demand exc. FSU (% ch) <sup>9</sup>	1.9	4.0	2.3	1.6	1.5	0.1	1.4	0.3	0.8	1.4	2.5	1.3	2.0	2.1	1.9	1.5	1.9

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply

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

3 Biofuels from sources outside Brazil and US.

4 Non-OPEC supplies include crude oil, condensates, NGL and non-conventional sources of supply such as synthetic crude, ethanol and MTBE.

No allowance is made in the non-OPEC forecast for exceptional events which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL & non-conventional category.

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

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

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

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

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

(million barrels per day)

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>OECD DEMAND</b>																	
North America	-	-	-	-	-	-	-	-	-0.1	-0.2	-	-0.1	-0.1	-0.1	-0.1	-	-0.1
Europe	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-	-	-0.1
<b>Total OECD</b>	-	-	-	-	-	-	-	-	0.1	-0.4	-	-0.1	-0.1	-0.2	-0.1	-	-0.1
<b>NON-OECD DEMAND</b>																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OECD</b>	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-0.1	-
<b>Total Demand</b>	-	-	-	-	-	-	-	-	-	-0.4	-	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2
<b>OECD SUPPLY</b>																	
North America	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OECD</b>	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-0.1
<b>NON-OECD SUPPLY</b>																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OECD</b>	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OPEC</b>	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
<b>OPEC</b>																	
Crude	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OPEC</b>	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
<b>Total Supply</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>REPORTED OECD</b>																	
Industry	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-
<b>Total Stock Ch. &amp; Misc</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-0.4	0.2	-	-	-0.1	-	-	-	-
<b>Total Demand ex. FSU</b>	-	-	-	-	-	-	-	-	-0.4	-	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-

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

**Table 2**  
**Summary of Global Oil Demand**

	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>Demand (mb/d)</b>																
North America	25.37	25.57	25.34	25.50	25.43	25.46	25.11	25.11	25.73	26.07	25.51	25.81	25.65	26.00	26.14	25.90
Europe	15.48	15.58	15.15	15.55	15.64	15.48	15.72	15.04	15.36	15.73	15.46	15.54	15.07	15.52	15.69	15.46
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.30	7.87	8.12	8.95	8.56	9.25	7.93	8.10	8.90	8.54
<b>Total OECD</b>	<b>49.35</b>	<b>50.59</b>	<b>48.55</b>	<b>49.13</b>	<b>49.86</b>	<b>49.53</b>	<b>50.14</b>	<b>48.01</b>	<b>49.21</b>	<b>50.74</b>	<b>49.52</b>	<b>50.60</b>	<b>48.64</b>	<b>49.62</b>	<b>50.73</b>	<b>49.90</b>
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.88	3.72	3.84	4.03	3.87	3.93	3.69	3.88	4.08	3.90
Europe	0.70	0.77	0.72	0.66	0.72	0.72	0.79	0.73	0.67	0.73	0.73	0.80	0.74	0.69	0.74	0.74
China	6.45	6.58	6.46	6.65	6.79	6.62	6.77	7.08	7.16	7.18	7.05	7.18	7.38	7.50	7.68	7.44
Other Asia	8.64	8.92	8.88	8.67	8.74	8.80	8.90	8.96	8.73	8.98	8.89	9.12	9.13	8.97	9.20	9.11
Latin America	4.97	4.97	5.13	5.19	5.11	5.10	5.08	5.20	5.30	5.22	5.20	5.16	5.31	5.42	5.32	5.31
Middle East	5.81	6.05	6.07	6.35	6.07	6.14	6.38	6.40	6.67	6.41	6.47	6.72	6.75	7.02	6.76	6.81
Africa	2.80	2.91	2.92	2.80	2.91	2.88	2.97	2.99	2.86	2.98	2.95	3.05	3.05	2.93	3.05	3.02
<b>Total Non-OECD</b>	<b>33.14</b>	<b>34.02</b>	<b>33.89</b>	<b>34.11</b>	<b>34.24</b>	<b>34.07</b>	<b>34.78</b>	<b>35.07</b>	<b>35.23</b>	<b>35.53</b>	<b>35.16</b>	<b>35.97</b>	<b>36.04</b>	<b>36.42</b>	<b>36.85</b>	<b>36.32</b>
<b>World</b>	<b>82.48</b>	<b>84.61</b>	<b>82.44</b>	<b>83.24</b>	<b>84.09</b>	<b>83.59</b>	<b>84.92</b>	<b>83.08</b>	<b>84.44</b>	<b>86.27</b>	<b>84.68</b>	<b>86.57</b>	<b>84.69</b>	<b>86.04</b>	<b>87.57</b>	<b>86.22</b>
<b>of which:</b>																
US50	20.73	20.80	20.66	20.86	20.75	20.77	20.48	20.60	21.06	21.24	20.85	21.07	20.99	21.25	21.28	21.15
Euro4	8.27	8.25	7.94	8.24	8.19	8.15	8.37	7.90	8.15	8.20	8.16	8.22	7.89	8.17	8.19	8.12
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.78	5.04	5.52	5.32	5.83	4.77	4.97	5.48	5.26
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.02	2.32	2.16	2.34	2.08	2.05	2.30	2.19
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.01	2.04	2.16	2.07	2.10	2.11	2.10	2.17	2.12
Canada	2.30	2.36	2.24	2.24	2.23	2.27	2.18	2.16	2.28	2.30	2.23	2.26	2.21	2.29	2.32	2.27
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.17	2.19	2.29	2.25	2.23	2.21	2.25	2.34	2.30	2.27
India	2.58	2.73	2.60	2.48	2.57	2.59	2.74	2.70	2.50	2.66	2.65	2.83	2.74	2.58	2.71	2.71
<b>Annual Change (% per annum)</b>																
North America	3.5	1.2	1.1	0.2	-1.1	0.3	-1.8	-0.9	0.9	2.5	0.2	2.8	2.1	1.1	0.3	1.5
Europe	0.3	0.5	0.6	0.5	-1.6	0.0	0.9	-0.7	-1.2	0.6	-0.1	-1.1	0.2	1.0	-0.2	0.0
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.5	-2.4	0.5	1.8	-0.4	-0.6	0.8	-0.2	-0.5	-0.2
<b>Total OECD</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>	<b>0.2</b>	<b>-1.0</b>	<b>0.4</b>	<b>-0.9</b>	<b>-1.1</b>	<b>0.2</b>	<b>1.8</b>	<b>0.0</b>	<b>0.9</b>	<b>1.3</b>	<b>0.8</b>	<b>0.0</b>	<b>0.8</b>
FSU	4.7	8.7	-0.2	0.0	-2.7	1.3	1.6	0.1	1.3	3.5	1.6	1.3	-0.8	1.1	1.4	0.8
Europe	2.5	2.1	2.1	1.7	1.6	1.9	2.5	1.4	1.6	1.6	1.8	0.7	1.7	1.7	1.4	1.4
China	15.8	4.5	-1.3	5.0	2.5	2.6	2.9	9.6	7.6	5.8	6.5	6.0	4.2	4.8	7.0	5.5
Other Asia	7.1	4.3	2.4	2.5	-1.6	1.8	-0.2	0.9	0.7	2.7	1.0	2.5	2.0	2.8	2.5	2.4
Latin America	6.0	3.1	3.0	2.4	2.1	2.7	2.2	1.4	2.0	2.2	1.9	1.7	2.1	2.4	1.9	2.0
Middle East	7.2	5.8	5.8	5.3	5.4	5.6	5.5	5.4	5.1	5.6	5.4	5.3	5.4	5.3	5.3	5.3
Africa	4.4	3.3	3.3	2.5	2.7	3.0	2.4	2.3	2.4	2.4	2.4	2.6	2.0	2.3	2.4	2.4
<b>Total Non-OECD</b>	<b>7.9</b>	<b>4.8</b>	<b>2.1</b>	<b>3.2</b>	<b>1.2</b>	<b>2.8</b>	<b>2.2</b>	<b>3.5</b>	<b>3.3</b>	<b>3.8</b>	<b>3.2</b>	<b>3.4</b>	<b>2.8</b>	<b>3.4</b>	<b>3.7</b>	<b>3.3</b>
<b>World</b>	<b>4.0</b>	<b>2.6</b>	<b>1.5</b>	<b>1.4</b>	<b>-0.1</b>	<b>1.3</b>	<b>0.4</b>	<b>0.8</b>	<b>1.4</b>	<b>2.6</b>	<b>1.3</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.5</b>	<b>1.8</b>
<b>Annual Change (mb/d)</b>																
North America	0.85	0.31	0.27	0.06	-0.28	0.09	-0.45	-0.23	0.22	0.63	0.05	0.69	0.54	0.27	0.07	0.39
Europe	0.05	0.07	0.09	0.08	-0.26	0.00	0.14	-0.11	-0.19	0.09	-0.02	-0.18	0.04	0.16	-0.03	0.00
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.14	-0.19	0.04	0.16	-0.03	-0.05	0.06	-0.02	-0.05	-0.02
<b>Total OECD</b>	<b>0.75</b>	<b>0.59</b>	<b>0.54</b>	<b>0.10</b>	<b>-0.48</b>	<b>0.18</b>	<b>-0.45</b>	<b>-0.53</b>	<b>0.07</b>	<b>0.88</b>	<b>0.00</b>	<b>0.46</b>	<b>0.63</b>	<b>0.41</b>	<b>-0.01</b>	<b>0.37</b>
FSU	0.17	0.31	-0.01	0.00	-0.11	0.05	0.06	0.00	0.05	0.14	0.06	0.05	-0.03	0.04	0.06	0.03
Europe	0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
China	0.88	0.28	-0.09	0.31	0.16	0.17	0.19	0.62	0.51	0.39	0.43	0.41	0.30	0.34	0.50	0.39
Other Asia	0.57	0.37	0.20	0.21	-0.14	0.16	-0.02	0.08	0.06	0.24	0.09	0.22	0.18	0.25	0.22	0.22
Latin America	0.28	0.15	0.15	0.12	0.11	0.13	0.11	0.07	0.10	0.11	0.10	0.08	0.11	0.12	0.10	0.11
Middle East	0.39	0.33	0.34	0.32	0.31	0.32	0.33	0.33	0.33	0.34	0.33	0.34	0.34	0.35	0.34	0.34
Africa	0.12	0.09	0.09	0.07	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.08	0.06	0.07	0.07	0.07
<b>Total Non-OECD</b>	<b>2.43</b>	<b>1.55</b>	<b>0.70</b>	<b>1.05</b>	<b>0.42</b>	<b>0.93</b>	<b>0.76</b>	<b>1.18</b>	<b>1.12</b>	<b>1.30</b>	<b>1.09</b>	<b>1.18</b>	<b>0.97</b>	<b>1.19</b>	<b>1.31</b>	<b>1.16</b>
<b>World</b>	<b>3.18</b>	<b>2.13</b>	<b>1.25</b>	<b>1.15</b>	<b>-0.06</b>	<b>1.11</b>	<b>0.31</b>	<b>0.65</b>	<b>1.19</b>	<b>2.18</b>	<b>1.09</b>	<b>1.65</b>	<b>1.60</b>	<b>1.60</b>	<b>1.30</b>	<b>1.54</b>
<b>Revisions to Oil Demand from Last Month's Report (mb/d)</b>																
North America	-	-	-	-	-	-	-	-0.07	-0.21	0.02	-0.07	-0.12	-0.10	-0.13	-0.02	-0.09
Europe	-	-	-	-	-	-	-0.02	0.11	-0.09	0.02	0.01	0.06	-0.04	0.02	0.03	0.02
Pacific	-	-	-	-	-	-	-	0.03	-0.14	-	-0.03	-0.08	-0.06	-0.04	-0.03	-0.05
<b>Total OECD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.02</b>	<b>0.07</b>	<b>-0.43</b>	<b>0.04</b>	<b>-0.09</b>	<b>-0.13</b>	<b>-0.20</b>	<b>-0.15</b>	<b>-0.03</b>	<b>-0.13</b>
FSU	-	-	-	-	-	-	0.01	0.02	-	-	0.01	0.01	0.01	0.01	0.01	0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.03	0.07	-0.04	-	-	0.04	0.03	-0.08	-
Other Asia	-	-	-	-	-	-	-	-0.04	-0.02	0.02	-0.01	-0.01	-0.01	-0.04	-0.04	-0.03
Latin America	-	-	-	-	-	-	-	-0.01	-0.01	-0.01	-0.01	-	-0.02	0.02	-0.04	-0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OECD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.01</b>	<b>-0.07</b>	<b>0.04</b>	<b>-0.03</b>	<b>-0.01</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>-0.15</b>	<b>-0.03</b>
<b>World</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.01</b>	<b>-</b>	<b>-0.40</b>	<b>-</b>	<b>-0.10</b>	<b>-0.14</b>	<b>-0.19</b>	<b>-0.12</b>	<b>-0.18</b>	<b>-0.16</b>
<b>Revisions to Oil Demand Growth from Last Month's Report (mb/d)</b>																
<b>World</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.01</b>	<b>-0.01</b>	<b>-0.40</b>	<b>0.00</b>	<b>-0.10</b>	<b>-0.14</b>	<b>-0.19</b>	<b>0.27</b>	<b>-0.18</b>	<b>-0.06</b>

**Table 3**  
**WORLD OIL PRODUCTION**  
(million barrels per day)

	2005	2006	2007	1Q06	2Q06	3Q06	4Q06	1Q07	Jun 06	Jul 06	Aug 06
<b>OPEC</b>											
Crude Oil											
Saudi Arabia	9.06			9.27	9.02				9.06	9.07	9.07
Iran	3.88			3.84	3.78				3.95	4.25	4.00
Iraq	1.81			1.71	1.99				2.07	2.06	2.00
UAE	2.46			2.60	2.63				2.63	2.67	2.64
Kuwait	2.13			2.22	2.22				2.22	2.19	2.22
Neutral Zone	0.58			0.59	0.58				0.58	0.57	0.57
Qatar	0.80			0.82	0.82				0.83	0.84	0.84
Nigeria	2.40			2.23	2.19				2.29	2.26	2.27
Libya	1.64			1.67	1.70				1.70	1.72	1.72
Algeria	1.34			1.36	1.36				1.35	1.33	1.33
Venezuela	2.71			2.63	2.61				2.59	2.47	2.53
Indonesia	0.94			0.92	0.91				0.90	0.89	0.86
<b>Total Crude Oil</b>	<b>29.76</b>			<b>29.87</b>	<b>29.80</b>				<b>30.15</b>	<b>30.30</b>	<b>30.04</b>
Total NGLs <sup>1</sup>	4.46	4.72	5.00	4.62	4.66	4.75	4.83	4.91	4.68	4.74	4.74
<b>Total OPEC</b>	<b>34.23</b>			<b>34.48</b>	<b>34.46</b>				<b>34.83</b>	<b>35.04</b>	<b>34.77</b>
<b>NON-OPEC<sup>2</sup></b>											
<b>OECD</b>											
<b>North America</b>											
United States	7.27	7.26	7.46	7.19	7.36	7.26	7.20	7.44	7.48	7.40	7.37
Mexico	3.76	3.70	3.57	3.78	3.77	3.66	3.58	3.58	3.72	3.68	3.67
Canada	3.06	3.21	3.38	3.20	3.06	3.19	3.40	3.48	2.93	3.16	3.16
<b>Europe</b>	<b>5.60</b>	<b>5.32</b>	<b>5.35</b>	<b>5.54</b>	<b>5.13</b>	<b>5.16</b>	<b>5.44</b>	<b>5.51</b>	<b>4.92</b>	<b>5.37</b>	<b>5.06</b>
UK	1.83	1.70	1.73	1.84	1.66	1.60	1.72	1.84	1.56	1.65	1.55
Norway	2.97	2.85	2.87	2.93	2.70	2.83	2.96	2.92	2.60	2.96	2.75
Others	0.80	0.76	0.75	0.77	0.77	0.74	0.76	0.75	0.76	0.76	0.77
<b>Pacific</b>	<b>0.58</b>	<b>0.55</b>	<b>0.64</b>	<b>0.49</b>	<b>0.50</b>	<b>0.57</b>	<b>0.63</b>	<b>0.64</b>	<b>0.50</b>	<b>0.54</b>	<b>0.57</b>
Australia	0.54	0.51	0.60	0.45	0.46	0.53	0.59	0.60	0.46	0.50	0.53
Others	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
<b>Total OECD</b>	<b>20.28</b>	<b>20.03</b>	<b>20.40</b>	<b>20.21</b>	<b>19.82</b>	<b>19.84</b>	<b>20.25</b>	<b>20.65</b>	<b>19.56</b>	<b>20.15</b>	<b>19.83</b>
<b>NON-OECD</b>											
<b>Former USSR</b>											
Russia	9.48	9.73	10.01	9.53	9.67	9.80	9.91	9.91	9.70	9.75	9.80
Others	2.16	2.35	2.61	2.19	2.35	2.41	2.46	2.51	2.33	2.44	2.43
<b>Asia</b>											
China	6.30	6.44	6.51	6.42	6.39	6.46	6.48	6.50	6.47	6.44	6.47
Malaysia	3.62	3.71	3.75	3.68	3.70	3.72	3.74	3.74	3.73	3.71	3.73
India	0.77	0.74	0.75	0.77	0.71	0.74	0.73	0.74	0.75	0.74	0.74
Others	0.78	0.81	0.83	0.78	0.80	0.82	0.82	0.83	0.82	0.82	0.82
Others	1.13	1.18	1.19	1.18	1.18	1.18	1.18	1.19	1.18	1.18	1.18
<b>Europe</b>	<b>0.16</b>	<b>0.15</b>	<b>0.13</b>	<b>0.15</b>	<b>0.15</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.15</b>	<b>0.15</b>	<b>0.14</b>
<b>Latin America</b>											
Brazil	4.30	4.48	4.71	4.35	4.41	4.51	4.65	4.66	4.34	4.43	4.51
Argentina	1.99	2.16	2.39	2.06	2.08	2.18	2.33	2.33	2.01	2.09	2.18
Colombia	0.78	0.76	0.75	0.76	0.78	0.76	0.75	0.75	0.77	0.77	0.77
Ecuador	0.53	0.54	0.54	0.53	0.53	0.54	0.54	0.54	0.53	0.54	0.54
Others	0.53	0.55	0.56	0.52	0.55	0.55	0.56	0.56	0.55	0.55	0.55
Others	0.47	0.47	0.47	0.47	0.47	0.48	0.47	0.48	0.48	0.48	0.47
<b>Middle East<sup>3</sup></b>											
Oman	1.86	1.76	1.72	1.80	1.76	1.75	1.74	1.74	1.76	1.76	1.75
Syria	0.79	0.74	0.71	0.76	0.74	0.73	0.72	0.71	0.74	0.73	0.73
Yemen	0.46	0.43	0.41	0.44	0.43	0.43	0.42	0.42	0.43	0.43	0.43
Others	0.42	0.40	0.41	0.40	0.39	0.40	0.40	0.42	0.39	0.40	0.40
<b>Africa</b>	<b>3.72</b>	<b>4.04</b>	<b>4.57</b>	<b>3.96</b>	<b>3.90</b>	<b>4.09</b>	<b>4.22</b>	<b>4.34</b>	<b>3.81</b>	<b>4.05</b>	<b>4.08</b>
Egypt	0.70	0.69	0.68	0.69	0.68	0.69	0.69	0.69	0.64	0.69	0.69
Angola	1.25	1.42	1.72	1.42	1.33	1.46	1.45	1.53	1.28	1.46	1.46
Gabon	0.23	0.23	0.23	0.24	0.24	0.23	0.23	0.23	0.24	0.23	0.23
Others	1.54	1.70	1.94	1.61	1.65	1.71	1.85	1.89	1.64	1.66	1.70
<b>Total Non-OECD</b>	<b>27.97</b>	<b>28.95</b>	<b>30.26</b>	<b>28.41</b>	<b>28.63</b>	<b>29.16</b>	<b>29.60</b>	<b>29.79</b>	<b>28.56</b>	<b>29.01</b>	<b>29.19</b>
Processing Gains <sup>4</sup>	1.86	1.90	1.92	1.92	1.89	1.88	1.92	1.92	1.88	1.88	1.88
Other Biofuels <sup>5</sup>	0.12	0.15	0.26	0.15	0.15	0.15	0.15	0.26	0.15	0.15	0.15
<b>TOTAL NON-OPEC</b>	<b>50.23</b>	<b>51.04</b>	<b>52.84</b>	<b>50.69</b>	<b>50.50</b>	<b>51.02</b>	<b>51.92</b>	<b>52.62</b>	<b>50.15</b>	<b>51.19</b>	<b>51.06</b>
<b>TOTAL SUPPLY</b>	<b>84.46</b>			<b>85.17</b>	<b>84.96</b>	<b>76.10</b>	<b>56.76</b>	<b>57.53</b>	<b>84.98</b>	<b>86.23</b>	<b>85.83</b>

<sup>1</sup> Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE

<sup>2</sup> Comprises crude oil, condensates, NGLs and oil from non-conventional sources. No allowance is made in the non-OPEC forecast for exceptional events, which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

<sup>3</sup> Includes small amounts of production from Israel, Jordan and Bahrain

**Table 4**  
**OECD INDUSTRY STOCKS<sup>1</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Mar2006	Apr2006	May2006	Jun2006	Jul2006*	Jul2003	Jul2004	Jul2005	3Q2005	4Q2005	1Q2006	2Q2006
<b>North America</b>												
Crude	463.5	475.7	461.3	454.6	449.7	398.8	406.9	435.1	-0.15	0.25	0.08	-0.10
Motor Gasoline	242.2	236.3	242.3	241.5	238.5	231.9	240.3	237.0	-0.19	0.08	0.08	-0.01
Middle Distillate	194.5	190.1	195.9	199.7	205.1	190.6	193.3	206.0	0.08	0.16	-0.21	0.06
Residual Fuel Oil	50.5	49.2	49.7	52.1	52.3	39.0	42.5	46.2	-0.04	0.03	0.07	0.02
Total Products <sup>3</sup>	635.2	632.9	659.8	669.6	689.0	643.1	650.6	689.7	-0.16	-0.06	-0.25	0.38
Total <sup>4</sup>	1239.1	1251.2	1268.3	1271.8	1286.0	1196.2	1207.7	1278.8	-0.19	-0.02	-0.18	0.36
<b>Europe</b>												
Crude	344.5	334.4	343.3	334.7	337.2	331.6	328.0	338.2	0.01	-0.12	0.20	-0.11
Motor Gasoline	111.3	105.6	104.7	101.6	101.1	107.0	110.3	105.5	0.02	0.08	-0.02	-0.11
Middle Distillate	246.7	262.6	260.2	255.1	257.9	238.3	245.7	255.0	0.18	-0.03	-0.11	0.09
Residual Fuel Oil	70.0	76.2	73.7	75.8	75.0	67.6	78.4	71.9	0.05	-0.03	-0.04	0.06
Total Products <sup>3</sup>	529.7	545.7	540.2	532.4	534.7	517.6	537.1	534.0	0.24	0.05	-0.18	0.03
Total <sup>4</sup>	949.4	956.4	958.3	940.5	944.4	920.7	935.5	944.9	0.30	-0.12	0.05	-0.10
<b>Pacific</b>												
Crude	170.7	170.9	185.5	180.6	175.5	192.6	182.7	183.8	-0.09	-0.12	0.15	0.11
Motor Gasoline	24.4	24.5	24.8	24.4	23.1	26.2	23.8	24.4	-0.02	0.00	0.02	0.00
Middle Distillate	60.3	58.0	67.0	69.6	75.9	73.4	62.7	68.1	0.21	-0.18	-0.01	0.10
Residual Fuel Oil	19.2	22.4	24.5	23.0	24.8	26.1	22.3	25.7	0.01	-0.04	-0.01	0.04
Total Products <sup>3</sup>	167.8	170.3	180.5	182.1	190.5	195.3	174.7	186.3	0.20	-0.26	0.00	0.16
Total <sup>4</sup>	408.0	412.3	438.1	433.9	437.9	461.9	429.4	441.7	0.11	-0.42	0.16	0.28
<b>Total OECD</b>												
Crude	978.8	981.0	990.1	969.9	962.5	923.0	917.5	957.1	-0.23	0.01	0.42	-0.10
Motor Gasoline	378.0	366.5	371.8	367.5	362.6	365.0	374.4	366.9	-0.19	0.16	0.08	-0.12
Middle Distillate	501.5	510.7	523.2	524.4	539.0	502.3	501.6	529.1	0.46	-0.05	-0.32	0.25
Residual Fuel Oil	139.6	147.8	148.0	150.9	152.0	132.6	143.2	143.7	0.01	-0.04	0.01	0.12
Total Products <sup>3</sup>	1332.7	1348.9	1380.6	1384.1	1414.1	1355.9	1362.4	1410.0	0.28	-0.27	-0.43	0.56
Total <sup>4</sup>	2596.6	2619.9	2664.7	2646.2	2668.3	2578.8	2572.6	2665.4	0.22	-0.55	0.03	0.55

**OECD GOVERNMENT-CONTROLLED STOCKS<sup>5</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Mar2006	Apr2006	May2006	Jun2006	Jul2006*	Jul2003	Jul2004	Jul2005	3Q2005	4Q2005	1Q2006	2Q2006
<b>North America</b>												
Crude	686.1	687.9	688.6	687.9	687.6	612.4	665.7	698.8	-0.03	-0.10	0.02	0.02
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
<b>Europe</b>												
Crude	170.2	171.0	171.9	173.4	173.4	152.9	158.0	164.6	0.02	0.01	0.04	0.04
Products	235.9	233.5	233.1	236.3	236.3	208.4	207.9	238.4	0.03	0.02	-0.03	0.00
<b>Pacific</b>												
Crude	380.4	380.5	380.5	380.9	380.9	382.8	386.7	384.2	-0.01	-0.01	-0.01	0.00
Products	11.4	11.4	11.7	11.8	11.8	10.0	11.0	11.3	0.00	0.00	0.00	0.00
<b>Total OECD</b>												
Crude	1236.7	1239.3	1241.0	1242.1	1241.8	1148.1	1210.4	1247.6	-0.03	-0.10	0.04	0.06
Products	249.3	246.9	246.8	250.1	250.1	220.4	220.9	251.8	0.03	0.02	-0.04	0.01
Total <sup>4</sup>	1487.0	1487.2	1488.7	1493.2	1492.8	1369.4	1432.3	1500.4	0.00	-0.08	0.01	0.07

\* estimated

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

2 Closing stock levels.

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

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

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

**Table 5**  
**TOTAL STOCKS ON LAND IN OECD COUNTRIES<sup>1</sup>**

(millions of barrels<sup>3</sup> and 'days'<sup>4</sup>)

	End June 2005		End September 2005		End December 2005		End March 2006		End June 2006 <sup>3</sup>	
	Stock Level	Days Fwd <sup>2</sup> Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
<b>North America</b>										
Canada	164.7	73	170.5	77	178.1	82	169.7	78	165.8	-
Mexico	45.6	22	52.8	25	43.9	21	41.7	21	42.1	-
United States <sup>4</sup>	1740.5	84	1707.4	82	1697.9	83	1693.7	83	1731.6	-
<b>Total<sup>4</sup></b>	<b>1972.9</b>	<b>78</b>	<b>1952.9</b>	<b>77</b>	<b>1942.0</b>	<b>78</b>	<b>1927.2</b>	<b>77</b>	<b>1961.6</b>	<b>76</b>
<b>Pacific</b>										
Australia	35.7	40	34.1	37	32.7	36	35.5	39	37.2	-
Japan	629.4	125	637.9	117	612.1	103	620.1	130	627.2	-
Korea	142.5	71	145.4	65	134.9	59	137.4	68	155.4	-
New Zealand	9.0	62	7.9	48	7.2	44	6.8	45	6.7	-
<b>Total</b>	<b>816.6</b>	<b>101</b>	<b>825.3</b>	<b>94</b>	<b>786.8</b>	<b>85</b>	<b>799.8</b>	<b>102</b>	<b>826.5</b>	<b>102</b>
<b>Europe<sup>5</sup></b>										
Austria	20.2	66	19.8	68	20.4	72	18.7	66	19.2	-
Belgium	27.8	57	30.3	51	28.6	45	27.3	53	28.5	-
Czech Republic	15.9	70	16.7	79	18.8	98	19.6	90	19.5	-
Denmark	17.2	96	20.5	111	20.3	102	19.5	102	20.3	-
Finland	27.0	122	27.3	123	25.1	113	26.7	120	30.5	-
France	185.6	93	191.4	97	195.6	93	196.2	104	188.7	-
Germany	279.5	102	275.8	105	282.6	111	279.9	110	281.4	-
Greece	32.6	85	34.6	75	33.1	69	35.4	95	33.8	-
Hungary	17.0	105	17.1	104	17.6	120	20.8	127	17.3	-
Ireland	11.6	63	13.2	65	11.6	55	13.3	73	12.6	-
Italy	132.1	78	137.0	77	132.0	71	131.5	81	126.0	-
Luxembourg	0.8	13	0.8	12	0.8	11	0.9	15	1.0	-
Netherlands	116.6	114	115.7	115	116.4	116	120.5	121	123.1	-
Norway	21.0	98	30.2	108	30.7	123	21.9	91	21.8	-
Poland	34.5	70	33.8	69	35.2	79	35.5	74	35.7	-
Portugal	26.5	78	26.8	82	25.7	78	24.7	83	24.7	-
Slovak Republic	6.4	80	5.1	59	6.5	83	8.3	102	7.7	-
Spain	129.4	82	131.7	84	128.6	79	130.2	84	129.2	-
Sweden	35.4	100	34.6	95	38.0	102	38.4	110	38.7	-
Switzerland	38.0	134	38.9	137	37.7	128	37.7	147	39.3	-
Turkey	52.2	76	50.8	81	51.2	100	51.6	78	51.6	-
United Kingdom	102.3	57	108.7	60	95.6	52	97.8	53	100.5	-
<b>Total</b>	<b>1329.6</b>	<b>85</b>	<b>1360.8</b>	<b>87</b>	<b>1351.8</b>	<b>86</b>	<b>1356.5</b>	<b>90</b>	<b>1351.2</b>	<b>88</b>
<b>Total OECD</b>	<b>4119.1</b>	<b>84</b>	<b>4138.9</b>	<b>83</b>	<b>4080.6</b>	<b>82</b>	<b>4083.5</b>	<b>85</b>	<b>4139.3</b>	<b>84</b>
<b>DAYS OF IEA Net Imports<sup>6</sup></b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>116</b>

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.

2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.

3 End June 2006 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories. Total includes US territories.

5 Data not available for Iceland.

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

### TOTAL OECD STOCKS

CLOSING STOCKS	Total			Total		
	Government <sup>1</sup> controlled	Industry	Industry	Government <sup>1</sup> controlled	Industry	Industry
	<i>Millions of Barrels</i>			<i>Days of Fwd. Demand<sup>2</sup></i>		
2Q2003	3916	1365	2551	81	28	53
3Q2003	3983	1383	2600	80	28	53
4Q2003	3928	1411	2517	79	28	50
1Q2004	3888	1423	2465	81	30	51
2Q2004	3974	1429	2545	81	29	52
3Q2004	4016	1435	2581	80	29	51
4Q2004	4000	1450	2550	79	29	51
1Q2005	4005	1462	2543	83	30	53
2Q2005	4119	1494	2625	84	30	54
3Q2005	4139	1494	2645	83	30	53
4Q2005	4081	1487	2594	82	30	52
1Q2006	4084	1487	2597	85	31	54
2Q2006	4139	1493	2646	84	30	54

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

2 Days of forward demand calculated using actual demand except in 2Q2006 (when latest forecasts are used).

**Table 6**  
**IEA Member Country Destinations of Selected Crude Streams<sup>1</sup>**  
(million barrels per day)

	2003	2004	2005	3Q05	4Q05	1Q06	2Q06	Apr 06	May 06	Jun 06	Year Earlier	
											Jun 05	change
<b>Saudi Light &amp; Extra Light</b>												
North America	0.64	0.55	0.46	0.41	0.52	0.51	0.68	0.65	0.82	0.57	0.39	0.18
Europe	1.00	1.03	0.90	0.92	0.91	0.83	0.75	0.73	0.75	0.75	0.89	-0.13
Pacific	1.18	1.24	1.31	1.25	1.37	1.40	1.33	1.53	1.25	1.20	1.20	0.00
<b>Saudi Medium</b>												
North America	0.83	0.80	0.81	0.58	0.81	0.65	0.61	0.74	0.60	0.50	0.97	-0.47
Europe	0.11	0.11	0.16	0.20	0.16	0.17	0.13	0.15	0.11	0.12	0.14	-0.03
Pacific	0.24	0.23	0.26	0.27	0.32	0.38	0.35	0.37	0.34	0.35	0.21	0.14
<b>Saudi Heavy</b>												
North America	0.30	0.22	0.17	0.20	0.16	0.21	0.21	0.21	0.14	0.28	0.15	0.13
Europe	0.19	0.23	0.23	0.27	0.26	0.14	0.22	0.24	0.17	0.25	0.23	0.02
Pacific	0.16	0.15	0.25	0.26	0.29	0.25	0.20	0.21	0.20	0.19	0.20	-0.01
<b>Iraqi Basrah Light<sup>2</sup></b>												
North America	0.44	0.71	0.60	0.56	0.59	0.44	0.60	0.51	0.56	0.72	0.53	0.19
Europe	0.09	0.21	0.23	0.24	0.31	0.24	0.29	0.31	0.32	0.23	0.16	0.07
Pacific	0.03	0.12	0.06	0.06	0.06	0.08	0.09	0.12	..	0.14	0.07	0.08
<b>Iraqi Kirkuk</b>												
North America	0.06	0.02	..	..	..	..	..	..	..	..	..	..
Europe	0.12	0.08	0.05	0.13	0.03	..	..	..	..	..	0.07	..
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Iranian Light</b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.16	0.22	0.20	0.26	0.26	0.21	0.30	0.14	0.16
Pacific	0.17	0.16	0.15	0.14	0.15	0.19	0.12	0.13	0.18	0.03	0.15	-0.12
<b>Iranian Heavy<sup>3</sup></b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.71	0.57	0.48	0.51	0.38	0.51	0.62	0.59	0.03
Pacific	0.69	0.65	0.62	0.52	0.63	0.64	0.48	0.56	0.54	0.35	0.49	-0.14
<b>Venezuelan Light &amp; Medium</b>												
North America	0.69	0.67	0.82	0.79	0.81	0.76	0.66	0.73	0.73	0.52	0.78	-0.26
Europe	0.02	0.01	0.04	0.06	0.07	0.12	0.15	0.14	0.10	0.22	0.05	0.17
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
<b>Venezuelan 22 API and heavier</b>												
North America	0.60	0.88	0.72	0.66	0.56	0.72	0.70	0.71	0.71	0.68	0.75	-0.06
Europe	0.06	0.05	0.06	0.08	0.06	0.08	0.05	0.04	0.06	0.05	0.06	-0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Mexican Maya</b>												
North America	1.32	1.36	1.27	1.17	1.25	1.26	1.24	1.24	1.22	1.26	1.40	-0.14
Europe	0.16	0.16	0.17	0.16	0.18	0.13	0.20	0.20	0.18	0.21	0.17	0.04
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Mexican Isthmus</b>												
North America	0.00	..	0.03	0.02	0.10	0.09	0.03	0.07	..	0.01	0.01	0.00
Europe	0.00	0.01	0.03	0.02	0.05	0.01	0.00	0.00	..	..	0.03	..
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Russian Urals</b>												
North America	0.14	0.12	0.13	0.16	0.09	..	0.16	0.04	0.19	0.24	0.05	0.19
Europe	1.62	1.86	1.77	1.76	1.69	1.68	1.77	1.72	1.77	1.83	1.59	0.24
Pacific	0.00	0.01	0.00	0.01	..	..	..	..	..	..	..	..
<b>Nigerian Light<sup>4</sup></b>												
North America	0.63	0.80	0.90	0.94	0.90	0.87	0.79	0.95	0.65	0.78	0.76	0.02
Europe	0.41	0.28	0.35	0.41	0.41	0.28	0.27	0.29	0.21	0.30	0.28	0.02
Pacific	0.08	0.11	0.05	0.07	0.02	0.09	0.03	0.02	..	0.06	0.07	0.00
<b>Nigerian Medium</b>												
North America	0.17	0.23	0.17	0.13	0.15	0.19	0.17	0.12	0.16	0.23	0.31	-0.08
Europe	0.06	0.04	0.07	0.08	0.07	0.08	0.08	0.05	0.06	0.13	0.06	0.08
Pacific	0.01	0.01	0.01	..	..	..	..	..	..	..	..	..

<sup>1</sup> Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary, Poland and the Slovak Republic.

IEA Pacific data includes Australia, New Zealand, Korea and Japan.

<sup>2</sup> Iraqi Total minus Kirkuk.

<sup>3</sup> Iranian Total minus Iranian Light.

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

**Table 7**  
**Regional OECD Imports<sup>1,2</sup>**  
(thousand barrels per day)

	2003	2004	2005	3Q2005	4Q2005	1Q2006	2Q2006	Apr-06	May-06	Jun-06	Year Earlier	
											Jun-05	% change
<b>Crude Oil</b>												
North America	8069	8431	8384	8251	8101	7740	8266	7981	8179	8642	8941	-3%
Europe	9096	9477	9811	10082	9955	9382	9569	9276	9485	9948	8963	10%
Pacific	6711	6659	6801	6643	6967	7402	6512	6733	6843	5948	6353	-7%
<b>Total OECD</b>	<b>23876</b>	<b>24568</b>	<b>24997</b>	<b>24975</b>	<b>25023</b>	<b>24524</b>	<b>24347</b>	<b>23991</b>	<b>24507</b>	<b>24537</b>	<b>24256</b>	<b>1%</b>
<b>LPG</b>												
North America	27	24	18	18	30	8	8	5	9	10	2	84%
Europe	193	225	231	218	230	280	241	213	260	251	123	51%
Pacific	541	541	527	500	486	651	576	602	580	547	549	0%
<b>Total OECD</b>	<b>760</b>	<b>790</b>	<b>776</b>	<b>735</b>	<b>746</b>	<b>939</b>	<b>826</b>	<b>819</b>	<b>849</b>	<b>807</b>	<b>674</b>	<b>17%</b>
<b>Naphtha</b>												
North America	67	99	110	151	76	41	49	32	78	36	91	-156%
Europe	305	282	281	297	287	342	268	151	412	236	258	-9%
Pacific	770	769	746	693	760	692	731	736	616	844	746	12%
<b>Total OECD</b>	<b>1142</b>	<b>1150</b>	<b>1137</b>	<b>1142</b>	<b>1123</b>	<b>1074</b>	<b>1048</b>	<b>919</b>	<b>1106</b>	<b>1116</b>	<b>1095</b>	<b>2%</b>
<b>Gasoline<sup>3</sup></b>												
North America	669	794	1016	1046	1148	1113	1358	1241	1568	1259	1110	12%
Europe	150	137	172	208	122	194	143	25	223	179	166	7%
Pacific	70	105	102	93	90	85	143	108	162	159	138	13%
<b>Total OECD</b>	<b>888</b>	<b>1035</b>	<b>1291</b>	<b>1346</b>	<b>1360</b>	<b>1392</b>	<b>1644</b>	<b>1374</b>	<b>1952</b>	<b>1597</b>	<b>1414</b>	<b>11%</b>
<b>Jet &amp; Kerosene</b>												
North America	97	101	130	139	268	79	192	206	228	139	42	70%
Europe	271	293	375	449	371	319	394	375	342	467	396	15%
Pacific	102	77	66	48	49	131	40	32	48	38	57	-50%
<b>Total OECD</b>	<b>470</b>	<b>471</b>	<b>571</b>	<b>636</b>	<b>688</b>	<b>529</b>	<b>625</b>	<b>613</b>	<b>618</b>	<b>644</b>	<b>495</b>	<b>23%</b>
<b>Gasoi/Diesel</b>												
North America	126	123	142	99	267	210	172	103	283	128	86	32%
Europe	652	751	857	812	869	1073	924	1072	896	804	773	4%
Pacific	73	74	79	79	83	80	94	71	113	96	83	14%
<b>Total OECD</b>	<b>850</b>	<b>947</b>	<b>1079</b>	<b>989</b>	<b>1218</b>	<b>1363</b>	<b>1190</b>	<b>1246</b>	<b>1292</b>	<b>1029</b>	<b>943</b>	<b>8%</b>
<b>Heavy Fuel Oil</b>												
North America	326	453	525	566	610	481	321	260	331	371	474	-28%
Europe	398	405	491	526	470	521	479	478	449	511	452	12%
Pacific	88	76	85	90	82	122	105	98	110	107	69	36%
<b>Total OECD</b>	<b>812</b>	<b>935</b>	<b>1101</b>	<b>1182</b>	<b>1163</b>	<b>1125</b>	<b>904</b>	<b>836</b>	<b>889</b>	<b>989</b>	<b>995</b>	<b>-1%</b>
<b>Other Products</b>												
North America	680	872	1005	1166	1049	972	1162	1153	1182	1149	1267	-10%
Europe	690	676	796	807	801	888	856	893	843	832	908	-9%
Pacific	235	256	247	225	263	284	271	289	257	267	228	14%
<b>Total OECD</b>	<b>1605</b>	<b>1805</b>	<b>2048</b>	<b>2197</b>	<b>2113</b>	<b>2145</b>	<b>2289</b>	<b>2336</b>	<b>2282</b>	<b>2249</b>	<b>2403</b>	<b>-7%</b>
<b>Total Products</b>												
North America	1991	2466	2947	3185	3447	2903	3261	2999	3679	3091	3073	1%
Europe	2657	2767	3204	3315	3151	3619	3305	3208	3424	3279	3075	6%
Pacific	1879	1898	1852	1728	1812	2046	1960	1937	1885	2059	1870	9%
<b>Total OECD</b>	<b>6527</b>	<b>7132</b>	<b>8003</b>	<b>8228</b>	<b>8410</b>	<b>8568</b>	<b>8526</b>	<b>8144</b>	<b>8988</b>	<b>8429</b>	<b>8018</b>	<b>5%</b>
<b>Total Oil</b>												
North America	10061	10897	11332	11436	11548	10643	11527	10980	11858	11733	12013	-2%
Europe	11753	12245	13015	13397	13106	13001	12874	12484	12910	13227	12039	9%
Pacific	8590	8558	8653	8370	8779	9447	8471	8671	8728	8007	8223	-3%
<b>Total OECD</b>	<b>30403</b>	<b>31699</b>	<b>33000</b>	<b>33203</b>	<b>33433</b>	<b>33091</b>	<b>32873</b>	<b>32135</b>	<b>33495</b>	<b>32966</b>	<b>32274</b>	<b>2%</b>

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

2 Excludes intra-regional trade

3 Includes additives

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## User's Guide to the IEA Oil Market Report

Readers are referred to the *User's Guide*, published in conjunction with the *Annual Statistical Supplement* (current issue dated 11 August 2006), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platts prices, converted when appropriate to US\$ per barrel according to the Platts specification of products (©2006 Platts - a division of McGraw-Hill Inc.).

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