

# Oil Market Report



International  
Energy Agency

**12 November 2010**

## HIGHLIGHTS

- **Oil markets turned markedly stronger in October** on higher-than-expected demand, lower OECD inventories and a weaker dollar. Crude oil futures broke out of the \$75-78/bbl range seen in 3Q10 and headed to a loftier \$82-83.50/bbl in October. By early November, benchmark crudes hovered near two-year highs, oscillating around \$89/bbl.
- **Forecast global oil demand growth for 2010 is revised up by 0.2 mb/d to 2.3 mb/d** on higher-than-expected 3Q10 data in the OECD and slightly stronger readings in the non-OECD. Assuming no recurrence of the weather-induced third-quarter surge, 2011 growth is set to slow to 1.2 mb/d year-on-year, with demand averaging 88.5 mb/d versus 87.3 mb/d in 2010.
- **September OECD industry stocks plummeted by 42.8 mb to 2 750 mb, or 59.9 days**, driven by a sharp draw in European crude oil inventories. Preliminary data point to a modest 1.8 mb build in onshore stocks in October, but oil in floating storage fell.
- **October global oil supply rose by 0.8 mb/d to 87.6 mb/d, largely on higher non-OPEC output.** Seasonal maintenance in the Caspian and Norway ended and the US Gulf avoided storm shut-ins. Non-OPEC 2010 estimates remain at 52.6 mb/d, but 2011 is boosted by 0.3 mb/d to 53.4 mb/d on stronger North American and Chinese supply.
- **OPEC crude oil supply in October is assessed at 29.15 mb/d**, off by a marginal 40 kb/d from the previous month. The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d on higher demand, dipping to 29.4 mb/d in 2011. OPEC NGLs supplies are expected to rise from 5.1 mb/d in 2010 to 5.8 mb/d in 2011.
- **3Q10 global refinery throughputs averaged 75.7 mb/d**, up by 2.2 mb/d versus 3Q09. In October, peak maintenance, poor margins and industrial action in France curbed OECD crude runs to 34.6 mb/d, the lowest since 1993 and 2.4 mb/d below September. 4Q10 global runs are projected at 73.9 mb/d, with an expected OECD rebound in November and stronger runs in China.

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12 November 2010

## OMR PUBLISHING SCHEDULE – 2011

Please find below the 2011 release dates for the *Oil Market Report*:

**Tuesday 18 January**  
**Thursday 10 February**  
**Tuesday 15 March**  
**Tuesday 12 April**  
**Thursday 12 May**  
**Thursday 16 June\***  
**Wednesday 13 July**  
**Wednesday 10 August**  
**Tuesday 13 September**  
**Wednesday 12 October**  
**Thursday 10 November**  
**Tuesday 13 December**

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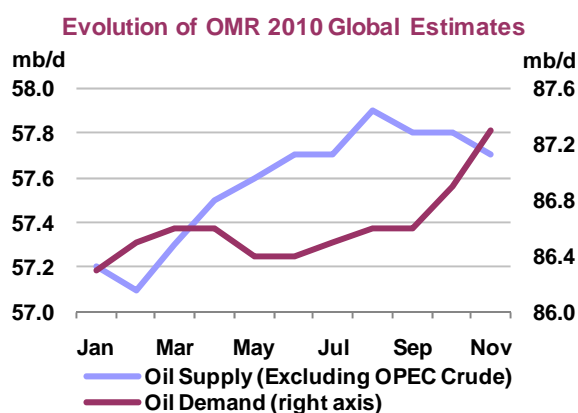
\*The 2011 Edition of *Medium-Term Oil & Gas Markets (MTOGM)* will be released on the same date as the *OMR* of 16 June 2011. The *OMR* of this date will comprise the usual data and projections through end-2011, but with heavily abridged text.

# TABLE OF CONTENTS

HIGHLIGHTS .....	1
THE ONLY WAY IS UP? .....	4
DEMAND .....	5
Summary .....	5
Global Overview .....	5
OECD .....	7
North America .....	8
Europe .....	10
Pacific .....	11
Non-OECD .....	12
China .....	13
Other Non-OECD .....	14
Plus Ça Change: Price Reform in India .....	15
SUPPLY .....	16
Summary .....	16
OPEC Crude Oil Supply .....	17
OPEC NGLs .....	19
Non-OPEC Overview .....	19
Global Biofuels .....	21
OECD .....	22
North America .....	22
Gulf of Mexico Drilling Moratorium Lifted but Uncertainty Remains .....	22
North Sea .....	23
Pacific .....	24
Former Soviet Union (FSU) .....	24
Russia: Re-drawing the Fiscal Map .....	26
Other Non-OPEC .....	27
OECD STOCKS .....	28
Summary .....	28
OECD Inventory Position at End-September and Revisions to Preliminary Data .....	28
Analysis of Recent OECD Industry Stock Changes .....	29
OECD North America .....	29
OECD Europe .....	30
OECD Pacific .....	31
Recent Developments in Singapore and China Stocks .....	32
PRICES .....	34
Summary .....	34
Market Overview .....	34
The Joys of Easing .....	36
Futures Markets .....	37
Spot Crude Oil Prices .....	39
Spot Product Prices .....	41
Refining Margins .....	42
End-User Product Prices in October .....	44
Freight .....	44
REFINING .....	46
Summary .....	46
Global Refinery Throughput .....	46
OECD Refinery Throughput .....	47
The French Refineries are Back .....	50
Non-OECD Refinery Throughput .....	51
OECD Refinery Yields .....	54
TABLES .....	55

## THE ONLY WAY IS UP?

Physical market developments through October have stoked expectations of inexorably higher prices, even though the framework of market fundamentals for next year, to us, still looks fairly comfortable. October saw blockades in France, which may have dented European product supplies by around 1 mb/d. OECD 3Q10 demand came in stronger than preliminary data indicated, and expectations for 4Q10 demand in China are also raised. Expected refinery throughputs for late-2010 have been upgraded accordingly. We still expect OECD demand strength to prove partly transient, and surging Chinese diesel demand for power generation to ease early next year. But the market has been spooked by successive quarters this year in which year-on-year growth has accelerated from roughly 2 mb/d to 3 mb/d (even if most acknowledge that growth will likely now slow). As the graph below shows, our own demand estimates for 2010 have been revised higher, albeit partly derived from historical baseline changes. This demand resurgence, not so surprising after the depth of recession seen in 2008/2009, has seen global demand recover to late-2007 levels, and has begun eating into OECD stock overhang in the process.



Market contango has narrowed and prompt prices are testing the upper edge of an \$85-\$90/bbl range. Some press reports cite producers using the opportunity to make a case for a new, higher 'fair' price range encompassing \$90/bbl or higher. A number of macro economists appear remarkably sanguine too about stronger prices and their potential impact on the world economy. Our own view remains that the period of price stability since last autumn, albeit at prices much higher than suggested purely by marginal costs, was probably what the global economy needed in recovery

mode. The dangers of a renewed price bubble, borne of perceptions on the timing of 'inevitably' tightening markets, seem clear. As such, and though it remains a subsidiary scenario for now, we retain our lower GDP sensitivity. This points to the possibility of weaker 2011 GDP growth, and thus oil demand, than the base case projections shown here. All things being equal, that outcome would not support sustained high prices in 2011. So 'be careful what you wish for' might be a valuable adage for more bullish market advocates.

Others have pointed to a lock-step relationship between the dollar, risk diversification and crude prices. As we discuss later, however, although recent months have seen a persuasive argument for correlation, strict causality from dollar value to crude prices remains difficult to prove empirically. And plenty of economic voices more qualified than our's see at least the possibility that QE2 could have uneven economic impacts if inflation or new trade barriers were to result. So the conclusion that current monetary policy will inevitably drive oil prices higher on a sustained basis may be premature.

To end on a more positive note (some suggested last month's editorial made us resemble harbingers of gloom), our own supply estimates for 2010 have also ratcheted higher to a similar extent as those for demand. To be sure, risks remain. Upstream costs have bottomed out. *Macondo* still casts a shadow, at least over the lead times for US deepwater supply growth. And uncertainties over the investment environment in locations as widespread as Brazil, Nigeria and Russia may make companies wary of rushing in. But ever since prices recovered through \$60/bbl and beyond in mid-2009, there have been plenty of encouraging signs too. News of a government finally being formed in Iraq raises hopes of expansion in the years ahead. Mexico has been remarkably successful in blunting the impact of mature field decline. In the US Gulf of Mexico too, activity is stirring again after a six month hiatus, with tighter permitting and operational standards hopefully resulting in safer, but still economic new supply. Reasons to be cheerful, after all.

# DEMAND

## Summary

- **Forecast global oil product demand growth for 2010 is revised up by 0.2 mb/d to +2.3 mb/d or +2.8% year-on-year**, mostly on higher-than-expected 3Q10 data in the OECD, as well as slightly stronger readings in the non-OECD. Apart from the recent 2004 peak (+3.0 mb/d), global growth last reached such high levels in the late 1970s (+2.3 mb/d in 1978). Overall, global oil demand is now expected to average 87.3 mb/d in 2010, up by 0.4 mb/d versus our last report, with roughly half of this adjustment (+180 kb/d) related to a baseline revision to LPG/ethane demand in the Middle East. For 2011, we maintain our growth prognosis broadly unchanged at +1.2 mb/d or +1.4% year-on-year, with demand averaging 88.5 mb/d, assuming no recurrence of the weather-induced third-quarter surge in the OECD and non-OECD demand growth slowing in line with slightly weaker macroeconomic assumptions versus 2010.
- **Projected OECD oil demand for 2010 and 2011 is adjusted up by 130 kb/d and 100 kb/d, respectively**, with September readings significantly exceeding preliminary indications. Assuming that the Pacific's sharp weather-related surge was exceptional, that European heating oil deliveries may moderate with German inventories tracking their five-year average, and that North American underlying demand is slightly stronger than previously thought, OECD demand is currently expected to average 45.9 mb/d in 2010 (+440 kb/d or +1.0% year-on-year). Total oil product demand is projected to resume its structural decline in 2011 (-320 kb/d or -0.7% versus the previous year).

**Global Oil Demand (2009-2011)**

(million barrels per day)

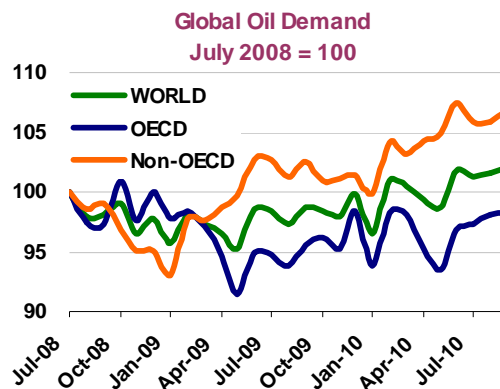
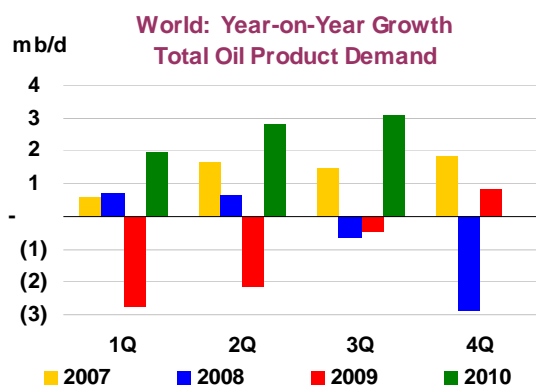
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Africa	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.3
Americas	29.2	28.9	29.4	29.7	29.3	29.6	30.1	30.5	30.1	30.1	29.9	30.2	30.7	30.4	30.3
Asia/Pacific	25.6	25.8	25.8	26.9	26.0	27.4	27.1	26.9	27.5	27.2	28.0	27.6	27.2	28.0	27.7
Europe	15.6	15.0	15.2	15.1	15.2	14.9	14.8	15.4	15.1	15.1	14.9	14.7	15.2	15.0	14.9
FSU	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.3	4.4
Middle East	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
<b>World</b>	<b>84.4</b>	<b>84.2</b>	<b>85.4</b>	<b>85.9</b>	<b>85.0</b>	<b>86.4</b>	<b>87.0</b>	<b>88.5</b>	<b>87.5</b>	<b>87.3</b>	<b>87.9</b>	<b>88.1</b>	<b>89.3</b>	<b>88.7</b>	<b>88.5</b>
Annual Chg (%)	-3.2	-2.5	-0.6	0.9	-1.3	2.3	3.3	3.6	1.8	2.8	1.8	1.3	0.9	1.5	1.4
Annual Chg (mb/d)	-2.8	-2.2	-0.5	0.8	-1.2	2.0	2.8	3.1	1.5	2.3	1.5	1.1	0.8	1.3	1.2
Changes from last OMR (mb/d)	0.19	0.19	0.19	0.17	0.18	0.18	0.19	0.85	0.27	0.38	0.32	0.23	0.60	0.26	0.35

- **Estimated non-OECD oil demand for both 2010 and 2011 is raised by 250 kb/d on average**, largely on a reappraisal of baseline LPG/ethane demand in the Middle East (Iran), coupled with slightly stronger-than-anticipated third-quarter data across all regions. In addition, the outlook now assumes stronger gasoil demand in China in 4Q10-1Q11, as manufacturers in coastal areas turn to small gasoil-fired electricity generators amid government-mandated closures of coal-fired plants, ostensibly aiming at complying with the 11<sup>th</sup> five-year plan's energy intensity targets. Total non-OECD oil product demand is now projected at 41.4 mb/d in 2010 (+1.9 mb/d or +4.7% year-on-year) and 42.9 mb/d in 2011 (+1.5 mb/d or +3.7%).

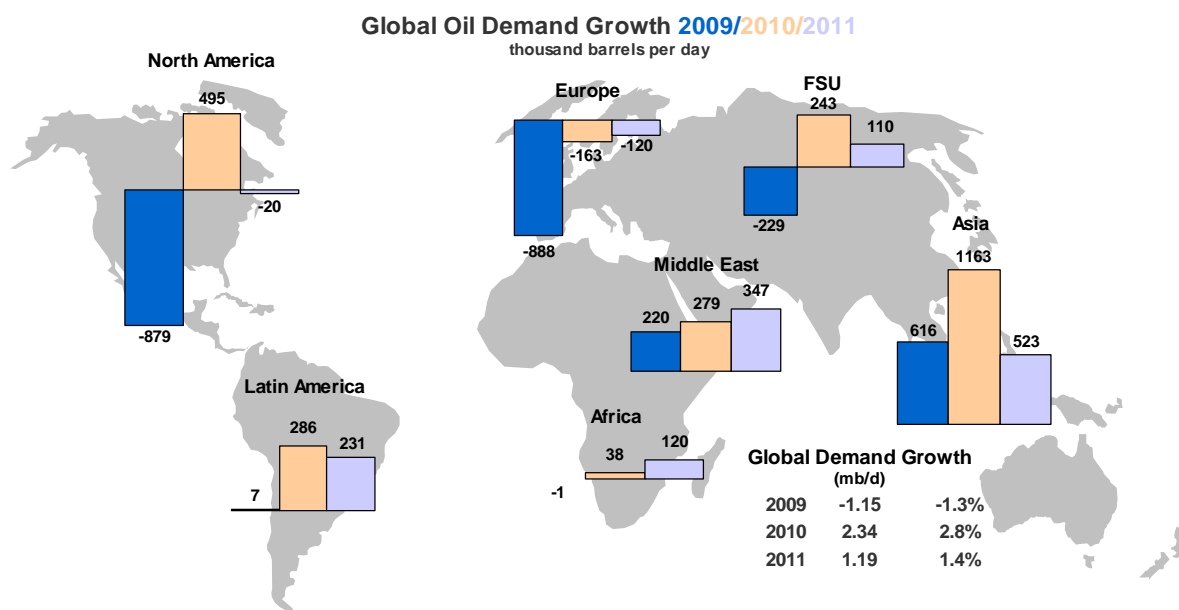
## Global Overview

The latest preliminary data suggest that global oil demand rose by 3.1 mb/d year-on-year in 3Q10, showing a continuous acceleration since the beginning of the year (compared with +2.0 mb/d in 1Q10 and +2.8 mb/d in 2Q10). The magnitude of such a rebound, albeit mostly attributable to temporary factors in the OECD that were flagged in last month's report, was nonetheless unexpected, entailing a further upward revision (0.5 mb/d) to the regional outlook in 3Q10. In addition, the non-OECD also featured slightly higher-than-expected readings.





Such exceptional third-quarter strength raises questions regarding the fourth-quarter outlook. Together with most oil market observers, we had assumed that global demand growth would gently subside from 2H10, given a much higher baseline in the same period of the previous year. However, although we still believe growth will slow down (to 1.5 mb/d in 4Q10), there are upside risks to this outlook. In the OECD, conflicting readings in US preliminary weekly data have vastly complicated any pre-emptive adjustment and thus the assessment of the underlying monthly trend. Meanwhile, heating oil consumer restocking in Germany has surged relative to a very low base, and could trend higher than the five-year average in the months ahead. A third risk factor is the weather. After Japan's unprecedented summer heat wave, which led to an extraordinary surge of oil demand for electricity generation, some forecasters reckon that the winter in the northern hemisphere will be extremely cold – yet our outlook is based both on average temperatures and recent trends in efficiency improvements and interfuel substitution (spot natural gas remains much cheaper than oil, although in Japan gas continues to be indexed to oil).



In the non-OECD, the main source of uncertainty is China. The country's annual oil demand growth has clearly moderated (+18.9%, +10.6% and +6.2% in 1Q10, 2Q10 and 3Q10, respectively), but could well accelerate again in 4Q10. The reason is related to the government's last-minute drive to achieve at all costs the energy intensity targets of the 11<sup>th</sup> five-year plan (a 20% reduction from 2006 to 2010). This has led to shutdowns of coal-fired power plants and heavy industry since the summer, notably in coastal areas – obliging many smaller businesses and factories to rely on small gasoil-fired generators. As such, the shutdowns could herald a replay of 2004, when power shortages due to limited coal-based

generation capacity boosted gasoil use sharply (+300 kb/d year-on-year versus +280 kb/d currently expected in 2010), although in relative terms this year's gasoil rise should be less pronounced (+10.5% versus +17.2% in 2004). We are factoring in higher gasoil demand at least until February 2011 (the start of the new Chinese year, after which we assume that these shutdowns will likely cease), but an earlier policy reversal may not be excluded if gasoil shortages, which have emerged since late September, were to worsen significantly over the next few weeks despite higher domestic refinery runs and imports.

Overall, we currently expect that global oil demand growth will top 2.3 mb/d or +2.8% year-on-year in 2010, with the OECD accounting for a respectable +0.4 mb/d. Apart from the recent 2004 peak (+3.0 mb/d), global growth last reached such high levels in the late 1970s (+2.3 mb/d in 1978). This entails a +0.2 mb/d revision versus our last report – although absolute demand has been adjusted by +0.4 mb/d to 87.3 mb/d, with roughly half (+180 kb/d) related to a baseline revision to Middle Eastern LPG/ethane demand, concentrated in Iran. Still, it is worth noting that despite its recent strength, OECD demand remains well below its 2008 levels – global growth has effectively been driven since then by non-OECD countries. For 2011, we maintain our growth prognosis broadly unchanged at 1.2 mb/d year-on-year, assuming no recurrence of the weather-induced third-quarter surge in the OECD, thus implying a resumption of the area's gradual demand decline (-0.3 mb/d) and non-OECD demand growth (+1.5 mb/d) in line with recent trends and current assumptions of slightly lower GDP growth.

## OECD

According to preliminary data, OECD inland deliveries (oil products supplied by refineries, pipelines and terminals) rose by 2.8% year-on-year in September. The extraordinary summer heat wave in **OECD Pacific** continued to boost residual fuel oil use and direct crude burning for power generation, as well as transportation fuel demand. In **OECD Europe**, sustained consumer heating oil re-stocking provided persistent support to distillate deliveries. In **OECD North America** (which includes US Territories), strong diesel demand readings suggest a stronger-than-anticipated economic rebound.

### OECD Demand based on Adjusted Preliminary Submissions - September 2010

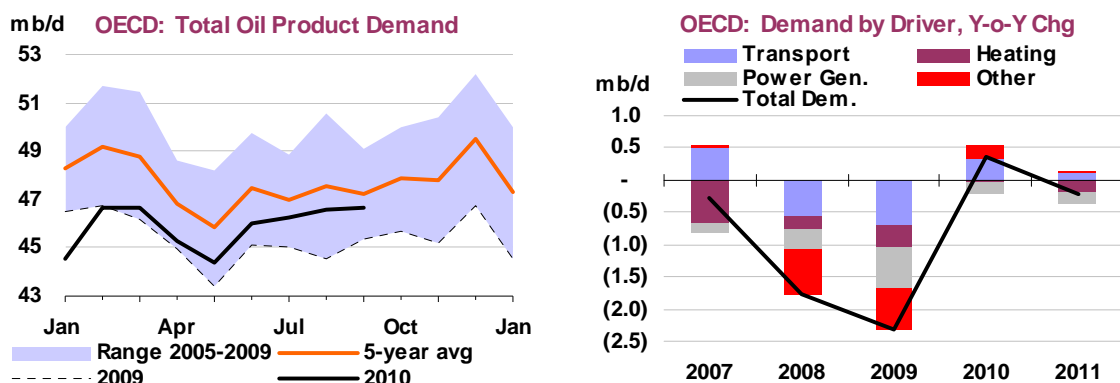
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
<b>OECD North America*</b>	<b>10.57</b>	<b>0.8</b>	<b>1.66</b>	<b>3.8</b>	<b>3.98</b>	<b>7.0</b>	<b>0.90</b>	<b>12.0</b>	<b>0.84</b>	<b>4.3</b>	<b>5.90</b>	<b>3.76</b>	<b>23.85</b>	<b>3.2</b>
US50	9.00	1.0	1.47	4.3	3.42	7.0	0.43	17.9	0.42	24.3	4.44	1.5	19.18	3.1
Canada	0.75	-1.3	0.11	2.2	0.24	-2.5	0.33	26.8	0.12	29.8	0.75	9.8	2.29	7.0
Mexico	0.77	0.3	0.05	-7.4	0.28	1.2	0.12	1.2	0.23	-24.6	0.67	14.1	2.12	0.5
<b>OECD Europe</b>	<b>2.30</b>	<b>-3.3</b>	<b>1.40</b>	<b>2.7</b>	<b>4.56</b>	<b>1.2</b>	<b>1.85</b>	<b>10.4</b>	<b>1.35</b>	<b>-5.6</b>	<b>3.61</b>	<b>-0.6</b>	<b>15.06</b>	<b>0.6</b>
Germany	0.49	-2.2	0.20	-0.3	0.73	0.2	0.52	34.4	0.16	16.6	0.59	-3.0	2.68	5.0
United Kingdom	0.35	-3.9	0.36	-0.1	0.45	5.9	0.14	7.9	0.08	1.8	0.29	-6.6	1.67	0.1
France	0.20	-4.6	0.15	-0.1	0.72	2.7	0.34	11.6	0.07	-23.8	0.42	-1.3	1.90	0.9
Italy	0.24	-5.8	0.11	10.9	0.53	-0.8	0.13	-1.4	0.12	-40.1	0.40	11.2	1.53	-3.3
Spain	0.14	-3.0	0.12	0.7	0.49	-1.2	0.15	-9.0	0.20	-4.1	0.33	-1.5	1.42	-2.6
<b>OECD Pacific</b>	<b>1.61</b>	<b>4.4</b>	<b>0.70</b>	<b>11.6</b>	<b>1.06</b>	<b>3.7</b>	<b>0.50</b>	<b>1.6</b>	<b>0.80</b>	<b>33.3</b>	<b>3.08</b>	<b>1.6</b>	<b>7.74</b>	<b>6.0</b>
Japan	1.04	6.3	0.41	12.3	0.43	12.2	0.39	2.2	0.49	55.4	1.69	-1.7	4.45	7.4
Korea	0.20	10.7	0.15	16.0	0.25	-3.2	0.10	-0.4	0.27	11.3	1.20	7.1	2.17	6.8
Australia	0.32	-0.8	0.12	4.6	0.33	1.4	0.00	0.0	0.03	-18.1	0.16	-1.9	0.96	-0.2
<b>OECD Total</b>	<b>14.48</b>	<b>0.5</b>	<b>3.75</b>	<b>4.7</b>	<b>9.60</b>	<b>3.8</b>	<b>3.24</b>	<b>9.4</b>	<b>2.99</b>	<b>5.4</b>	<b>12.59</b>	<b>2.0</b>	<b>46.65</b>	<b>2.8</b>

\* Including US territories

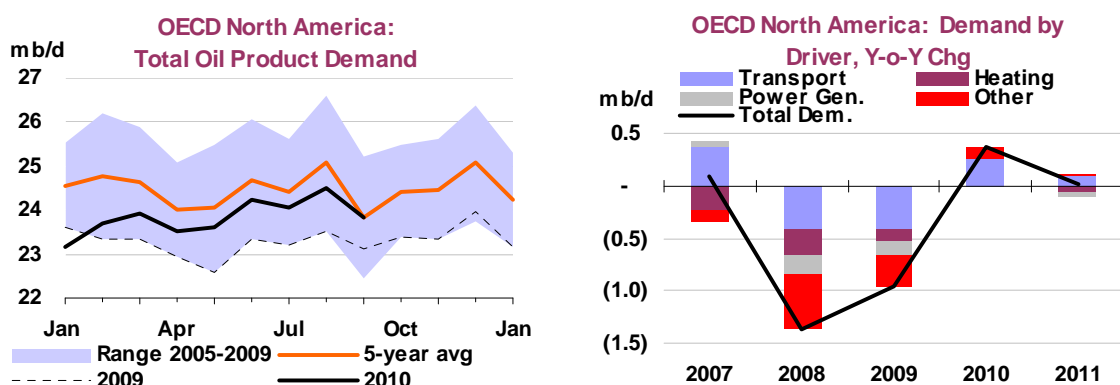
For the second month in a row, revisions to preliminary submissions were substantial. Demand in August turned out to be 640 kb/d higher, notably in North America (+380 kb/d), with US readings once again exceeding adjusted weekly estimates for all product categories bar LPG. In Europe (+240 kb/d), naphtha and gasoil were much stronger, notably in France and Germany. In the Pacific, by contrast, overall revisions were negligible (+20 kb/d). Total OECD demand thus rose by a hefty 4.4% year-on-year in August, almost 50% faster than implied by preliminary data.

As noted earlier, these unusually strong data have resulted in yet another sizeable revision (+520 kb/d) to 3Q10 estimates. Added to a broadly similar adjustment last month, 3Q10 demand is now about 1.1 mb/d higher than estimated just two months ago, taking most observers aback. However, we have only partly carried through these revisions. We continue to assume that the Pacific's weather-related surge was exceptional and that European heating oil deliveries may moderate with German inventories tracking their five-year average, but we have allowed for a slightly higher underlying demand trend in North America. On this basis, OECD demand is currently expected to average 45.9 mb/d in 2010 (+1.0% or +440 kb/d year-on-year and 130 kb/d higher than previously anticipated), resuming its structural decline in 2011 (-0.7% or -320 kb/d versus the previous year and 100 kb/d higher when compared to our last report).



## North America

Preliminary data show oil product demand in North America (including US territories) rising by 3.2% year-on-year in September, following a 4.2% increase in August. Growth in September continued to be broad-based, with all categories bar LPG posting gains. Demand has turned out to be higher than anticipated in recent months, anchored by strong readings in transportation fuels, diesel and jet fuel/kerosene and, to a lesser degree, gasoline. Overall, oil demand growth in 3Q10 (+3.7% or +0.9 mb/d year-on-year) has outpaced economic activity, but whether this signals stronger underlying economic fundamentals – as opposed to a mere catch-up from previous, relatively strong quarterly GDP figures – remains uncertain. With slowing October consumption growth, as suggested by US weekly data, we remain cautious regarding the outlook for 4Q10 and 2011.

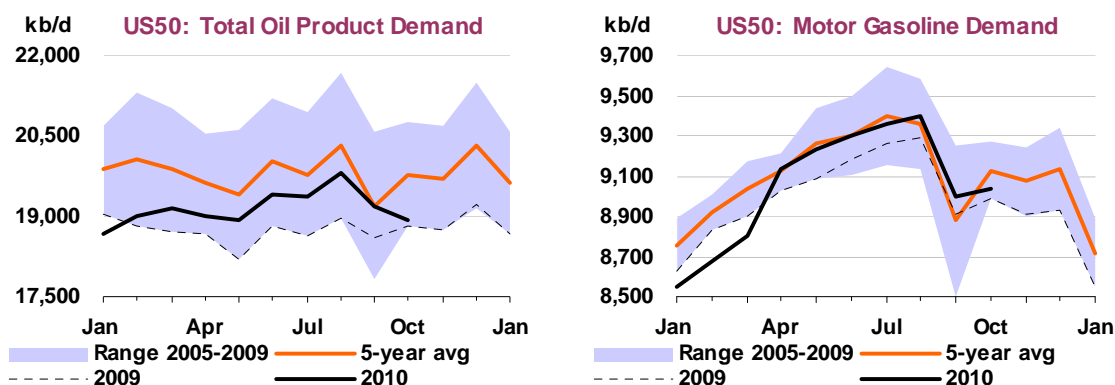


This month's report sees again higher 3Q10 demand, with a +380 kb/d revision to August preliminary data. Diesel (+130 kb/d) accounted for one-third of the adjustment, aided by stronger readings in gasoline and 'other products'. Part of the total revision has fed through to September (+160 kb/d), but on the basis of weaker-than-expected US preliminary data, October demand has been revised downward



by 130 kb/d. North American demand is now estimated at 23.8 mb/d in 2010 (+2.1% or +500 kb/d versus 2009 and 30 kb/d higher than our last report). In 2011, demand is still expected to fall slightly to 23.8 mb/d (-0.1% or -20 kb/d year-on-year and 70 kb/d higher than our last report).

Adjusted preliminary weekly data through 29 October for the **United States** (excluding territories) indicate that inland deliveries – a proxy of oil product demand – grew by 0.6% in October, following a 3.1% year-on-year rise in September. October data featured a sharp year-on-year decline in both LPG and residual fuel oil, stemming partly from warmer weather compared to a relatively cold October 2009 and from propane supply disruptions in the US Northeast.

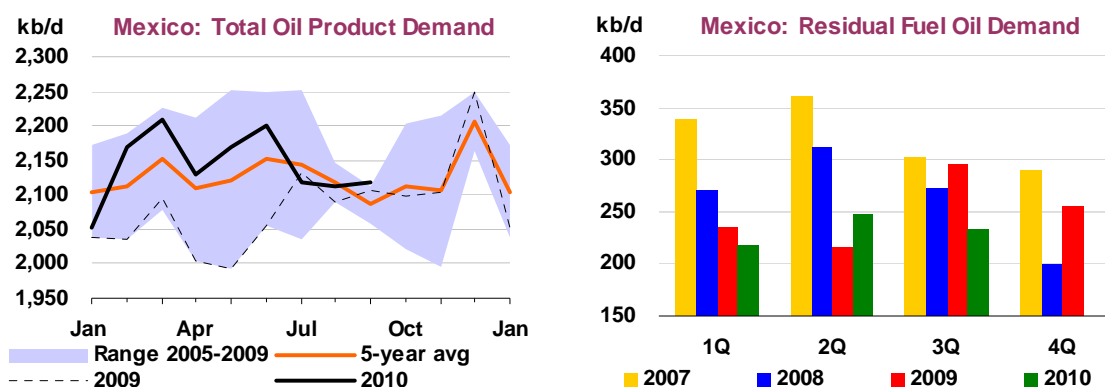


Slowing oil demand growth in October also resulted from moderate transportation fuel readings. Jet fuel/kerosene grew by 0.7% year-on-year, versus an average of +2.9% in the previous six months. Similarly, gasoline demand expanded by 0.6%, compared with +1.2% on average from April to September. However, US weekly data in October included a sharply negative gasoline ‘supply adjustment’ factor. This adjustment attempts to account for unreported blending of ethanol and other components; a negative factor implies some undercounting. As such, we have foregone our own weekly-to-monthly adjustment to gasoline demand (i.e., the twelve-month rolling average of previous revisions), which would have implied a further downward correction to weekly data. Still, the degree of gasoline strength remains uncertain. MasterCard’s report through 5 November show that four-week average gasoline consumption was down by 2.0% versus year-ago levels, as retail prices have risen above the \$2.70-\$2.80/gallon range that prevailed during much of the summer.

Meanwhile, diesel demand remains buoyant, growing by an estimated 11.1% year-on-year in October after rising by 7.0% in September and 11.4% in August. While the precise split between diesel and heating oil in preliminary data, based on historical patterns, remains tenuous, overall middle distillate demand (+9.4% in October) has benefitted from improved industrial indicators. After falling in August, the American Trucking Association’s tonnage index rose by 5.1% month-on-month in September. Similarly, the ISM’s purchasing managers index rebounded in October to its highest level since May, while rail freight activity expanded by 11% year-on-year in September and October.

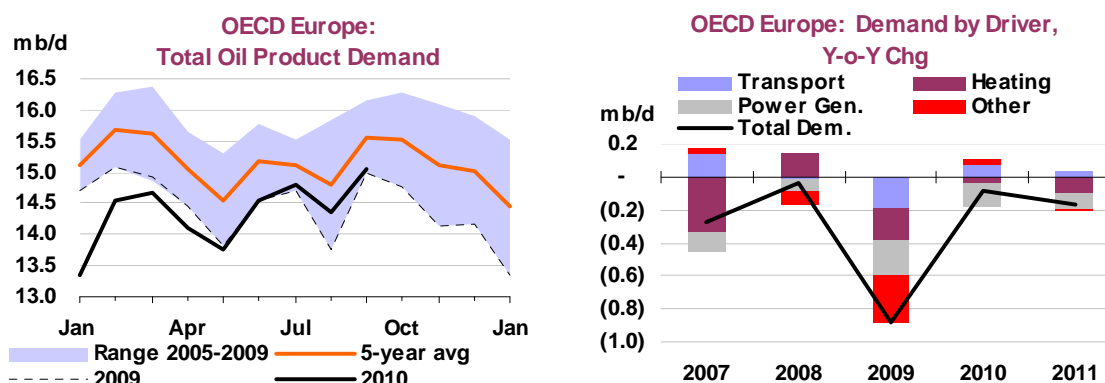
In the longer run, US diesel demand will increasingly depend on structural changes in the country’s truck fleet. In late October, the Obama Administration announced proposals for stringent fuel economy standards for new medium and heavy trucks, starting from model year 2014, to be met by 2018. While precise targets will not be finalised until next summer, the standards envisage a 10% fuel consumption reduction for buses, a 15% cutback for heavy-duty diesel vehicles (pickup trucks and vans) and a 20% decline for farm tractors.

**Mexican** oil demand growth has slowed down in the past several months, with September consumption rising by only 0.5% year-on-year, versus an average of +4.7% in the previous six months. Weak residual fuel oil readings, relative to a drought-affected September 2009, explain the bulk of the moderation; stripping out residual fuel oil, oil product demand growth in 3Q10 would have been closer to the +4.0% mark. Nonetheless, transportation fuel growth has also dwindled. In September, gasoline grew by 0.3% (versus 2.5% in the previous six months) and jet fuel/kerosene declined by 7.4% (possibly because Mexicana de Aviación, the country's second-largest carrier, went bankrupt and ceased operations), while diesel, which had expanded by 3.9% on average from March to August, rose by only 1.2%.



## Europe

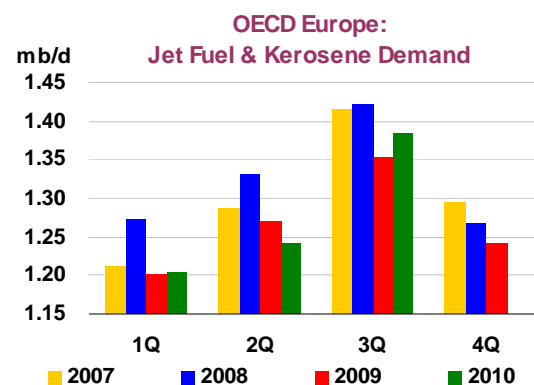
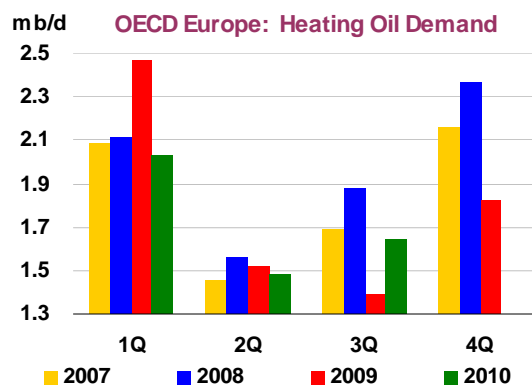
Preliminary inland data suggest that oil product demand growth in Europe softened to 0.6% year-on-year in September, compared with +4.4% in August. This was largely due to somewhat less buoyant heating oil deliveries (+10.4% versus +33.8% in August) in the region's main user, Germany. Indeed, **German** heating oil demand rose by 'only' 34.4%, after surging by an upwardly revised +125.9% in the previous month. By end September, German consumer stocks stood at 62% of capacity, above August (60%) but broadly in line with the five-year average. Meanwhile, European jet fuel/kerosene demand continued to show some strength, suggesting a sustained rebound in air travel.



Revisions to August preliminary demand data were large (+240 kb/d), due to stronger-than-expected deliveries of naphtha and heating oil, notably in France and Germany. The naphtha revision, in particular, seems consistent with a rise in industrial production in August (although September readings suggest that such an increase was temporary). Overall, 3Q10 oil demand growth in Europe reached 1.9% year-on-year, almost reversing the losses seen in the previous five quarters.

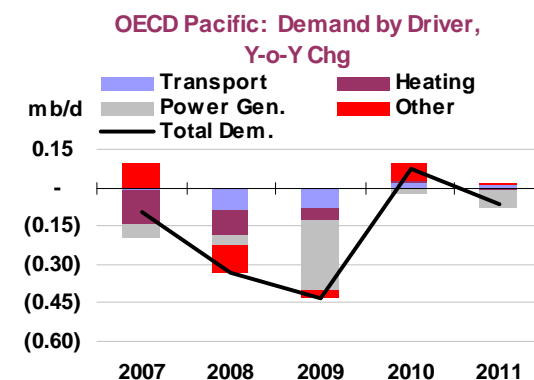
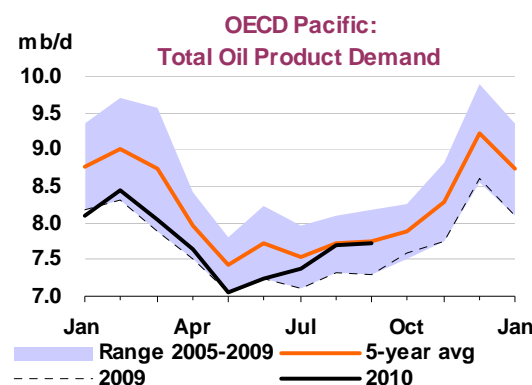
Looking forward, we have kept our 4Q10 assessment of European demand broadly unchanged, assuming that German heating oil deliveries track their five-year average. In addition, we have not made

substantial changes to **France's** outlook. Indeed, the effects of the latest wave of strikes are quite difficult to quantify – panic fuel purchases by French motorists were probably partly offset by shortages as deliveries from the country's stocks were blocked in some areas amid the closure of virtually all refineries. As such, French data may show a demand spike in October, followed by lower-than-usual deliveries in November – with a neutral overall effect. In the meantime, we expect total OECD Europe demand to average 14.4 mb/d in 2010 (-0.9% or -130 kb/d compared with the previous year and 35 kb/d higher than previously expected) and to decline further in 2011 to 14.2 mb/d (-1.0% or -140 kb/d versus 2010, broadly unchanged versus last month's report).



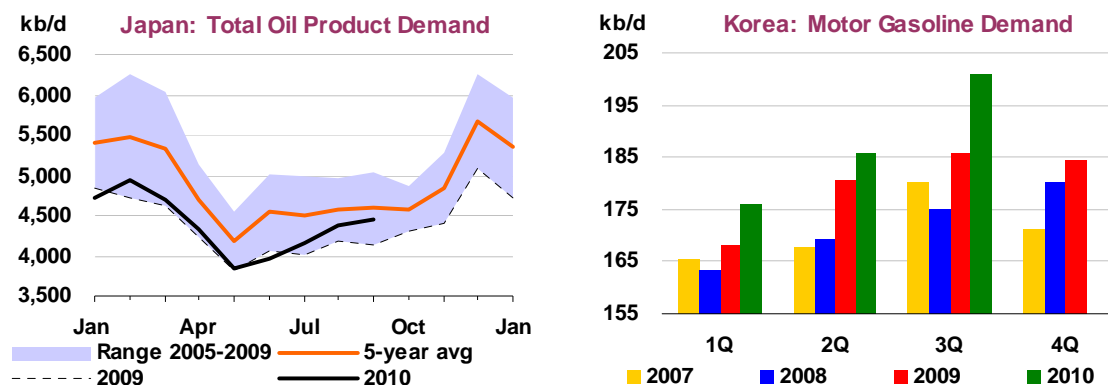
## Pacific

Preliminary data indicate that oil product demand in the Pacific rose by 6.0% year-on-year in September. A persistent heat wave nurtured buoyant demand for residual fuel oil use and direct crude burning (included in 'other products') for power generation, as well as strong deliveries of transportation fuels, presumably as motorists and travellers sought to take advantage of warm weather.



This was particularly marked in **Japan**, where total oil product demand surged by an unexpected 7.4%, an annual pace not seen since September 2007 (+8.5%). Although the number of cooling-degree days, which reached record peaks in both August and September, fell sharply in October, they were still higher when compared to both the ten-year average and to the previous year. As much as our outlook has attempted to account for such warm weather conditions, October demand readings could well again surprise on the upside if it turns out that natural gas use proved insufficient to meet electricity peak demand, as it was seemingly the case in the previous two months (according to some estimates, a temperature increase of 1°C requires some additional 5 GW of power generation capacity, equivalent to roughly five nuclear plants).

Meanwhile, **Korea** also continued to post strong demand readings (+6.8%), with buoyant transportation fuel demand, particularly of gasoline (+10.7%) and jet fuel/kerosene (+16.0%). This complemented strong naphtha deliveries (+7.7%), which have been exceptionally resilient since June. Naphtha, which accounts for roughly 40% of total demand, is indeed once again flirting with historical record-high levels, although it remains a shade below its 1Q09 peak.



As a result of these unusually strong demand data, total OECD Pacific demand is revised up by 60 kb/d in 2010, largely on a further adjustment to 3Q10 figures (+200 kb/d). At 7.7 mb/d this year, the region is on track to post annual growth of 1.0% or 80 kb/d, an occurrence not seen since 2005 (+0.9%). However, assuming that summer weather returns to normal in 2011, total demand should resume its structural decline and average 7.6 mb/d (-2.1% or -160 kb/d).

## Non-OECD

Starting from this edition, we publish our estimates of monthly non-OECD oil product demand by product and region, in an effort to further enhance data transparency. Several caveats, though, should be noted with respect to the tables below. As most other analysts do, we only track a limited number of non-OECD countries on a monthly basis, given prevailing data limitations. Currently, we cover the 30 largest, yet these countries represent just under 76% of total non-OECD demand. The missing quarter of non-OECD demand is based on annual submissions (currently up to 2008), to which specific growth rates derived from our econometric model are applied, and which are then disaggregated based on estimated seasonalities per region. As much as this monthly assessment is partial, we believe it is useful to provide a broad overview of ongoing non-OECD demand trends. But it also brings back to the fore the crucial issue of the need for more and better oil demand data – the more so since global demand growth is increasingly, if not exclusively, driven by the non-OECD.

**Non-OECD: Demand by Product**  
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-10	Aug-10	Sep-10	Aug-10	Sep-10	Aug-10	Sep-10
LPG & Ethane	4,252	4,304	4,392	236	234	5.8	5.6
Naphtha	2,844	2,827	2,881	221	149	8.5	5.5
Motor Gasoline	7,962	7,919	8,083	184	350	2.4	4.5
Jet Fuel & Kerosene	2,711	2,727	2,731	122	139	4.7	5.4
Gas/Diesel Oil	12,728	12,512	12,716	472	562	3.9	4.6
Residual Fuel Oil	5,608	5,604	5,606	56	259	1.0	4.8
Other Products	5,751	5,946	5,821	490	-5	9.0	-0.1
<b>Total Products</b>	<b>41,857</b>	<b>41,839</b>	<b>42,231</b>	<b>1,781</b>	<b>1,688</b>	<b>4.4</b>	<b>4.2</b>

Preliminary demand data indicate that non-OECD demand continued to expand at a buoyant pace in September (+4.2% year-on-year), with growth concentrated in distillate fuels, notably gasoil, closely followed by gasoline and petrochemical feedstocks. The strength of gasoil use is particularly noteworthy,

as it accounts for roughly a third of total growth, with Asia, Latin America, the FSU and the Middle East, in that order, showing strong demand – and China alone accounting for almost a quarter, a share that could potentially increase in the short-term on the back of rising small-scale power needs. This pecking order is reproduced in terms of overall oil product demand, with Asia representing roughly half of total non-OECD growth. Interestingly, the Middle East is now at a distant fourth, as somewhat anaemic Iranian demand has partly offset the sharp surge in direct crude burning in Saudi Arabia.

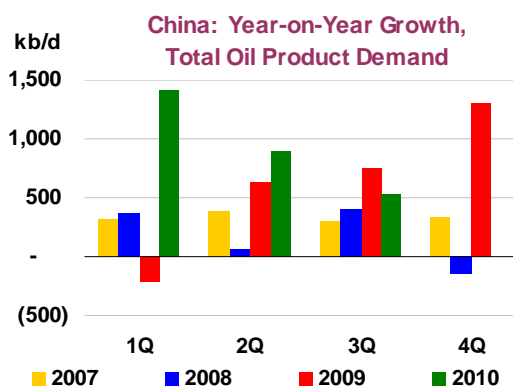
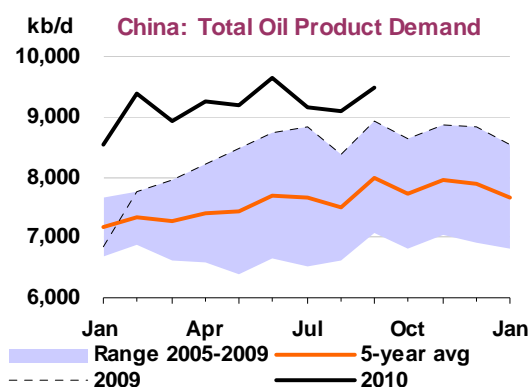
### Non-OECD: Demand by Region

(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	Jul-10	Aug-10	Sep-10	Aug-10	Sep-10	Aug-10	Sep-10
Africa	3,242	3,200	3,221	59	28	1.9	0.9
Asia	19,154	19,061	19,547	869	804	4.8	4.3
FSU	4,297	4,452	4,509	376	379	9.2	9.2
Latin America	6,437	6,340	6,457	305	334	5.1	5.4
Middle East	8,044	8,078	7,777	197	166	2.5	2.2
Non-OECD Europe	683	708	720	-25	-21	-3.4	-2.9
<b>Total Products</b>	<b>41,857</b>	<b>41,839</b>	<b>42,231</b>	<b>1,781</b>	<b>1,688</b>	<b>4.4</b>	<b>4.2</b>

## China

China's preliminary data indicate that apparent oil demand rose by 6.5% year-on-year in September, with all product categories bar residual fuel oil featuring strong gains. Although somewhat slower than in upwardly revised August (+8.6%), such a pace suggests that China's much awaited gradual economic slowdown may be less steep than expected, at least in the short-term (year-on-year GDP growth was 'only' 9.6% in 3Q10 versus 10.3% in 2Q10, but actually higher on a quarter-on-quarter basis), thus putting a floor under oil demand growth. Annual growth is no longer at the mind-blowing level seen in 1Q10 (+1.4 mb/d), but at some +0.5 mb/d in 3Q10 it is still substantial – the more so relative to a high 2009 baseline. Numerous infrastructure projects such as roads or railways are reportedly moving ahead, suggesting limited government tightening as far as investment is concerned (the recent two rises in interest rates, for the first time in nearly three years, are arguably mainly aimed at cooling asset prices, notably the country's red-hot real estate market, and curbing inflationary expectations).



As noted earlier, the country's oil demand could well surge sharply again in 4Q10 as manufacturers in coastal areas turn to small gasoil-fired electricity generators amid government-mandated closures of coal-fired plants. Such policy, ostensibly aiming at complying with energy intensity targets, has been in place since August and could well have unintended consequences in terms of domestic – and perhaps international – gasoil balances. It is likely to compound the normal seasonal gasoil rise triggered by the lifting of the annual fishing ban. In fact, gasoil shortages have been already signalled in several large cities since late September, particularly in Beijing, Shanghai, Chongqing and Nanjing, with many independent service stations reportedly shutting down or resorting to rationing measures. This



tightening supply situation may have been aggravated by hoarding in anticipation of a long-overdue price hike. In late October, indeed, the National Development and Reform Commission (NDRC) increased gasoline and gasoil 'guidance' prices, which had remained unchanged since June, by roughly 3% on average. This is hardly enough to dent demand; the NDRC itself has actually stated that the adjustment will have little impact on end-user prices.

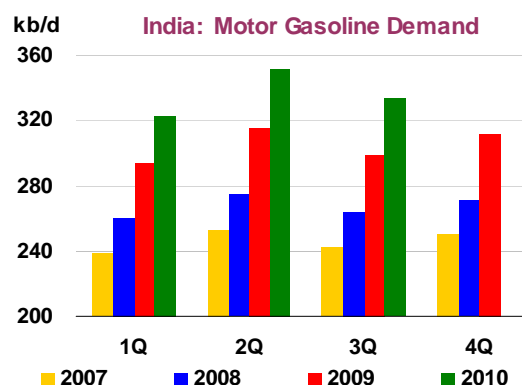
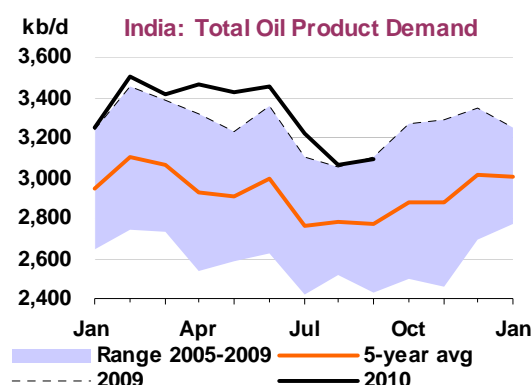
Attempting to anticipate a potential gasoil spike, we have raised our monthly outlook for this product by roughly 70 kb/d on average from October until next February, when the new Chinese year begins. We assume that the current power restrictions will end then as the new five-year plan (2011-15) kicks in. On this basis, total Chinese oil demand is now projected at 9.2 mb/d in 2010 (+9.8% year-on-year and 40 kb/d versus our last report) and 9.6 mb/d in 2011 (+4.2%), virtually unchanged.

**China: Demand by Product**  
(thousand barrels per day)

	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	738	733	724	-6	-9	-0.8	-1.2
Naphtha	952	1,213	1,284	261	71	27.4	5.9
Motor Gasoline	1,507	1,555	1,644	48	89	3.2	5.7
Jet Fuel & Kerosene	335	371	400	36	29	10.8	7.9
Gas/Diesel Oil	2,699	2,982	3,117	284	135	10.5	4.5
Residual Fuel Oil	580	507	447	-73	-60	-12.6	-11.8
Other Products	1,559	1,827	1,954	267	127	17.1	7.0
<b>Total Products</b>	<b>8,369</b>	<b>9,186</b>	<b>9,570</b>	<b>818</b>	<b>384</b>	<b>9.8</b>	<b>4.2</b>

### Other Non-OECD

According to preliminary data, **India's** oil product sales – a proxy of demand – fell by 0.5% year-on-year in September. Floods in some areas reportedly curbed industrial and farming gasoil demand, which rose by only 1.7% (compared with almost 8% on average from January to August). In addition, naphtha, residual fuel oil and 'other products' sales contracted. Only gasoline demand continued to grow unperturbed (+9.0%), in tandem with vigorous car sales (+30% in September).



**India: Demand by Product**  
(thousand barrels per day)

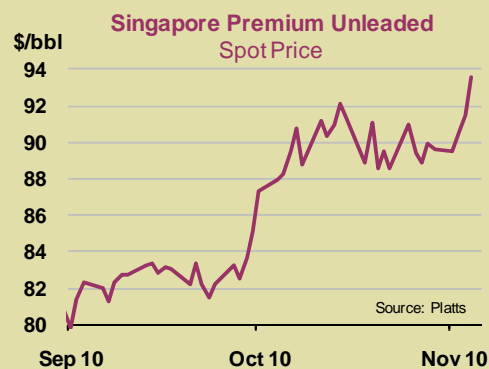
	Demand			Annual Chg (kb/d)		Annual Chg (%)	
	2009	2010	2011	2010	2011	2010	2011
LPG & Ethane	407	442	471	35	28	8.6	6.4
Naphtha	319	289	254	-31	-35	-9.6	-12.1
Motor Gasoline	305	338	372	33	34	10.8	10.0
Jet Fuel & Kerosene	294	296	298	3	2	0.9	0.7
Gas/Diesel Oil	1,167	1,248	1,332	81	84	6.9	6.7
Residual Fuel Oil	407	390	375	-17	-15	-4.3	-3.8
Other Products	361	336	348	-25	12	-6.9	3.4
<b>Total Products</b>	<b>3,261</b>	<b>3,339</b>	<b>3,450</b>	<b>78</b>	<b>110</b>	<b>2.4</b>	<b>3.3</b>

### Plus Ça Change: Price Reform in India

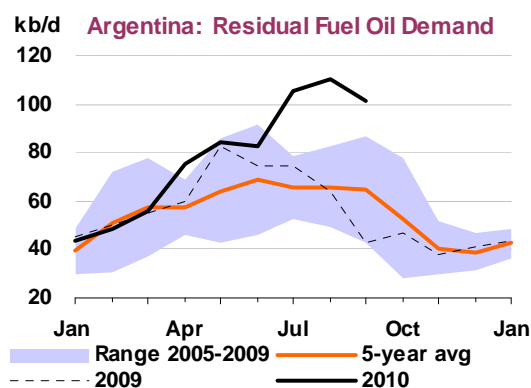
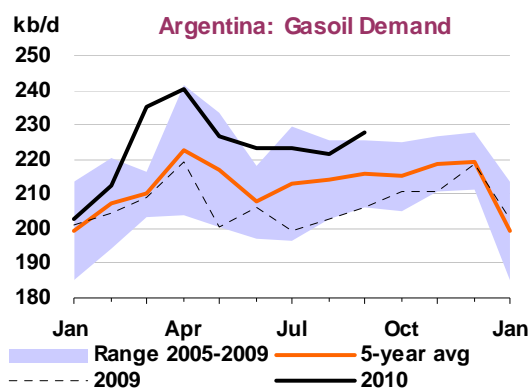
In late June, the Indian government removed price controls on gasoline, while maintaining its purview over LPG and kerosene prices and promising to free diesel prices eventually, albeit gradually. Yet the market environment is evolving at a remarkably leisurely pace when compared to international trends. Following an initial rise after controls were lifted, domestic gasoline prices have been adjusted four times to date to \$1.18/l on average, roughly 3% higher versus end-June – yet prices in Singapore, India's reference market, have soared by almost 17% over the same period.

This is largely due to the country's state-owned oil marketing companies – Indian Oil (IOC), Bharat Petroleum (BPCL) and Hindustan Petroleum (HPCL) – which have explicitly refused to periodically adjust domestic gasoline prices in line with international trends, despite the huge losses incurred prior to the price reform (collectively some \$1.5 billion in 2Q10). Instead, the state companies will 'consult' each other once a month in order to decide whether to revise prices. In addition, they have agreed to maintain a uniform gasoline price in their 35 000 service stations.

Thus, in practice, there is no competition among state-owned firms. In fact, it would almost seem that the price 'decontrol' never took place, since any market-driven price change will *de facto* continue to be vetted by the government. Moreover, this lack of competition is detrimental to private retailers – Reliance, Essar and Shell. The latter will reportedly lodge a formal complaint with the Petroleum and Natural Gas Regulatory Board (PNGRB) on the grounds of price-setting collusion, even though the regulator has no legal say over pricing matters.



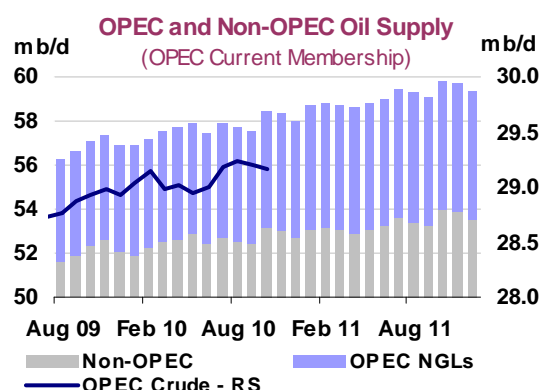
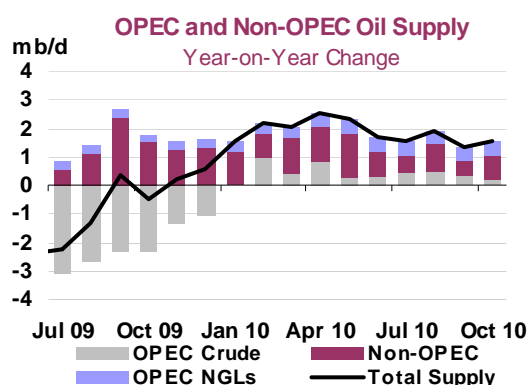
In **Argentina**, both gasoil and residual fuel oil demand remained strong in September. The former expanded by 10.7% year-on-year – the average pace registered over the previous six months – in tandem with soaring industrial production. Meanwhile, persistent natural gas shortages have forced industrial users to switch to residual fuel oil since last June. As such, fuel oil demand surged by almost 140% in September. State energy company Enarsa is reportedly contracting eight LNG cargoes (versus five previously) over the looming austral summer in order to fill the gap. Nevertheless, we expect Argentine oil demand to rise by 11.0% in 4Q10 – admittedly less than the +16.7% pace recorded in 3Q10 but still quite strong.



# SUPPLY

## Summary

- **Global oil supply in October increased by 830 kb/d, to 87.6 mb/d**, with non-OPEC output accounting for the lion's share of the increase. Year-on-year, global oil production was up by 1.54 mb/d, with non-OPEC providing just over 50% of increased volumes, followed by OPEC NGLs at around 30% and OPEC crude production at 15%.
- **Non-OPEC supply rose by 750 kb/d to 53.2 mb/d in October**, as Caspian states and Norway completed seasonal maintenance work and in the absence of storm-related production shut-ins in the US Gulf of Mexico. Year-on-year, supply was 0.8 mb/d higher in October as output rose in China, Russia, the US and Canada, only partly offset by a 0.4 mb/d decline in the North Sea. 2010 supply estimates are unchanged at 52.6 mb/d. But the 2011 forecast was boosted by 250 kb/d to 53.4 mb/d on an improved outlook for North American and Chinese supplies, partly counteracted by expectations of slightly lower output in Brazil, Azerbaijan, Yemen and Norway.
- **OPEC crude oil supply in October is assessed at 29.15 mb/d, off by a marginal 40 kb/d** from the previous month. Reduced supplies from Iraq, Saudi Arabia and Venezuela were partially offset by modest increases of 10-30 kb/d in output from a half a dozen other countries. OPEC NGLs rose by 100 kb/d to 5.28 mb/d in October.
- **The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d due to stronger 3Q10 demand.** The 'call' for both 4Q10 and 1Q11 is also increased by 0.2 mb/d on higher demand projections, to 29.2 mb/d and 29.1 mb/d, respectively. All told, next year's call at 29.4 mb/d remains close to the 2010 average.



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

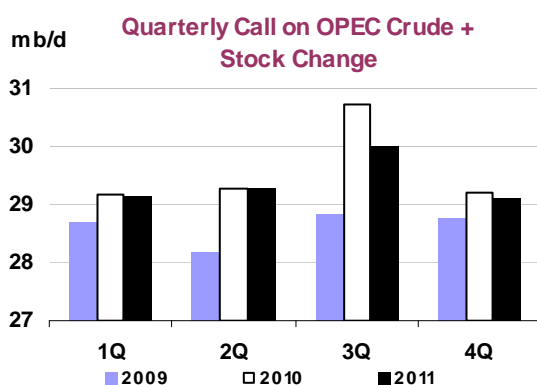
**Note:** Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Specific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

## OPEC Crude Oil Supply

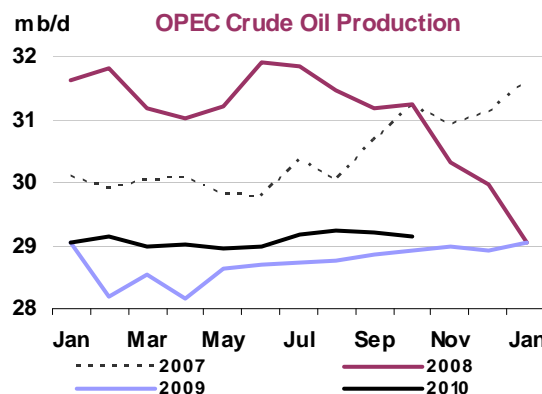
OPEC crude oil supply in October is assessed at 29.15 mb/d, off by 40 kb/d from the previous month. Reduced supplies from Iraq, Saudi Arabia and Venezuela were partially offset by modest increases of 10-30 kb/d in output from half a dozen other countries. OPEC monthly production fluctuations have stayed in a remarkably stable range this year, within a narrow band of under 300 kb/d.

OPEC-11, which excludes Iraq, saw output rise by 40 kb/d, to 26.72 mb/d. As a result, compliance with target levels was pegged at 55% last month compared with 56% in September. Export schedules and announced customer allocations for November and December suggest OPEC supply could remain fairly constant for the remainder of the year.

The 'call on OPEC crude and stock change' for 2010 is adjusted up by 0.4 mb/d to 29.6 mb/d due to an upward revision in demand. The 'call' for both 4Q10 and 1Q11 is also increased by 0.2 mb/d on higher demand projections, to 29.2 mb/d and 29.1 mb/d, respectively. Despite significant, demand-driven changes in the 3Q call for both years the underlying level for 2011 remains close to this year's average, at 29.4 mb/d.



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

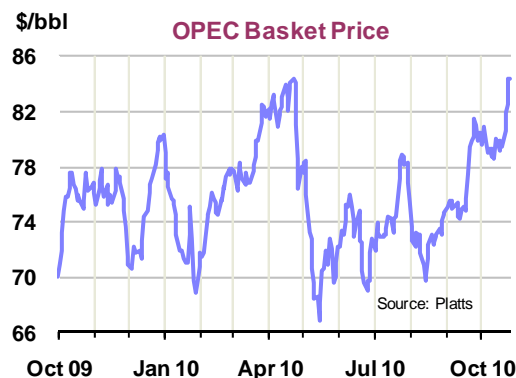


Entire series based on OPEC Composition as of January 2009 onwards (including Angola & Ecuador & excluding Indonesia)

OPEC's ministerial meeting in Vienna on 14 October appeared low-key, with quick agreement to roll over existing output targets and little talk of compliance issues. Iran's oil minister was selected to be the next OPEC president for the 2011 calendar year — the first time the country has held the post since before the Iranian revolution in 1979. The group's next scheduled ministerial meeting will take place on 11 December in Quito, Ecuador.

With oil prices hovering around two-year highs, there was no broad consensus on a need to re-examine individual target allocations. However, pre-meeting, Nigeria announced it would seek an increase in its output allocation in line with higher production and on the grounds that the current target was set when the country's production was exceptionally low due to militant attacks.

In contrast to OPEC's muted meeting in Vienna, post-meeting confusion emerged over the group's oil price aspirations. A price band of \$70-80/bbl has long been flagged as a 'perfect' range by Saudi Arabia but comments made on 1 November by Oil Minister Ali Naimi during a conference in Singapore were interpreted by some as signalling that a higher \$70-90/bbl has become the new preferred range.

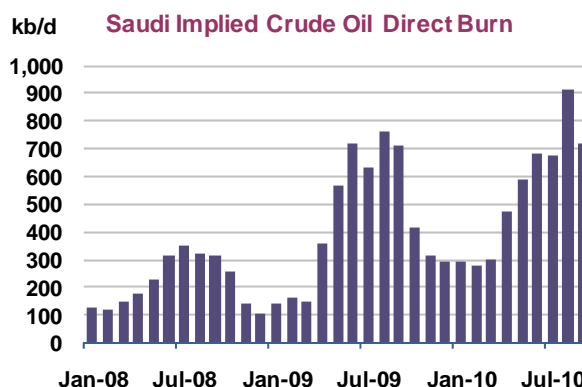


Source: Platts

Saudi representatives refuted in media reports that there has been a shift in policy but, nonetheless, barring clarification, the market has taken the higher level to signify the group's new price aspiration.

The kingdom's endorsement of prices anchored around \$75/bbl two years ago has been credited with helping to stabilise volatile markets for both producers and consumers. Moving the goal posts now has raised alarm bells in some quarters that a shift in policy to the higher level could threaten the fragile global economic recovery.

**Saudi Arabia's** oil production was down marginally, off by 40 kb/d, to 8.24 mb/d, from a downwardly revised September estimate of 8.28 mb/d. Lower Saudi supply reportedly stems from reduced demand for crude as direct burn in power plants now that the peak cooling season has come to an end. Based on data submitted by Saudi Arabia to JODI, we calculated a crude burn rate of just over 720 kb/d in August, off around 200 kb/d from peak levels reached in July.



Crude oil production in **Iraq** posted the largest monthly change, down by 80 kb/d to 2.44 mb/d. October supplies were lower than September's inflated levels, when a backlog of crude was sold out of storage. In October, Iraqi exports edged lower again, down by 75 kb/d, to 1.94 mb/d. A drop in northern Kirkuk crude exports of around 110 kb/d, to 400 kb/d, was only partially offset by higher exports in the south of Basrah crude, which were up 35 kb/d to 1.54 mb/d.

Meanwhile, Iraq's eight-month long political deadlock over forming a new government appeared to come to an end by early November. While final details were still being ironed out, an agreement was reached for the Iraqiya alliance to take part in a new government headed by incumbent Prime Minister Nuri al-Maliki. It is hoped that the new government will lead to a more stable and secure operating environment for the international oil companies working there.

### OPEC Crude Production

(million barrels per day)

	Aug 2010 Supply	Sep 2010 Supply	Oct 2010 Supply	Sustainable Production Capacity <sup>1</sup>	Spare Capacity vs Oct 2010 Supply	OPEC Target Cuts	Percent Compliance with Volume Cuts
Algeria	1.26	1.27	1.27	1.38	0.11	0.200	50%
Angola	1.77	1.65	1.68	2.00	0.32	0.244	25%
Ecuador	0.46	0.46	0.47	0.48	0.01	0.067	42%
Iran	3.70	3.68	3.70	3.90	0.20	0.562	20%
Kuwait <sup>2</sup>	2.31	2.30	2.30	2.60	0.30	0.374	83%
Libya	1.56	1.55	1.56	1.75	0.19	0.252	56%
Nigeria <sup>3</sup>	2.14	2.15	2.16	2.25	0.09	0.319	0%
Qatar	0.79	0.80	0.80	1.00	0.20	0.122	49%
Saudi Arabia <sup>2</sup>	8.38	8.28	8.24	12.20	3.96	1.318	92%
UAE	2.32	2.31	2.33	2.70	0.37	0.379	84%
Venezuela <sup>4</sup>	2.23	2.23	2.21	2.45	0.24	0.364	44%
<b>OPEC-11</b>	<b>26.92</b>	<b>26.68</b>	<b>26.72</b>	<b>32.71</b>	<b>5.99</b>	<b>4.201</b>	<b>55%</b>
Iraq	2.33	2.52	2.44	2.55	0.12		
<b>Total OPEC</b>	<b>29.24</b>	<b>29.20</b>	<b>29.15</b>	<b>35.26</b>	<b>6.11</b>		
<i>(excluding Iraq, Nigeria, Venezuela)</i>					5.66)		

<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> Nigeria's current capacity estimate excludes some 0.5 mb/d of shut-in capacity.

<sup>4</sup> Includes upgraded Orinoco extra-heavy oil assumed at 450 kb/d in October.



**Venezuela** was the only other country that saw production decline in October, off 20 kb/d to 2.21 mb/d. The country's 130 kb/d Petroanzoategui heavy crude oil upgrader has been operating at reduced rates since late September due to boiler problems.

**Angolan** output edged higher after completion of some maintenance work, up by 30 kb/d to 1.68 mb/d. Production resumed from the Dalia FPSO following scheduled maintenance. However, part of the Plutonio complex is still down for maintenance work and ongoing repairs to its water injection system.

**Iranian** crude oil output in October rose by 20 kb/d, to 3.7 mb/d. Notably, tanker experts report that there was a significant drawdown of Iranian crude oil supplies held in floating storage in October, in large part due to stronger Asian demand for medium and heavy crudes. By end October, approximately 23.6 mb of Iranian crude was afloat, less than half of May volumes.

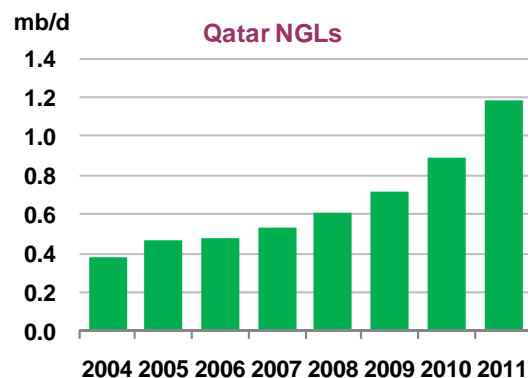
**Nigerian** output also inched up marginally in October, by 10 kb/d to 2.16 mb/d, mostly from Qua Iboe supplies. Following further repair work, Bonny Light output is forecast to reach two-year highs in December. However, a resurgence in militant attacks in recent weeks threatens the country's near-term production outlook. An attack on an offshore oil rig in the Afren-operated shallow-water Okoro field led to the kidnapping of five-crew members. In early November, the Movement for the Emancipation of the Niger Delta (MEND) announced it planned to step up attacks on oil infrastructure in retaliation for government failure to fulfil promises made to former rebels as part of the historic ceasefire agreement reached a year ago. Fresh violence ahead of the next presidential elections, which have been postponed to next April from January to allow enough time to improve the voting arrangements, would be a setback for President Goodluck Jonathan, who hails from the volatile Niger Delta region.

## OPEC NGLs

OPEC NGLs supplies are forecast to average 5.2 mb/d in 4Q10, a downward revision of 100 kb/d due to slower-than-expected ramp-up in new projects in Qatar. For full-year 2010, OPEC NGLs are forecast to average 5.1 mb/d, up 500 kb/d over 2009 levels.

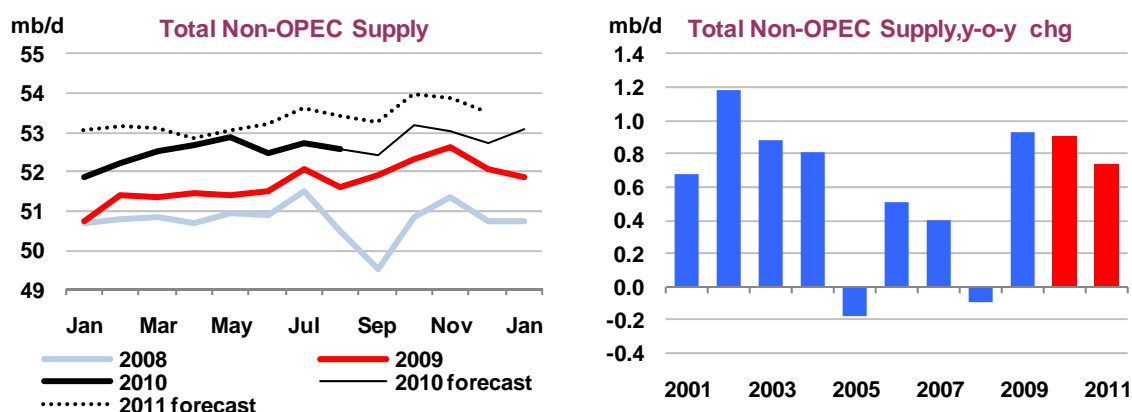
Commissioning of the Qatargas 3, train 6 was underway by end-October, slightly later than we initially assumed. When train 6 is operational, condensate production is projected at 70 kb/d and NGLs at just under 10 kb/d.

Start-up of train 7, scheduled for February now, will add a further 100 kb/d of condensate and around 45 kb/d of NGLs. Total Qatari NGLs are now forecast to rise to just over 930 kb/d by 4Q10 and 1.19 mb/d by 4Q11.



## Non-OPEC Overview

Non-OPEC supply rose by 750 kb/d to 53.2 mb/d in October, as the Caspian states and Norway completed seasonal maintenance and in the absence of any storm-related production shut-ins in the US Gulf of Mexico. Year-on-year, supply was 0.8 mb/d higher in October as output rose in China, Russia, the US and Canada, only partly offset by a 0.4 mb/d decline in the North Sea. 2010 oil supply as a whole is assessed at an unchanged 52.6 mb/d, while the 2011 forecast is hiked by 250 kb/d to 53.4 mb/d on a stronger prognosis for North America and China, balanced by expectations of slightly lower output in Brazil, Azerbaijan, Yemen and Norway.



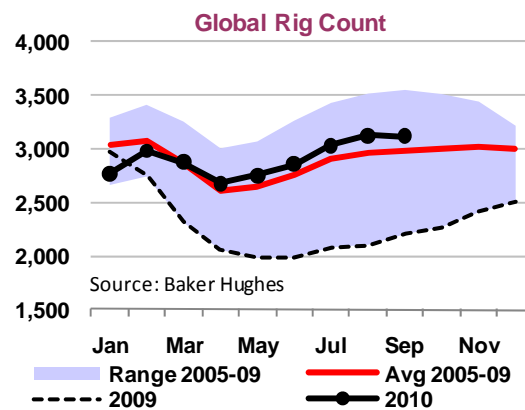
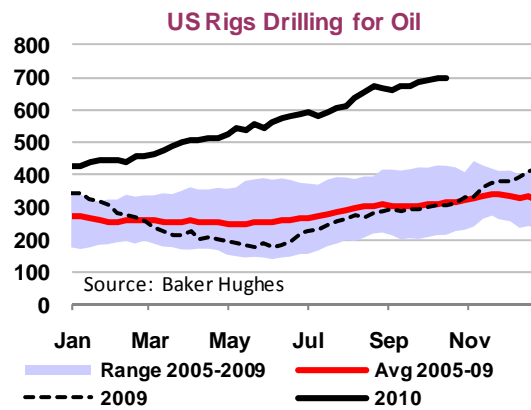
The US saw some of the most pronounced revisions, with the third month in a row without hurricane shut-ins in the Gulf of Mexico, despite several named storms in the Atlantic. Following the lifting of the deepwater moratorium on 12 October, it remains to be seen how quickly companies will resume drilling, but currently, we see no reason to adjust our assessment that crude output will be 60 kb/d and 100 kb/d lower in 2010 and 2011 respectively, on presumed delays (with potentially 300 kb/d downside to pre-*Macondo* US GoM 2015 projections if delays persist). Elsewhere in the US, there is renewed evidence of stronger-than-expected performance in onshore areas and for NGLs, boosting our forecast. Expectations for Mexico are also raised, with the pace of decline slowed on evidence that Pemex is increasingly successful in its attempt to stabilise output at key mature fields.

### Non-OPEC Supply

(million barrels per day)

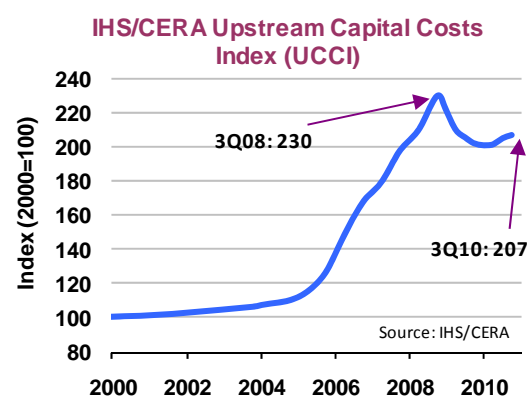
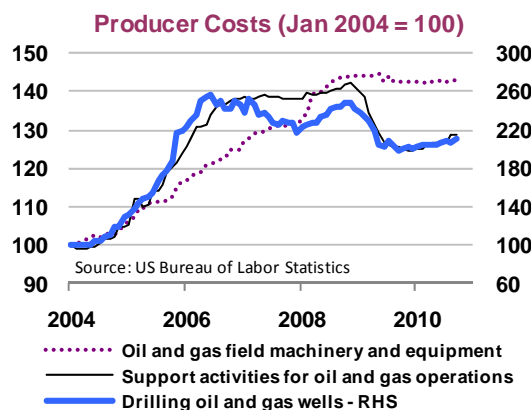
	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
North America	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Europe	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.8	4.0	4.0
Pacific	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
<b>Total OECD</b>	<b>19.0</b>	<b>18.6</b>	<b>18.6</b>	<b>18.9</b>	<b>18.8</b>	<b>19.1</b>	<b>18.8</b>	<b>18.5</b>	<b>18.8</b>	<b>18.8</b>	<b>19.0</b>	<b>18.5</b>	<b>18.5</b>	<b>18.8</b>	<b>18.7</b>
Former USSR	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
<b>Total Non-OECD</b>	<b>28.7</b>	<b>29.0</b>	<b>29.2</b>	<b>29.4</b>	<b>29.1</b>	<b>29.6</b>	<b>29.7</b>	<b>29.8</b>	<b>30.1</b>	<b>29.8</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>30.6</b>	<b>30.4</b>
Processing Gains	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
<b>Total Non-OPEC</b>	<b>51.1</b>	<b>51.5</b>	<b>51.9</b>	<b>52.3</b>	<b>51.7</b>	<b>52.2</b>	<b>52.7</b>	<b>52.6</b>	<b>53.0</b>	<b>52.6</b>	<b>53.1</b>	<b>53.1</b>	<b>53.4</b>	<b>53.8</b>	<b>53.4</b>
Annual Chg (mb/d)	0.3	0.6	1.4	1.4	0.9	1.1	1.2	0.7	0.6	0.9	0.9	0.4	0.9	0.8	0.7
Changes from last OMR (mb/d)	1.1	1.3	1.2	1.4	0.0	-0.1	-0.1	0.0	0.2	0.0	0.1	0.2	0.3	0.4	0.3

Revised annual production data through 2008 for China lead to a downward adjustment of 0.1 mb/d in 2008 and smaller amounts historically, after preliminary annual data had originally led to upward revisions. 2009 in contrast is revised slightly higher, to average 3.9 mb/d. Downward-revised 1H10 production is offset by stronger-than-expected performance in July-September, largely in offshore areas, leaving 2010 average production unchanged at 4.1 mb/d. The more robust recent output levels are however carried through into 2011, which is adjusted up by 0.1 mb/d, to average a record 4.2 mb/d.



Even as uncertainties remain over the extent and duration of delays in the US Gulf of Mexico, rig counts in the country as a whole keep rising, and have been tracking higher on a global basis for several months. With prices having risen to their highest in two years and, perhaps more importantly, having remained relatively steady in a \$70-85/bbl band for around 18 months, non-OPEC producers have had every incentive to maximise activity. Current non-OPEC supply estimates indicate two consecutive years of 0.9 mb/d growth (in 2009 and 2010) and now a 0.7 mb/d increment in 2011, the strongest three-year run since 2002-2004, when Russia was driving non-OPEC growth.

At the same time, upstream development costs show clear signs of having bottomed out. Widely considered to have contributed to the record price levels seen in 2008, they subsequently plummeted, but have been rising again since a low-point in late 2009.

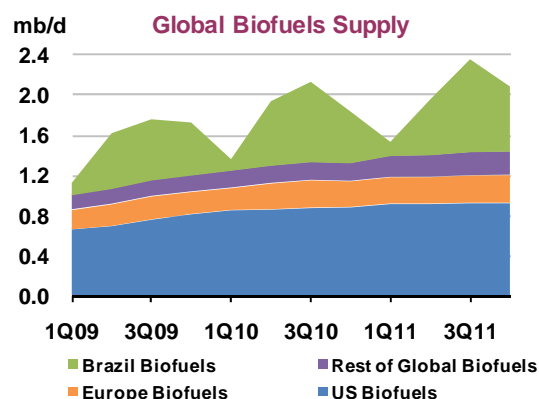


On a regional basis, non-OPEC 2010 increments are seen from North America, the FSU, global biofuels, Latin America and China, partly offset by continued steep decline in the North Sea and, to a lesser extent, in Africa, the OECD Pacific, and in global refinery processing gains. In 2011, Latin America (Brazil and Colombia) takes the lead over the FSU, global biofuels and China, while output in North America remains broadly flat and decline in Europe slows.

## Global Biofuels

Global biofuels production is revised up by 0.3 mb/d for September with the incorporation of stronger Brazil and US ethanol data, but October is seen 0.1 mb/d lower with rising sugar prices and changing weather patterns in the former. Brazilian ethanol production, which is subject to large seasonal swings, was 720 kb/d in September. However, reporting from sugarcane industry association Unica suggests falling October production with heavy rainfall in the Centre-South and early harvest completion by some mills. Brazilian ethanol production is seen averaging 480 kb/d in 2010, rising to 525 kb/d in 2011.

In October, the US Environmental Protection Agency (EPA) approved the use of a 15% ethanol blend in the US for vehicles made in 2007 or later. The EPA is expected to rule on E15 for 2001-2006 vehicles by year-end. However, increased ethanol absorption is likely to be minimal in the short-term, due to other supply chain barriers. US ethanol production reached 865 kb/d in September and should average 900 kb/d in 2011, 10% by volume of expected gasoline demand. Still, producers face uncertainty over the renewal of a blenders' tax credit and import tariff, both due to expire at year-end. The absence of a tax credit renewal for biodiesel has cut our 2011 production expectations there by 10 kb/d, to 30 kb/d. Meanwhile, US government estimates reportedly see lower 2011 cellulosic biofuel production, 3.9 mgal (<1 kb/d) versus 5.3 mgal previously, due to chronic output problems at several producers.



## OECD

### North America

**US – October Alaska actual, others estimated:** US oil supply dipped marginally to 7.9 mb/d in October, as once again there were no production volumes shut-in due to storms in the Gulf of Mexico. Previously, our forecast had assumed an outage of 340 kb/d based on the five-year average for that month. But elsewhere too production was stronger than expected, with reported output coming in higher in Alaska, and in other Lower-48 states. NGLs and 'other hydrocarbons' (essentially refinery additives) were also higher. Based upon this performance, notably for NGLs and onshore crude, with drilling continuing to rise apace, total 2010 output is raised by 75 kb/d to 7.7 mb/d. This is carried through into 2011 in addition to a slightly stronger increment for onshore crude, resulting in an upward adjustment of 125 kb/d. 2011 production is now estimated to average 7.8 mb/d.

### Gulf of Mexico Drilling Moratorium Lifted but Uncertainty Remains

The moratorium on drilling new offshore wells, in place since shortly after the *Macondo* disaster in April, was lifted on 12 October, after authorities had determined that new regulations and safety requirements have been sufficiently tightened. Some findings of the ongoing National Oil Spill Commission's investigations into causes of the incident are emerging, notably that there is lack of any evidence of cost savings being put above safety concerns. Still, it remains premature to draw any firm conclusions at this stage.

Meanwhile, oil companies are queuing up to submit requests to recommence drilling, including many of those previously active in the area. The new regulator, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) has said it hopes that first permits will be approved at the end of the year. The regulator and oil companies acknowledge that this will mean further delays in drilling programmes, as well as planned field start-ups, but the question remains what this will mean for production volumes.

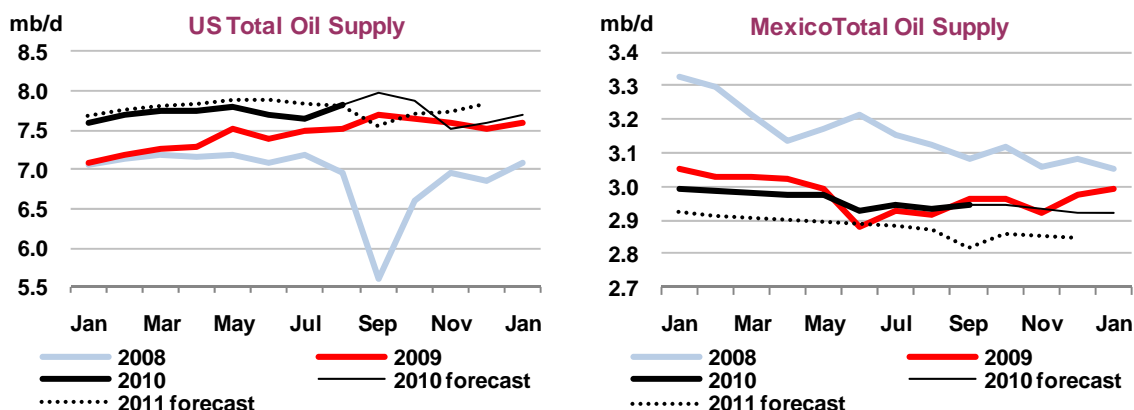
Shell reported that it had 'lost' 10 kboe/d of oil and gas output in the January-September period, and estimates a further 40 kboe/d shortfall in 2011 due to postponed drilling at its Perdido, Glider, Brutus and Auger prospects. Specifically, it reported that output levels at Perdido, which it had brought onstream in April 2010, has been kept at a low 10 kb/d due to the moratorium. BP estimates that new drilling will only commence in early 2011. Chevron reported an estimated shortfall of 10 kb/d in 2H2010. And, as widely reported, operators in shallow water have complained that despite no official cap on drilling, *de facto* there have also been delays in permitting.

Companies are nonetheless pushing ahead with new developments. Chevron recently sanctioned the large Jack/St Malo project, now expected to start-up in 2014, with a peak capacity of 150 kb/d. And in October, the redeveloped Phoenix field (formerly Typhoon) came onstream, with an estimated peak capacity of 30 kb/d. It had been close to start-up when the Deepwater Horizon rig exploded and sank, and the Helix

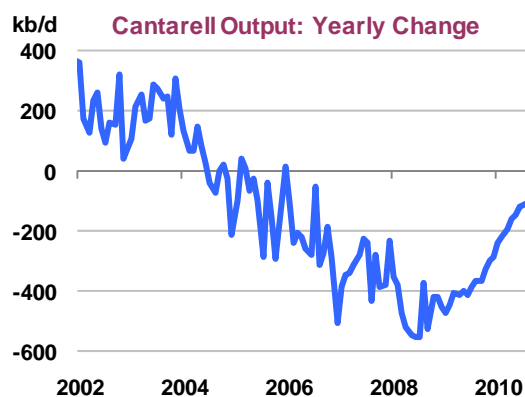
### Gulf of Mexico Drilling Moratorium Lifted but Uncertainty Remains (continued)

Producer floating production unit was moved to the *Macondo* well for relief work, and was thus only partly affected by the moratorium. The Phoenix field was one of those put out of action by Hurricane Rita in 2005.

Companies remain keen to work in the Gulf of Mexico, seeing it as one of the more profitable regions accessible to them. For now we retain our assessment that 2010 and 2011 oil production levels will be 60 kb/d and 100 kb/d respectively lower than earlier forecasts. However, a more complete assessment of potential project delays will be included in December's interim update of our medium-term projections.



**Mexico – September actual:** Mexican oil production rose marginally in September, to 2.9 mb/d, after completion of seasonal maintenance at the Ku-Maloob-Zaap (KMZ) cluster of fields. Also, production volumes shut-in due to Hurricane Karl proved to be negligible, while a later storm, Hurricane Richard, despite also crossing the Campeche Sound oilfields, had no impact on output at all. Pemex's long-standing efforts to stabilise production at the key Cantarell field are increasingly proving successful. Helped by aggressive gas re-injection and horizontal well drilling, Pemex now reckons it will be able to keep total Mexican crude production steady at 2.5 mb/d through 2012. We remain more pessimistic in the medium-term, but on the basis of sustained better-than-expected performance at Cantarell, we have slowed assumed decline rates for 2011. In addition to other minor adjustments, we raise estimated 2011 crude output by 0.1 mb/d, now forecasting a dip from 2.6 mb/d in 2010 to 2.5 mb/d in 2011. Mexican NGLs remain steady at around 375 kb/d in both years.

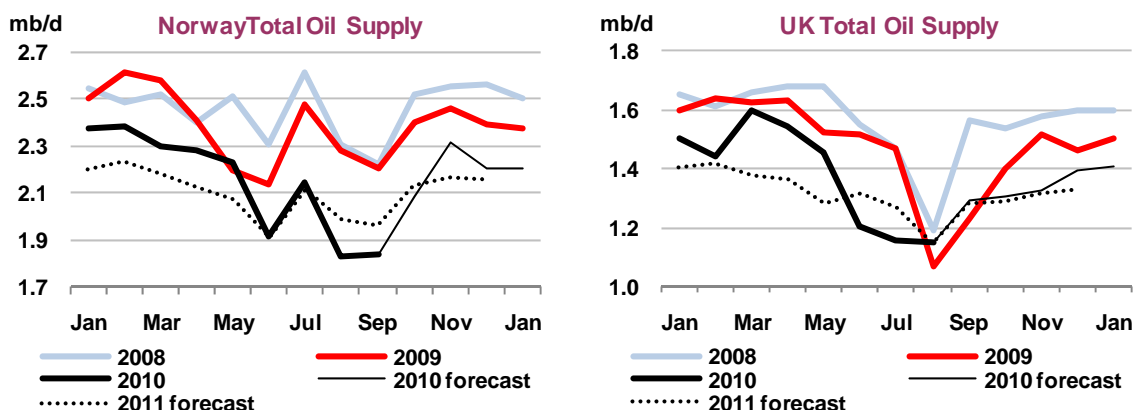


### North Sea

**Norway – August actual, September provisional:** August and September production levels in Norway averaged 180 kb/d lower than expected, indicating that seasonal maintenance was both heavier and longer than anticipated. In addition, Oseberg South was shut for repairs in late September, while there were ongoing problems at the Kårstø gas processing plant, trimming NGL production. At just over 1.8 mb/d, September oil production was the lowest since 1991. Production is expected to have risen to 2.1 mb/d in October, as maintenance ends, though there were also problems reported at the Heimdal, Troll and Visund platforms, only the last of which is expected to have had any significant impact on output. In sum, the lower output led to a downward revision of 125 kb/d in 3Q10. This, and a lower 2011



guidance volume by Statoil, reduces our projection for next year by 20 kb/d. Total 2010 oil supply has been adjusted 45 kb/d lower to 2.2 mb/d, while new start-ups at Yme, Oselvar and Skarv moderate next year's decline to 2.1 mb/d.



**UK – July actual:** July oil production in the UK was reported at 1.16 mb/d, as seasonal maintenance curbed output, in line with expectations. By the tail-end of October, output was expected to rise to 1.3 mb/d again, as maintenance ended. Late October saw the award of 144 new licences in the country's 26<sup>th</sup> licensing round. This compares with 192 licences awarded in 2009. ConocoPhillips has been given the go-ahead to develop the Jasmine field, part of J Block, with an expected 50 kb/d capacity, set to come onstream from 4Q2012. Looking further ahead, Shell announced that it will likely decommission the Brent Delta platform in 2014/15, followed by the other Brent platforms. Delta production is expected to cease around end-2011. The total Brent stream, which adds a number of other fields to the actual Brent fields themselves, is expected to average 100 kb/d in 2010. In total, it is estimated that around 250 platforms in UK waters will have to be decommissioned in the next 30 years, in line with the UK's already heavily-mature production base. UK supply estimates for 2010 and 2011 are left unrevised, with output expected to decline from 1.37 mb/d to 1.32 mb/d.

## Pacific

**Australia – August actual:** Australian oil production was 50 kb/d lower than expected in August at 525 kb/d. This and problems at the Van Gogh field in October trim 2010 output to an estimated 540 kb/d. 2011 is expected to see a rise in total output to 585 kb/d, as the Pyrenees field, which started output earlier this year, ramps up production and Kipper/Turrum comes onstream at mid-year.

## Former Soviet Union (FSU)

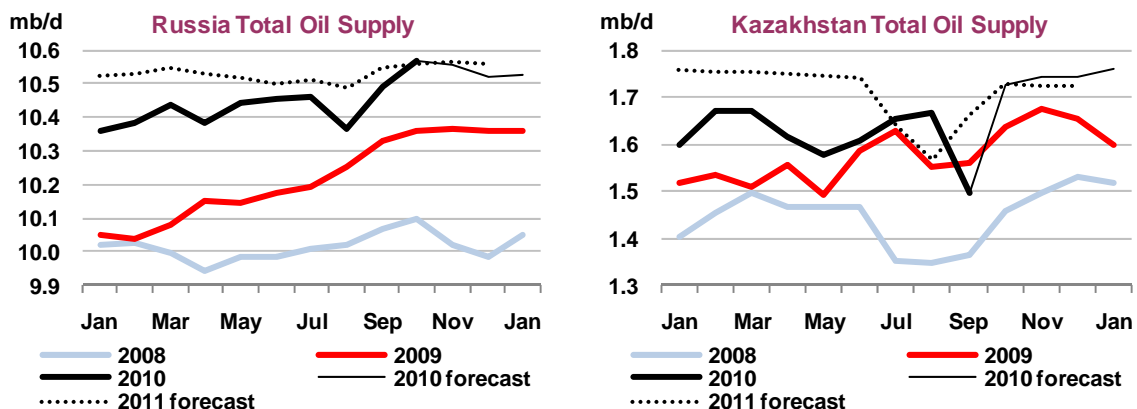
**Russia – September actual, October provisional:** October oil production in Russia rose 75 kb/d to a new high of 10.57 mb/d, largely due to the end of maintenance at the Sakhalin fields. September and October are each adjusted up by 25 kb/d on average, resulting in marginally higher estimated 2010 and 2011 average production of 10.45 mb/d and 10.53 mb/d respectively.

At a high-level government gathering to review Russian oil and gas prospects in late October, Prime Minister Putin asserted that oil production would remain around current levels until 2020, assuming some \$280 billion can be invested in upstream infrastructure and field development. Putin spoke of the need for changes to the fiscal regime in order to encourage and sustain this investment, saying he expected government approval thereof by mid-2011.

Despite the 2009/10 surge in output, encouraged by tax breaks for key new fields, operators remain hesitant to invest further until they have greater clarity on the future tax regime and profitability. Russia faces the dilemma that it urgently needs to boost revenues to help balance its budget, but also wants to

sustain oil production. In the short-term, Rosneft's Vankor and Lukoil's newly-started Yuri Korchagin fields received partial export duty breaks for the coming four months. Yuri Korchagin, which came onstream in April this year and is expected to have a capacity of 50 kb/d at peak, reportedly was only producing at marginal levels in September, in anticipation of the tax breaks.

At the same time, other issues raise concern over the stability of any investment framework in Russia's upstream sector. Officials were widely reported to have threatened a forced change in operatorship at the Sakhalin 1 development, expressing displeasure at rising costs – although the government subsequently denied this. And in the imminent auction for the Trebs/Titov fields – one of the largest undeveloped field clusters – Bashneft now appears to have become the sole bidder, after most others dropped out following apparently minor infringements of the bidding requirements.



**Kazakhstan – September actual:** Oil supply in Kazakhstan fell sharply in September to 1.5 mb/d, as maintenance on the Karachaganak condensate field proved heavier than expected, while production at the Tengiz field was also lower than in August. 2010 and 2011 prospects remain unchanged, however, at 1.65 mb/d and 1.71 mb/d respectively as output at both above-mentioned fields expands slightly year-on-year.

**Azerbaijan – August actual:** Revised May levels, and the receipt of finalised June-August production data for Azerbaijan reveal total oil supply to be steady at around 1.07 mb/d – around 30 kb/d lower than expected. This downward adjustment is partly fed through into the forecast, resulting in lower estimated 2010 output of 1.06 mb/d, expected to rise to 1.12 mb/d in 2011.

**FSU net oil exports** fell in September by a steep 640 kb/d to 9.0 mb/d, their biggest month-on-month drop and lowest level since February 2010. In contrast to the strong yearly growth reported over the summer, exports were 450 kb/d below a year ago. Crude shipments fell by 400 kb/d, largely as a result of a 280 kb/d drop in volumes exported through the Transneft network. At 3.7 mb/d, these reached their lowest level since November 2008 as Black Sea shipments fell by 400 kb/d following lower loadings at Novorossiysk and Pivdenne. The recent recovery at the latter port was curtailed as Kazakh exporters once again shunned the outlet in response to deteriorating economics. Cargoes sent via the Baltic Sea fell by 150 kb/d after pipeline maintenance cut supplies to the Russian flagship port of Primorsk. These falls were partially offset by elevated volumes through the Druzhba pipeline and higher loadings of ESPO crude at Kozmino. A future obstacle to increasing exports through Ukrainian ports is the proposed long-term crude supply deal between Venezuela and Belarus, which would entail the reversal of the Odessa-Brody pipeline currently used to send Kazakh crude to the Black Sea coast. In the unlikely event of 200 kb/d of Venezuelan crude actually arriving on a regular basis, Kazakh exporters would be forced to use alternative non-Ukrainian outlets such as Novorossiysk or Gdansk.

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

(million barrels per day)

	2008	2009	4Q2009	1Q2010	2Q2010	3Q2010	Jul 10	Aug 10	Sep 10	Latest month vs. Aug 10 Sep 09	
<b>Crude</b>											
Black Sea	2.06	2.21	2.15	1.79	1.99	2.05	2.15	2.21	1.80	-0.41	-0.41
Baltic	1.46	1.62	1.64	1.60	1.61	1.57	1.59	1.64	1.48	-0.15	-0.11
Arctic/FarEast	0.29	0.46	0.48	0.71	0.76	0.67	0.71	0.59	0.69	0.09	0.22
BTC	0.67	0.78	0.76	0.69	0.79	0.81	0.81	0.81	0.82	0.01	0.04
<b>Crude Seaborne</b>	<b>4.48</b>	<b>5.07</b>	<b>5.04</b>	<b>4.78</b>	<b>5.16</b>	<b>5.10</b>	<b>5.26</b>	<b>5.25</b>	<b>4.79</b>	<b>-0.46</b>	<b>-0.26</b>
Druzhba Pipeline	1.08	1.12	1.14	1.13	1.10	1.16	1.20	1.10	1.20	0.10	0.06
Other Routes	0.42	0.37	0.30	0.44	0.37	0.36	0.40	0.35	0.31	-0.04	-0.06
<b>Total Crude Exports</b>	<b>5.98</b>	<b>6.56</b>	<b>6.48</b>	<b>6.36</b>	<b>6.63</b>	<b>6.62</b>	<b>6.86</b>	<b>6.70</b>	<b>6.29</b>	<b>-0.40</b>	<b>-0.26</b>
Of Which: Transneft	3.98	4.14	4.13	3.94	3.88	3.95	4.13	4.00	3.72	-0.28	-0.44
<b>Products</b>											
Fuel oil	1.14	1.15	1.19	1.13	1.28	1.28	1.30	1.34	1.21	-0.12	0.02
Gasoil	1.03	1.15	1.12	1.20	1.14	1.08	1.17	1.11	0.97	-0.13	-0.20
Other Products	0.60	0.69	0.59	0.73	0.63	0.63	0.69	0.59	0.61	0.02	0.00
<b>Total Product</b>	<b>2.77</b>	<b>2.99</b>	<b>2.90</b>	<b>3.06</b>	<b>3.06</b>	<b>3.00</b>	<b>3.15</b>	<b>3.03</b>	<b>2.80</b>	<b>-0.23</b>	<b>-0.18</b>
<b>Total Exports</b>	<b>8.74</b>	<b>9.55</b>	<b>9.38</b>	<b>9.42</b>	<b>9.69</b>	<b>9.62</b>	<b>10.02</b>	<b>9.73</b>	<b>9.09</b>	<b>-0.64</b>	<b>-0.44</b>
Imports	0.04	0.04	0.05	0.05	0.04	0.05	0.06	0.05	0.05	0.01	0.01
<b>Net Exports</b>	<b>8.70</b>	<b>9.51</b>	<b>9.33</b>	<b>9.37</b>	<b>9.65</b>	<b>9.56</b>	<b>9.95</b>	<b>9.68</b>	<b>9.04</b>	<b>-0.64</b>	<b>-0.45</b>

Sources: Petro-Logistics, IEA estimates

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

Following high domestic agricultural demand (+50 kb/d m-o-m) and an increase in duties, FSU exports of total products fell by 230 kb/d to 2.8 mb/d in September, their lowest level since October 2009. Russian export taxes were set at \$105.90/tonne and \$196.50/tonne for heavy and light products respectively in September, but were expected to decrease by 2.6% in October. Therefore, as in previous months exporters held over shipments to take advantage of improving economics. Fuel oil and gasoil bore the brunt of the decrease, falling by 120 kb/d and 130 kb/d respectively. Exports of the 'other products' category rose, led by a 25% hike in gasoline shipments. Port loading schedules suggest that exports are expected to recover slightly in the coming months, although will likely not reach the record levels attained over the summer.

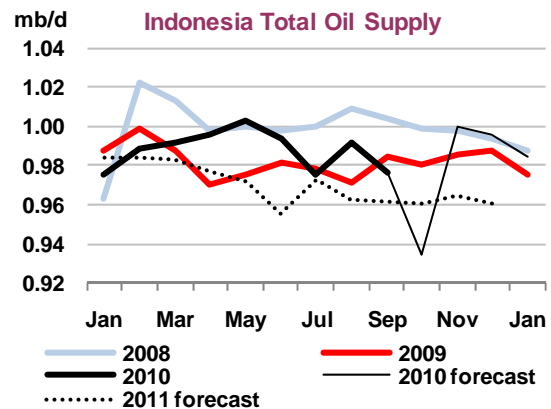
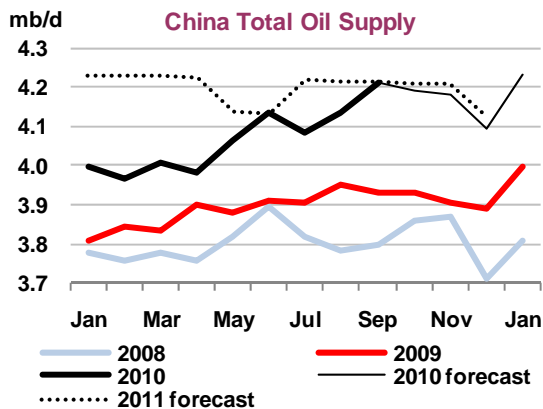
### Russia: Re-drawing the Fiscal Map

Russia's energy ministry recently signalled an effort to re-orientate its booming oil exports in favour of crude oil, by announcing that it intends to narrow the gap between crude and product export duties. Current excise duties make the export of oil products more profitable than shipping crude, since heavy and light refined products are taxed at a discount to crude of 61% and 28%, respectively. The ministry has proposed raising the taxes on products while reducing the maximum duty on crude oil from as early as 2011. Such a move is intended to help the Russian state maximise its oil industry revenues by increasing the incentive for producers to develop new fields, thus replacing falling production from aging fields. Growth in the upstream sector is expected to outpace that of the downstream, and therefore it is thought that if Russia can sustain its production at close to 10 mb/d then such a move could earn the state a potential extra 8.55 trillion roubles (\$286 billion) in revenues.

It is currently unclear what level the product export duty would be set at, but initial reports suggest that the duties for heavy and light products would be equalised at 85-90% of the crude export tax. In addition to helping to maintain production levels and therefore, total exports, the proposals would likely increase shipments of crude at the expense of products by reducing the incentive of refiners to sell abroad. Critics of the plan have suggested that it could hinder downstream expansion plans. However, with refinery capacity additions largely taking place as a result of the adoption of stringent complexity regulations, this seems unlikely in the medium term. Indirect consequences of this strategy could include helping Russia fulfil its domestic requirements, where oil demand is expected to continue its post-recession rebound, increasing by an approximate 220 kb/d between 2010 and 2015. Finally, it would also likely indirectly support the beleaguered European refining sector since a large portion of Russia's products, notably fuel oil, are currently shipped to Europe in direct competition with European refiners.

## Other Non-OPEC

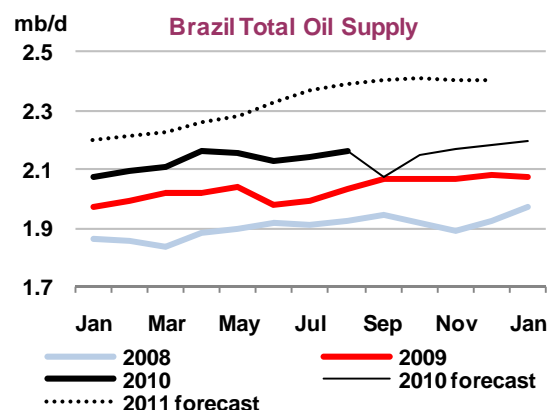
**China – September actual:** Historical and forecast Chinese data were revised substantially. Finalised annual data through 2008 prompted a downward adjustment of 100 kb/d in 2008, to 3.8 mb/d, and mostly smaller revisions for earlier years. 2009 was nudged up 20 kb/d to 3.9 mb/d, while a bout of stronger-than-expected monthly data for July-September, particularly from offshore producing areas, was carried through the forecast, resulting in an upward revision to 2011 of 110 kb/d. 2010 oil production is now expected to average 4.1 mb/d, rising to 4.2 mb/d in 2011.



**Indonesia – September actual:** Indonesian oil production in September averaged 975 kb/d and is expected to dip by around 40 kb/d in October on several outages. Notably, the large, Chevron-operated Duri and Minas fields onshore Sumatra, were partly shut-in at the end of September due to a gas leak. The shortfall was briefly as much as 150 kb/d, but was expected to have reached normal levels again by 20 October. Total Indonesian supply is forecast to average 985 kb/d in 2010 and to slip slightly to 970 kb/d in 2011.

**Brazil – August actual:** August oil production in Brazil averaged 2.17 mb/d, a new record level. In part supported by preliminary data, September and October are expected to see a small dip in output, as Petrobras was forced to shut-in production at the P-33 and P-35 offshore platforms on safety concerns (see report dated 10 September 2010).

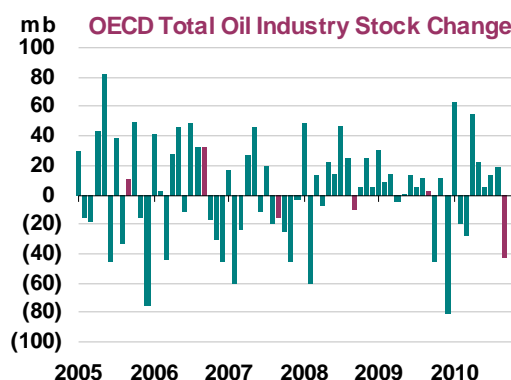
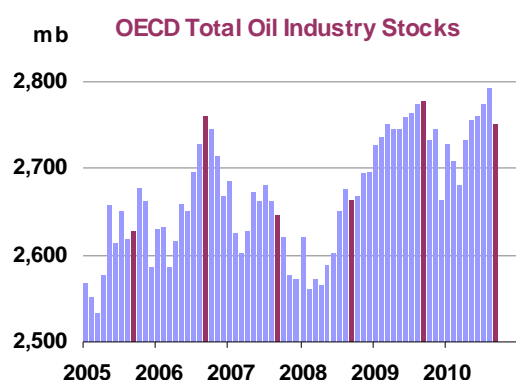
From October however, the start-up of commercial volumes at the Tupi field should boost output. This marks the first significant production of deepwater pre-salt crude oil from the Santos Basin. Tupi is expected to reach capacity of 100 kb/d by end-2011/early-2012 in a first stage of development, using the *Cidade de Angra dos Reis* Floating Production, Storage and Offloading (FPSO) vessel in waters 250 km south of Rio de Janeiro. Pre-salt crude oil should contribute around half of Brazilian oil production growth by mid-decade, with total production expected to rise to just under 3 mb/d, thus providing a large chunk of incremental non-OPEC supply. Hopes for even more pre-salt oil were given a boost by the recent upgrade of reserves estimates for the Libra oil field, now thought to contain as much as 15 billion barrels of oil equivalent of recoverable reserves, more than Tupi. Lastly, Dilma Rousseff of the incumbent Workers' Party won the presidential election on 31 October, making it likely that a previously-proposed new legislative framework to develop the pre-salt reserves will be passed into law. Total Brazilian oil production is forecast to rise from 2.14 mb/d in 2010 to a downward-adjusted 2.33 mb/d in 2011.



# OECD STOCKS

## Summary

- **OECD industry stocks plummeted by 42.8 mb** to 2 750 mb in September, in a strong contrast with the five-year average monthly build of 3.8 mb. European crude drove the sharp decline with draws in European middle distillates, Pacific crude and North American gasoline also contributing.
- **September OECD forward demand cover dropped to 59.9 days** from 60.9 days in August. Pacific distillate cover fell by 1.7 days on rising forward demand and despite building September stocks. An offsetting increase came from European gasoline (up by 1.8 days), as demand is expected to decline over the next three months.
- **Preliminary data indicate October OECD industry oil stocks rose by 1.8 mb** (compared to a five-year average draw of 6.7 mb) driven by a crude stockbuild. Crude inventories rose by 19.4 mb, led by sharp gains in Europe and in the US. Products dropped by 17.6 mb on US gasoline draws and lower European and US distillate levels. Japanese product builds provided some offset.
- **Short-term oil floating storage decreased to 59 mb at end-October**, from 76 mb in September. Crude declined by 10 mb due to offloading in the Middle East, while products held in floating storage near Europe and Africa fell by a combined 8 mb.



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

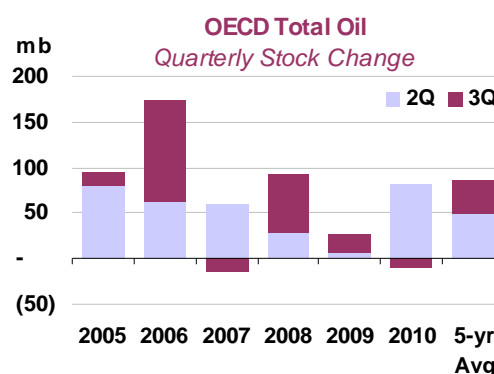
Industry OECD inventories declined by 42.8 mb to 2 750 mb in September. Crude oil stocks fell sharply in Europe and in the Pacific, but rose modestly in North America. Consumer restocking of heating oil ahead of winter and diesel draws related to industrial and agricultural demand drove the distillate decline in Europe and North America, respectively. Gasoline stocks in North America fell counter-seasonally.

### Preliminary Industry Stock Change in September 2010 and Third Quarter 2010

	September (preliminary)				Third Quarter 2010			
	(million barrels)				(million barrels per day)			
	N. Am	Europe	Pacific	Total	N. Am	Europe	Pacific	Total
<b>Crude Oil</b>	<b>0.6</b>	<b>-22.1</b>	<b>-7.9</b>	<b>-29.4</b>	<b>0.02</b>	<b>-0.74</b>	<b>-0.26</b>	<b>-0.98</b>
Gasoline	-6.3	0.8	0.2	-5.4	-0.21	0.03	0.01	-0.18
Middle Distillates	-4.0	-8.5	1.5	-11.0	-0.13	-0.28	0.05	-0.37
Residual Fuel Oil	0.3	1.9	1.6	3.8	0.01	0.06	0.05	0.13
Other Products	2.7	-0.1	-2.6	0.0	0.09	0.00	-0.09	0.00
<b>Total Products</b>	<b>-7.3</b>	<b>-5.9</b>	<b>0.6</b>	<b>-12.6</b>	<b>-0.24</b>	<b>-0.20</b>	<b>0.02</b>	<b>-0.42</b>
Other Oils <sup>1</sup>	0.5	-0.2	-1.2	-0.9	0.02	-0.01	-0.04	-0.03
<b>Total Oil</b>	<b>-6.1</b>	<b>-28.2</b>	<b>-8.4</b>	<b>-42.8</b>	<b>-0.20</b>	<b>-0.94</b>	<b>-0.28</b>	<b>-1.43</b>

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

Total oil inventories built for five consecutive months through August, yet the September decline resulted in an 11.5 mb stock-draw over 3Q10 and thus balanced stronger-than-average 2Q stock-build (82.6 mb). During the past five years, 3Q stock levels rose by 38.6 mb on average, largely driven by seasonal distillate restocking. In 3Q10, distillates gained 'only' 16.1 mb, less than the 35.0 mb five-year average build, and thus were offset by a stronger, albeit seasonal, crude oil draw. In absolute terms, this leaves the OECD total industry stock overhang versus the five-year average largely concentrated in North America, with Europe and the Pacific at or below five year norms.



More complete data for major OECD countries indicate total oil inventories were 3.7 mb higher in August than originally thought, bringing total monthly holdings to only 3.3 mb below the record 1998 levels. The stock build in North American 'other products', highlighted last month as being unusually large, was revised lower by 11.0 mb, implying a modest 0.9 mb gain. Upward revisions to European crude oil holdings showed a stronger 11.4 mb build, versus the slight 0.8 mb increase reported last month.

### Revisions versus 13 October 2010 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Jul 10	Aug 10	Jul 10	Aug 10	Jul 10	Aug 10	Jul 10	Aug 10
<b>Crude Oil</b>	<b>0.1</b>	<b>-4.0</b>	<b>0.0</b>	<b>10.6</b>	<b>0.1</b>	<b>3.8</b>	<b>0.1</b>	<b>10.4</b>
Gasoline	0.0	-1.5	0.0	0.5	0.0	-0.4	0.0	-1.4
Middle Distillates	-0.2	0.1	0.8	3.1	0.1	0.1	0.6	3.3
Residual Fuel Oil	0.0	-2.0	0.0	0.0	0.0	-0.1	0.0	-2.0
Other Products	-0.1	-11.0	0.0	-0.1	0.0	-0.1	-0.1	-11.2
<b>Total Products</b>	<b>-0.3</b>	<b>-14.4</b>	<b>0.8</b>	<b>3.5</b>	<b>0.1</b>	<b>-0.4</b>	<b>0.6</b>	<b>-11.3</b>
Other Oils <sup>1</sup>	0.4	5.2	0.0	-1.1	0.0	0.4	0.4	4.5
<b>Total Oil</b>	<b>0.1</b>	<b>-13.1</b>	<b>0.8</b>	<b>13.0</b>	<b>0.1</b>	<b>3.8</b>	<b>1.0</b>	<b>3.7</b>

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

Preliminary October data indicate OECD industry oil stocks rose by 1.8 mb. Crude inventories built sharply by 19.4 mb, led by gains in Europe (where refinery operations were stunted by French refinery strikes) and in the US. On the product side, middle distillate stocks declined, led by decreases in the US and France. Meanwhile, gasoline inventories in the US declined strongly, but were partially offset by builds in Europe and Japan.

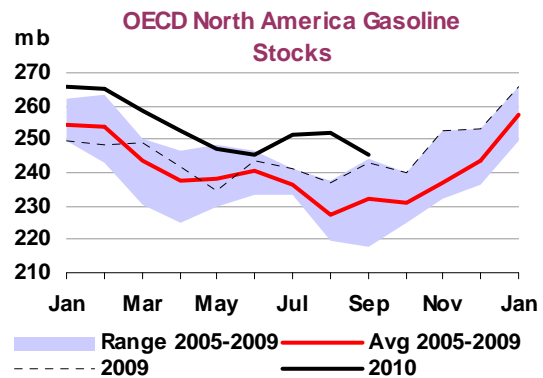
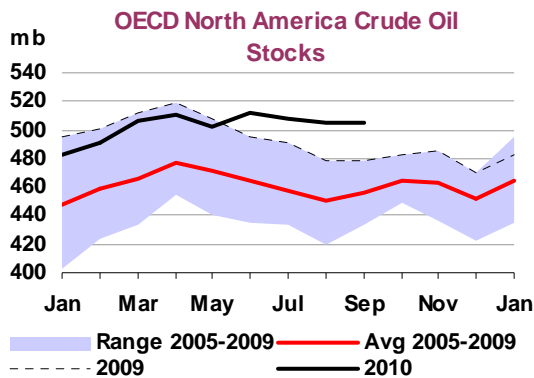
Short-term oil floating storage decreased to 59 mb at end-October, from 76 mb in September. Crude oil declined by 10 mb to 32 mb, as more than 9 mb offloaded in the Middle East. Meanwhile, product floating storage in the Mediterranean and Northwest Europe fell by 6 mb to cover for product shortages in France and neighbouring countries. This, combined with offloading in Africa and the US Gulf, reduced product floating storage to 27 mb.

## Analysis of Recent OECD Industry Stock Changes

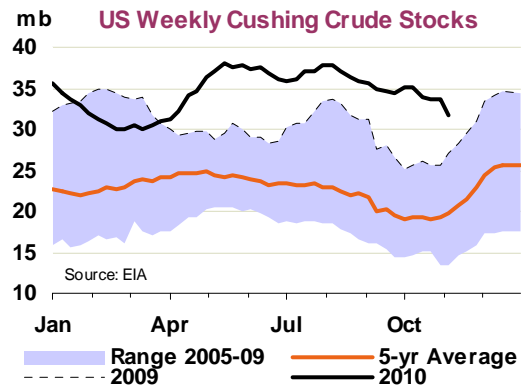
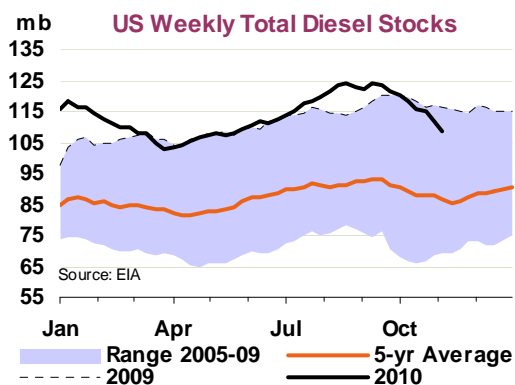
### OECD North America

Industry oil stocks in North America fell by 6.1 mb to 1 395 mb in September. Gasoline and middle distillate inventories drove the decline, while builds in fuel oil and 'other products' provided some offset. Gasoline stocks drew by 6.3 mb, in contrast with the five-year average 4.3 mb build, following counter-seasonal gains in the previous months. In the US, falling refinery throughputs on the US East Coast weighed on product inventories in the region, where especially gasoline stocks decreased sharply. Overall, North American products fell by 7.3 mb, while crude inventories rose by a slight 0.6 mb.





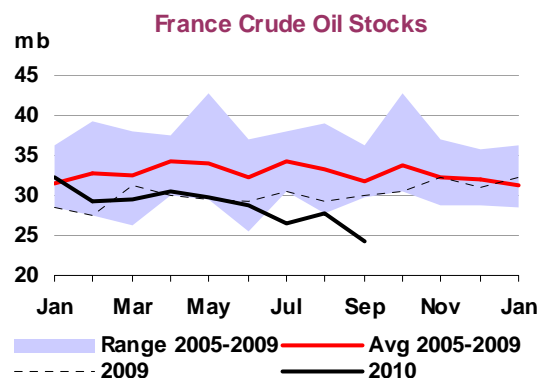
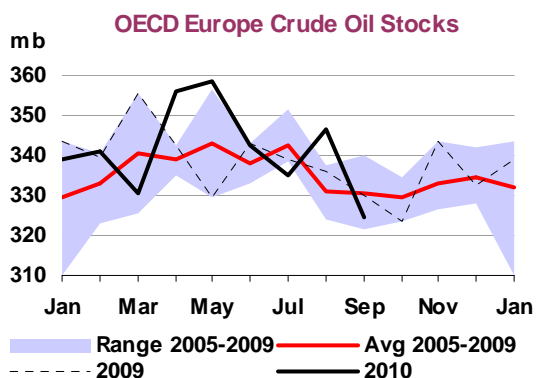
Preliminary weekly data from the US Energy Information Administration (EIA) point to an 11.6 mb draw in US industry stocks in October. Product inventories fell by 19.2 mb, while a build in crude stocks provided some offset. Middle distillates declined by 7.8 mb, the majority of which was in ultra-low sulphur diesel, while gasoline fell by 8.1 mb, led by a further drawdown on the East Coast.



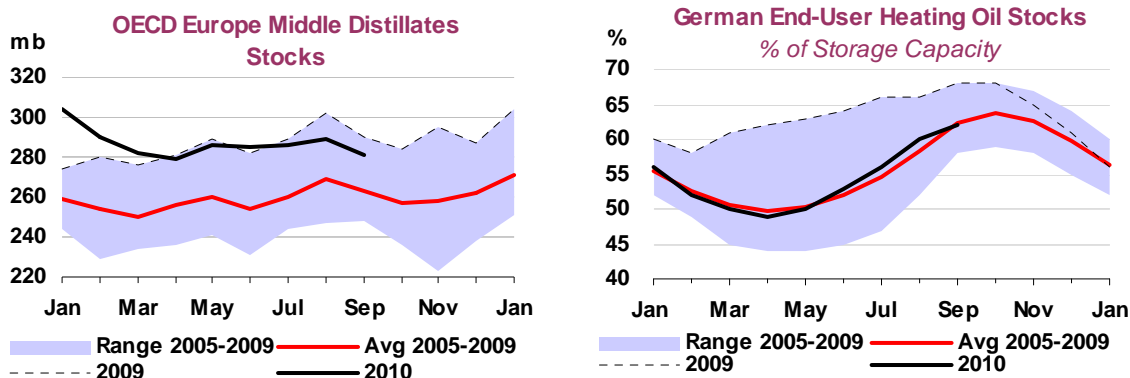
Crude oil stocks rose by 7.6 mb in October on lower imports and depressed refinery runs. Inventories held in Cushing, Oklahoma, fell for the third consecutive month to 33.5 mb. Stocks reached 37.8 mb in July, a level on the edge of estimated operable storage capacity at Cushing, the delivery point of NYMEX WTI. In response, Plains, the second largest storage tank operator, announced an expansion of its storage capacity by 4.3 mb. The first phase envisages construction of two storage tanks and a connecting line to the Keystone pipeline in 1Q11. A further 14 storage tanks will be added by end-2011.

## OECD Europe

Commercial oil inventories in Europe fell by 28.2 mb to 954 mb in September. The decline was led by crude oil plummeting 22.1 mb in major European countries and came after an upward revision to European crude holdings in August, implying an 11.4 mb build (versus a previously reported 0.8 mb gain). Spain led September's draw, followed by the Netherlands, France and Germany.



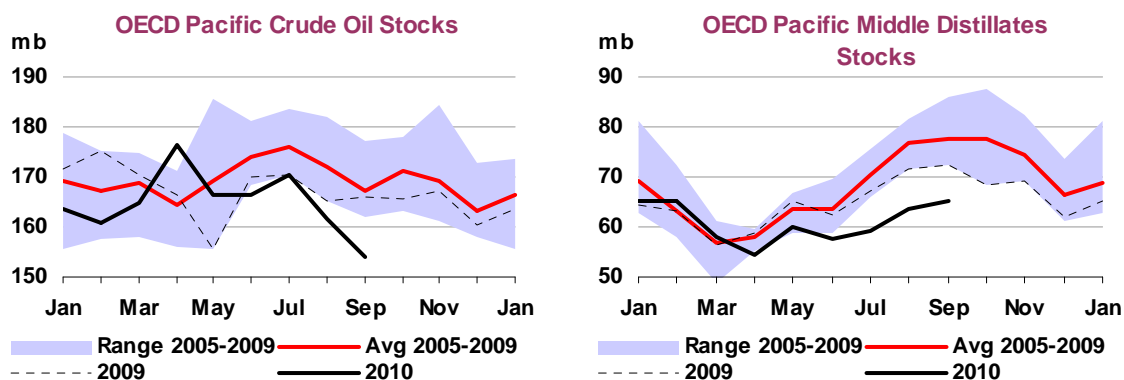
Product inventories drew in line with the five-year average by 5.9 mb. Middle distillates declined by 8.5 mb, while a 1.9 mb build in fuel oil provided a partial offset. The sharper-than-average draw in distillates points to consumer restocking ahead of the winter heating season. French commercial distillate holdings fell by 5.4 mb and German end-user heating oil stocks increased from 60% to 62% of the capacity in September.



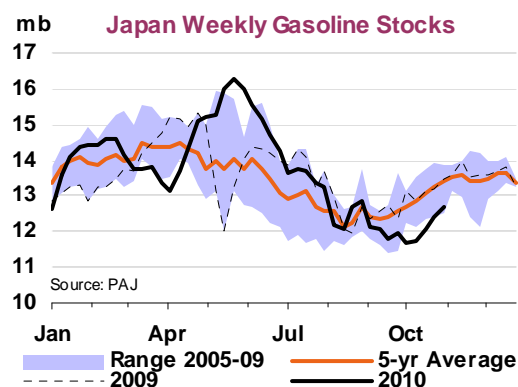
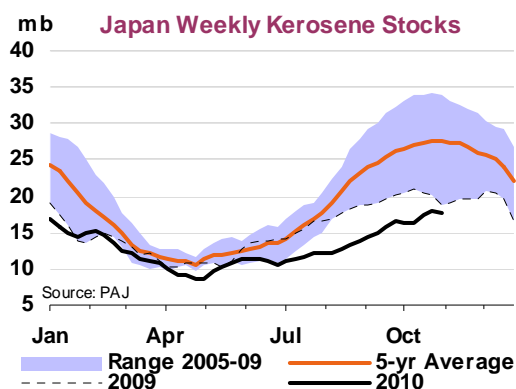
The European oil network experienced a stress test in October resulting from a port closure and refinery slowdowns due to industrial action in France. Although the Euroilstock report indicated a surprising 8.5 mb total oil stock-build in the EU-15 plus Norway in October, much of it stemmed from a 10.7 mb increase in crude oil inventories. Yet, French crude stocks showed no change, and elevated levels of crude oil were stored at sea as an armada of tankers anchored near the Mediterranean port Fos-sur-Lavera awaited offloading. Product inventories fell by 2.2 mb, driven by a 2.3 mb drop in French middle distillates. In a response to events in France, products held in independent storage in Northwest Europe declined in October, with the largest draw in gasoline. A further 6 mb of products, mostly distillates, held in floating storage in the Mediterranean and Northwest Europe were brought ashore.

## OECD Pacific

Industry oil inventories in the OECD Pacific region fell by 8.4 mb to 401 mb in September. Crude oil stocks declined sharply (-7.9 mb) after a draw of similar extent reported the previous month. However, Japan drove the entire September's drop as crude holdings fell on lower imports ahead of refinery turnarounds. Products rose slightly as gains in fuel oil, middle distillates and gasoline offset a counter-seasonal 2.6 mb drop in 'other products'. Middle distillates rose by 1.5 mb, in line with seasonal norms, driven by builds in Korea, and fuel oil added a further 1.6 mb.



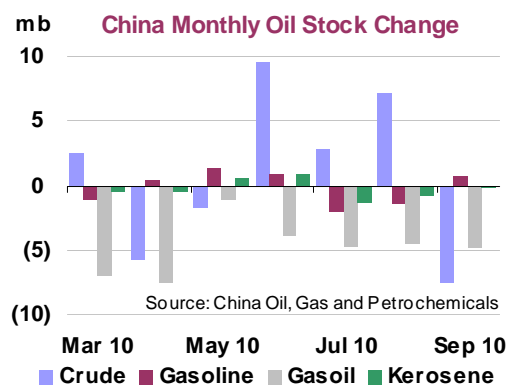
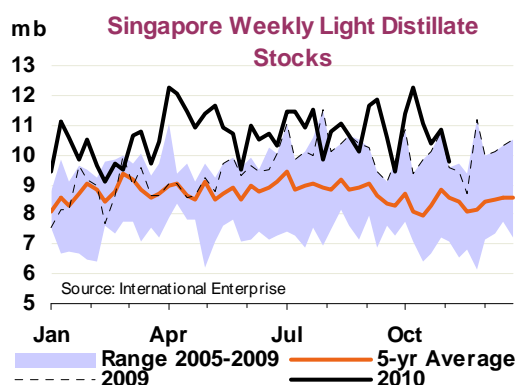
Preliminary weekly data from the Petroleum Association of Japan (PAJ) point to a 4.9 mb build in Japanese industry stocks in October. On the back of seasonal refinery maintenance, crude oil stocks rose slightly by 1.0 mb while, surprisingly, product inventories increased by 3.9 mb, suggesting some demand weakness. Kerosene holdings grew by 1.2 mb over the month to only 1.3 mb below the previous year levels forming the bottom of the five-year average range. Gasoil reversed September's decline, rising by 1.2 mb in October, while gasoline added a further 0.9 mb.



## Recent Developments in Singapore and China Stocks

According to *China Oil, Gas & Petrochemicals (China OGP)*, Chinese commercial crude oil inventories dropped by 7.5 mb (3.4%) in September, yet other fundamentals point to a strong monthly stock-build. Record high net imports, combined with an uptick in domestic production, exceeded refinery runs (estimated at 8.5 mb/d) by approximately 1.3 mb/d. Just where this portion of imported crude oil went remains unclear. Some reports suggest that for several months China has been importing crude for strategic storage. But initial facilities in the second phase of China's Strategic Petroleum Reserve (SPR) are yet to be completed. The SPR's second phase envisages eight storage sites with combined capacity of 170 mb by 2012. The first phase of the Chinese SPR with capacity of 102 mb was completed and filled by March 2009. So it is possible that latest official inventory data may understate the extent of refiner crude stockpiling in response to the recent surge in diesel demand.

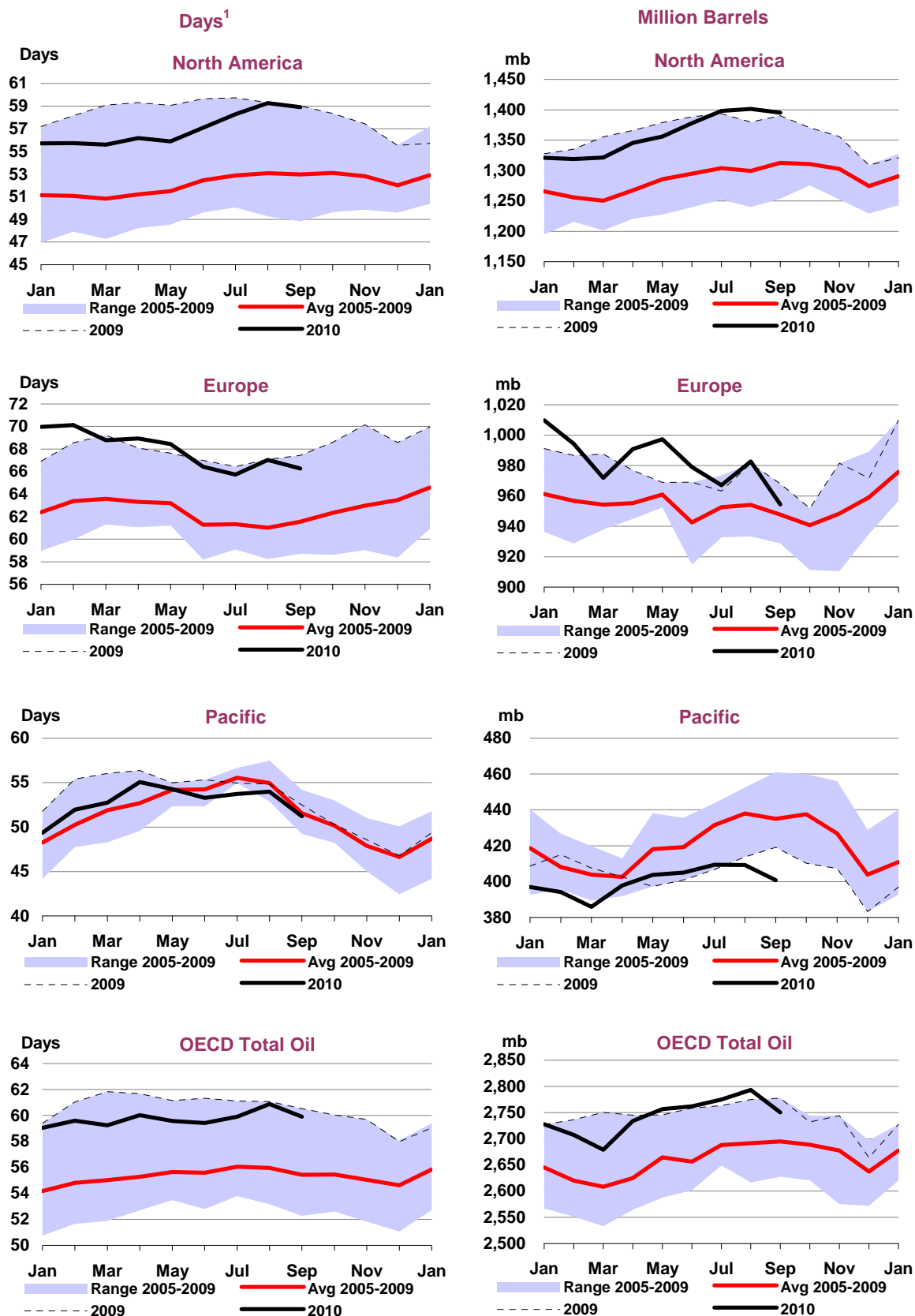
Despite an uptick in refinery runs, product inventories declined in September, outweighed by higher exports and stronger demand ahead of a hike in product prices. Gasoil inventories shed 4.9 mb (8.6%), kerosene fell by 0.2 mb (1.3%), while gasoline rose by 0.7 mb (1.3%). Reportedly experiencing diesel shortages, the country has scaled back diesel exports and gasoil stocks drew for seven consecutive months, bringing stocks down from 86 mb in February to an estimated 52 mb in September.



Singapore onshore inventories fell by 0.8 mb in October. Light distillates drew by 1.3 mb on lower imports and stronger regional demand. The arbitrage window for incoming fuel oil remained closed over the month and stocks fell by 1.3 mb. Middle distillates built by 1.8 mb, despite lower imports from China, providing some offset.

## Regional OECD End-of-Month Industry Stocks

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

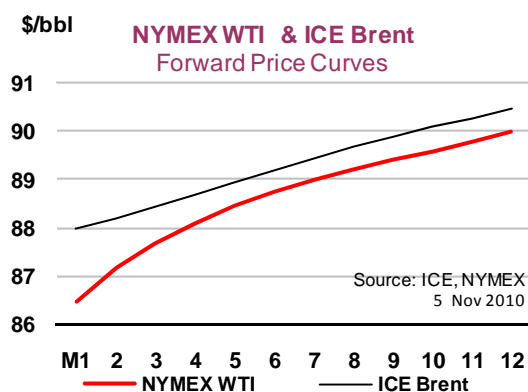
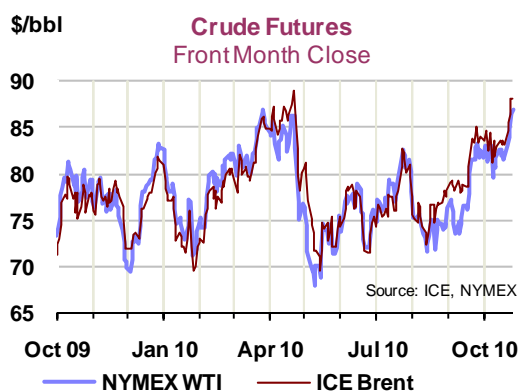


<sup>1</sup> Days of forward demand are based on average demand over the next three months

# PRICES

## Summary

- **Oil markets turned markedly stronger in October and, by early November, benchmark crude prices were perched around two-year highs.** Crude oil futures broke out of the \$75-78/bbl average trading range posted in the third quarter and headed to a loftier \$82-83.50/bbl level in October. At writing, benchmark crudes had strengthened further and were oscillating around \$89/bbl.
- **Stronger-than-expected global oil demand growth heading into the peak winter season and lower OECD inventories helped underpin oil prices in October.** Equally, robust financial markets, a depreciating dollar and the US Federal Reserve's decision to inject more money into the economy as part of its second round of quantitative easing, or QE2, added further upward momentum.
- **Crude oil markets moved higher on demand from refiners in the US** with the maintenance turnaround season ending while buying by China was brisk against a backdrop of anticipated record throughput rates and strong gasoil demand. However, France's month-long industrial action depressed regional crude prices mid-month and distorted price differentials of crudes pegged to benchmark Dated Brent.
- **Refinery margins rose in Europe and Asia in October, while the picture remained mixed for the US.** Both Northwest European and Mediterranean margins improved strongly, in part due to the French refinery workers strike action.
- **In contrast to the malaise reported in recent months, the crude tanker market saw a slight upturn in October,** in part due to some indirect supply tightness as vessels were delayed by the French port strikes. Clean product tanker rates, however, weakened with only one benchmark route holding steady over the month as the oversupply in the market continued to weigh heavy.

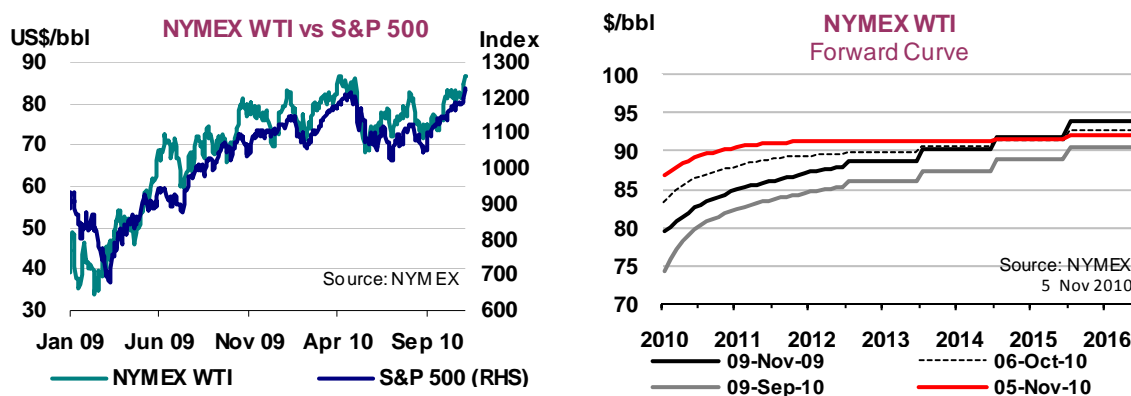


## Market Overview

Oil markets turned markedly higher in October and were flirting near two-year peaks by early November. Crude oil futures broke out of the average \$75-78/bbl trading range posted in the third quarter and strengthened to a loftier \$82-83.50/bbl level in October. Prices for benchmark crudes WTI and Brent in October rose by around \$5-6/bbl, to \$81.97/bbl and \$83.54/bbl, respectively. In early November, crude oil futures moved higher still, up by around \$6/bbl. At writing, benchmark crudes were oscillating around \$89/bbl.

Stronger financial markets, a depreciating dollar against other currencies and the US Federal Reserve's decision to inject more money into the economy as part of its quantitative easing programme combined to lift oil prices higher (see *'The Joys of Easing'*). Market analysts believe the upward price pressure from

anticipation of the QE2 announcement was already partly factored into price levels. While economists and policy makers continued to debate the likely effects of QE2 on oil markets, traders appear to have already cast their bets on an expected increase of capital flows into emerging markets and/or commodities that would lead to stronger demand and higher prices.



Grabbing less headlines but at least as important, stronger-than-expected global oil demand growth in the third quarter and expectations of accelerating consumption levels during the peak winter season underpinned higher price levels in October. Latest data for both the OECD and non-OECD countries show global demand growth gaining traction on a quarter-by-quarter basis, with 3Q10 demand up by 3.1 mb/d year-on-year compared with 2.8 mb/d growth in 2Q10 and 2.0 mb/d in 1Q10.

China, as expected, provided considerable strength to both crude and product markets in October, with reports of anticipated record November run rates supporting the former and stronger diesel demand the latter.

The weight of surplus global inventories on markets was partially lightened in October as oil held in floating storage contracted sharply. In October, floating stocks fell to 59 mb, less than half the 127 mb seen six months ago. Moreover, in the US, the flattening of the forward curve prompted companies to draw down crude held at onshore storage tanks in Cushing, Oklahoma for the third month in a row.

### Prompt Month Oil Futures Prices

(monthly and weekly averages, \$/bbl)

	Aug	Sep	Oct	Oct-Sep Avg Chg	% Chg	Week Commencing:				
						04 Oct	11 Oct	18 Oct	25 Oct	01 Nov
<b>NYMEX</b>										
Light Sweet Crude Oil	76.67	75.55	81.97	6.43	7.8	82.37	82.17	81.32	82.12	84.98
RBOB	83.76	81.68	88.61	6.93	7.8	89.41	89.84	87.25	88.13	89.86
No.2 Heating Oil	86.27	88.73	94.95	6.22	6.5	96.00	95.40	93.96	94.14	97.92
No.2 Heating Oil (\$/mmbtu)	14.81	15.23	16.30	1.07	6.5	16.48	16.38	16.13	16.16	16.81
Henry Hub Natural Gas (\$/mmbtu)	4.22	3.90	3.60	-0.30	-8.3	3.72	3.62	3.44	3.58	3.87
<b>ICE</b>										
Brent	77.12	78.42	83.54	5.12	6.1	84.13	83.77	82.77	83.43	86.50
Gasoil	88.52	90.15	96.35	6.19	6.4	97.51	97.01	95.41	95.40	98.21
<b>Prompt Month Differentials</b>										
NYMEX WTI - ICE Brent	-0.45	-2.87	-1.56	1.31		-1.76	-1.60	-1.45	-1.31	-1.53
NYMEX No.2 Heating Oil - WTI	9.60	13.18	12.97	-0.21		13.63	13.23	12.65	12.01	12.94
NYMEX RBOB - WTI	7.10	6.13	6.63	0.51		7.04	7.68	5.93	6.01	4.88
NYMEX 3-2-1 Crack (RBOB)	7.93	8.48	8.75	0.27		9.24	9.53	8.17	8.01	7.57
NYMEX No.2 - Natural Gas (\$/mmbtu)	10.59	11.34	12.70	1.36		12.76	12.75	12.69	12.58	12.94
ICE Gasoil - ICE Brent	11.40	11.74	12.81	1.07		13.38	13.24	12.64	11.96	11.71

Source: ICE, NYMEX



## The Joys of Easing

In early November, the US Federal Reserve announced a second round of asset purchases, dubbed 'Quantitative Easing 2' or QE2. The move was prompted by the relative weakness of the US economic recovery – with persistently high unemployment, hovering at around 10%, and perceived risks of a deflationary spiral raising fears of prolonged stagnation in line with the Japanese experience. The Fed decided to resort to such a measure as 'conventional' alternatives have been exhausted. The current US domestic political climate arguably precludes further fiscal stimulus, while short-term interest rates fell effectively to zero following the monetary loosening and the first round of asset purchases (the \$1.7 trillion QE1) triggered by the onset of the Great Recession.

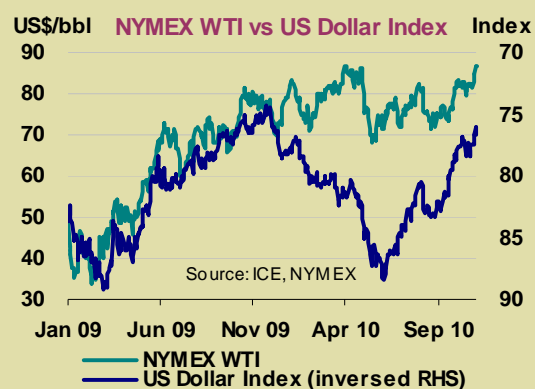
QE2 is grounded in monetary theory, which establishes a link between money supply, velocity (the number of times a dollar turns over in a given period), price levels (effectively the inflation rate) and final expenditures (the value of aggregate final transactions, or GDP). Simply stated, if inflation and velocity are low (as currently), the only way to boost GDP is to increase the money supply. This raises inflationary expectations and eventually curbs long-term interest rates, thus boosting investment and spending in the short-term. In practice, this means that the Fed will print dollars to buy long-term US Treasury bonds, hoping to 'crowd in' investors to buy riskier assets – i.e., corporate bonds, equities and physical assets such as real estate or industrial assets. The Fed is set to buy \$600 billion-worth of bonds until end 2Q11, and to re-invest the proceeds of the previous asset purchase programme. All in all, QE2 will amount to around \$900 billion, equivalent to \$110 billion per month.

However, consensus on the domestic benefits of QE2 is elusive, both within the US – with dissenting voices within the Fed, for example – and abroad. The key criticism is that the policy fails to address the main choke point of the US economy: its housing market. As long as housing prices do not recover, consumer spending – which accounts for almost two-thirds of GDP – is unlikely to pick up significantly. Some pundits argue that this has a structural effect on employment: workers are unable to relocate if they are stranded with negative equity, and that cannot be solved by monetary policy, however unconventional (contrary to QE1, QE2 will not buy mortgage-based securities). Moreover, interest rates – both short- and long-term – are already at historical lows, yet loan demand remains in the doldrums, suggesting that households and companies are focusing on rebuilding their debt-laden balance sheets, rather than borrowing to consume and invest. The risks and impacts from ultimately higher interest rates and inflation, plus the possible dangers of a renewed asset bubble, are also being hotly debated.

Meanwhile, the question remains as to the likely effects of QE2 on oil demand and prices. One possibility is that QE2 works as intended and that the US recovery is vigorous, supporting the global economy and therefore oil demand and prices. Another outcome is that risk aversion persists or that investors focus on returns, in which case QE2 would then simply encourage capital flows into emerging markets and/or commodities. If so, this would have several consequences.

First, it would oblige emerging countries to choose the lesser of two evils – currency appreciation or inflation, particularly for those with a dollar peg. Some economists contend that QE2 will in the end force such an appreciation upon recalcitrant 'currency manipulators' as inflation would be a worse alternative. This would boost oil demand in due course, since energy-intensive emerging countries – most of whom are net oil importers – would face lower energy costs (although the impact might be countered if governments took the opportunity to reduce domestic price subsidies). Yet this supposes that the deterioration of the terms of trade implicit in such an appreciation would not derail economic growth, especially in export-oriented countries. Actually, several large economies have already objected to the US move, raising the spectre of potential protectionism and capital controls, which could ultimately curb global economic growth.

Second, a renewed shift into commodities could foster a price bubble – defined as a price increase not commensurate with either the depreciation of the dollar or with global economic growth. Indeed, commodities have become an asset class in themselves, and prices could well increase in real terms, at least



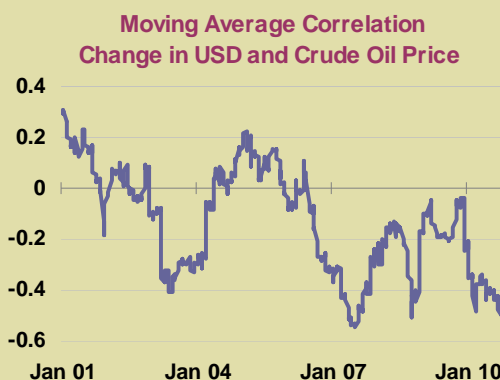
### The Joys of Easing (continued)

until market fundamentals (demand and supply) reassert themselves. Moreover, a rapid rise in oil prices – and soft commodities – would curb the purchasing power of US consumers, potentially subtracting, rather than adding, to the country's economic growth, at least in the short-term. The currency depreciation would have positive, counterbalancing trade effects, but these typically tend to lag.

There have been previous episodes of capital flowing into commodities – notably from the mid 2000s, culminating in oil prices surging to almost \$150/bbl by mid 2008. A number of physical market factors underpinned the rise, including strong demand growth, constrained supply, tight spare capacity and dislocations between available refinery feedstock, upgrading capacity and product specifications. Expectation of inexorably tightening oil markets in the future also played a role. However, falling US interest rates, the ensuing search for yield and the emergence of commodities as an asset class arguably contributed to sustain price strength. The bubble duly burst when fundamentals worsened with the recession-induced collapse in oil demand.

Yet financial transmission mechanisms between monetary policy and commodity prices are complex. Empirically, there is clearly an inverse correlation between oil prices and exchange rates – that is, other things being equal, oil prices rise if the dollar falls. An assessment of the dynamic conditional correlation and of the 52-week rolling average correlation between the change in the oil price and the change in the nominal effective exchange rate shows that this relationship has been relatively strong in recent months. What is less clear, though, is the direction of causality. Several econometric techniques suggest that causality may run from the oil price to the exchange rate, rather than the opposite. However, this somewhat counter-intuitive finding might be explained by the fact that both variables react to a common factor – US monetary expansion – which depreciates the dollar but boosts demand elsewhere as oil become cheaper in other currencies (although limited price elasticity dilutes direct feed-through from dollar depreciation to non-US demand).

Given these uncertainties, perhaps the key question is whether oil market fundamentals are strong enough to support another bubble, however briefly. As discussed elsewhere in this report, 3Q10 demand has indeed surprised on the upside. However, we have also argued that the reasons behind the current demand strength are largely transient, with growth expected to recede in the quarters ahead. And given that the supply outlook remains comfortable and that stocks are plentiful, the recent rise in oil prices may prove to be temporary. Interestingly, albeit oil prices soared to around \$89/bbl over the past month, they have remained broadly stable since QE2 was announced – suggesting that the move has been already fully priced in and that comfortable global fundamentals may be exerting a constraining influence.

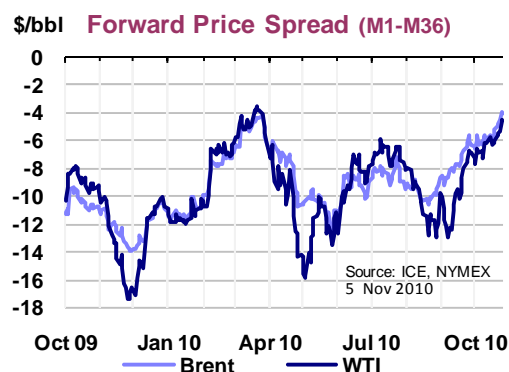
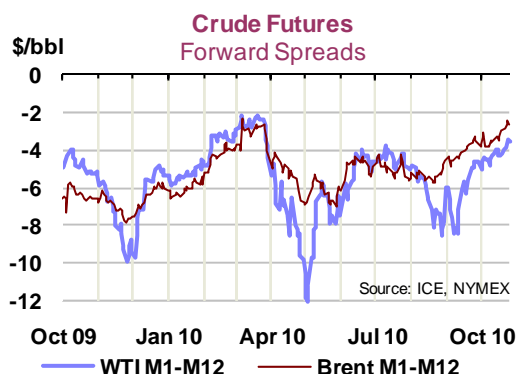


### Futures Markets

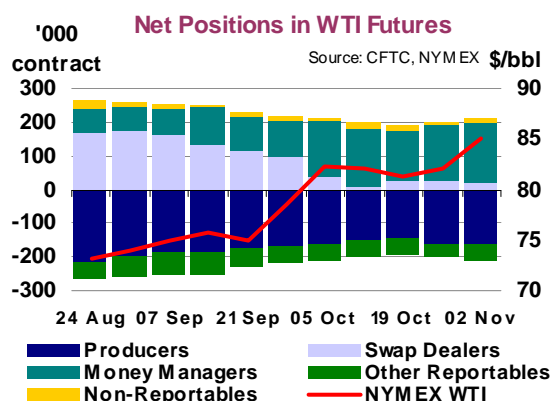
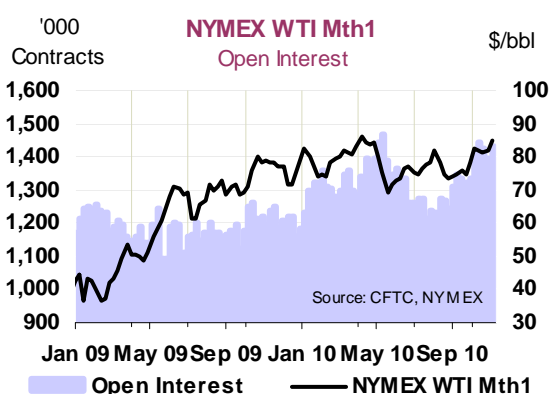
A flattening of the forward price curve characterised futures markets in recent weeks. The jump in prompt month WTI futures prices, combined with significant selling by producers at the back end of the curve, led to a flattening all along the forward price curve. The WTI M1-M12 narrowed to \$4.55/bbl in October from around \$7.10/bbl in September. By the first week of November, the spread was running about \$3.75/bbl. Longer dated futures contracts followed a similar pattern. The M1-M78 spread has been more than halved since September at around \$6.55/bbl in early November. That compares with \$9.36/bbl in October and \$15.52/bbl in September.

Higher futures prices proved a magnet for investment funds in recent months. The influx of commodity index money in futures and over-the-counter (OTC) markets increased in September 2010 to a notional value of \$241.5 billion in the long side and \$181.7 billion in net notional value. Index investment activity

in the WTI Light Sweet Crude Oil market reached an all time high of 642 000 futures equivalent contracts in September 2010, or \$52.4 billion in notional value.



Open interest in NYMEX WTI futures has continued to increase since July 2010, adding another 1.8% in October to reach 1.433 million contracts. Producers raised their net long position slightly during the month of October by 1.4% to 164 600 contracts, holding at the end of the month 25.5% of the short and 14% of the long contracts in WTI futures. Swap dealers, who often serve as a bridge between the OTC market and futures market, increased both their long and short exposures, but the rise in their short holdings surpassed that in their long holdings, thereby reducing their net long position by close to 100%, at just under 20 000 contracts.



Managed money traders, so-called hedge funds, raised their overall exposures in the market. The increase in their long position is much higher than the increase in their short position, thereby resulting in an increase in their net long exposure by more than 7.1% to 177 800 contracts. Other non-commercials, which include floor brokers/traders and non-registered participants, remained net short in the market, although they reduced both their long and short holdings. However, the decline in their long position is smaller than that in their short position, resulting in a reduction in their net short holdings by 3% to 47 600 contracts.

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

Thousand Contracts

02 November 2010	Long	Short	Net	Long/Short	Δ Net from Prev. Week	Δ Net Vs Last Month
<i>Producers' Positions</i>	200.4	365.0	-164.6	Short	↓ -4.2	↓ -2.3
<i>Swap Dealers' Positions</i>	253.7	233.7	20.0	Long	↓ -5.5	↓ -19.3
<i>Money Managers' Positions</i>	249.6	71.9	177.8	Long	↑ 11.7	↑ 12.6
<i>Others' Positions</i>	87.0	134.7	-47.6	Short	↓ -6.9	↑ 1.4
<i>Non-Reportable Positions</i>	85.5	71.0	14.5	Long	↑ 4.8	↑ 7.6
<i>Open Interest</i>			1433.3		↑ 38.7	↑ 25.4

Source: CFTC

Meanwhile, open interest in the NYMEX RBOB futures market increased by 6.57% to 277 800 contracts. Producers continued to hold the largest long and short positions in the market, controlling 71.8% and 37.6% of open interest on the short side and long side, respectively. Contrary to September, open interest in the NYMEX heating oil market declined by 5.82% to 318 500 contracts.

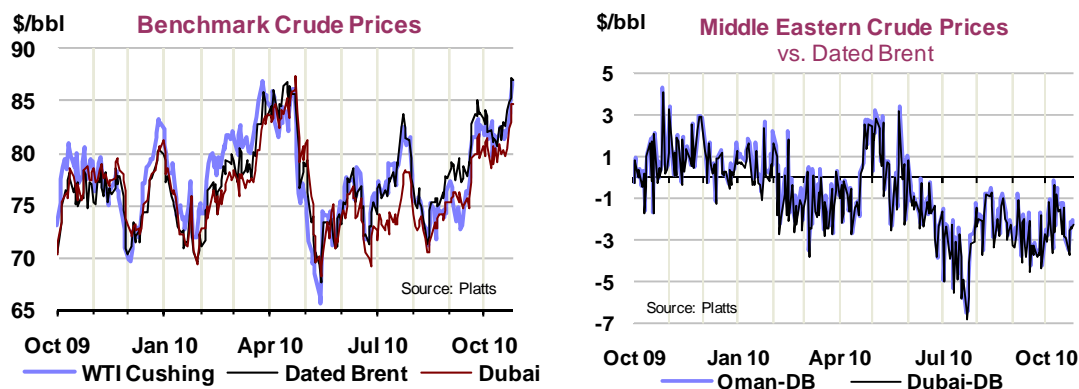
## Market Regulation

Ahead of the G20 meeting in South Korea on 11-12 November, a survey of OTC derivatives regulations commissioned by the group revealed unregulated trading activity might not be as prevalent as generally perceived. The International Organization of Securities Commissions (IOSCO) reported that around two-thirds of oil (both crude and product) OTC derivatives are already either traded on exchanges or centrally cleared. It appears that, even without new government mandates, clearing of OTC trades has significantly increased since the global financial crisis sparked concern over the creditworthiness of their counterparties. The IOSCO report also singled out the need for the IEA, the International Energy Forum (IEF) and OPEC to improve data reporting on physical oil fundamentals by their members.

Meanwhile, the US Commodities Futures Trading Commission (CFTC) progressed on mandates set out in the Wall Street Reform and Consumer Protection Act. However, the Republican Party victory in the mid-term congressional elections may ultimately undermine the implementation of the Dodd-Frank bill and new regulations being drafted by the CFTC and Securities and Exchange Commission (SEC). The leading contender to take over as chairman of the House's Financial Services Committee has already said that Dodd-Frank is 'overly expansive' and that he plans to rewrite provisions that regulate oil swaps and other OTC derivatives.

## Spot Crude Oil Prices

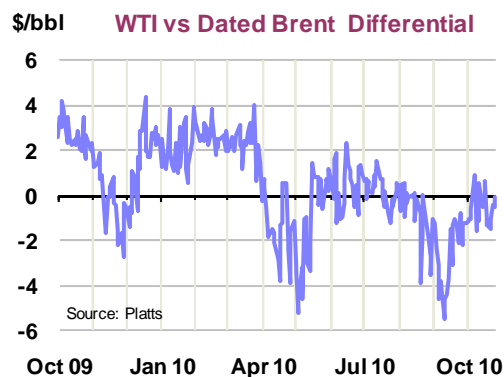
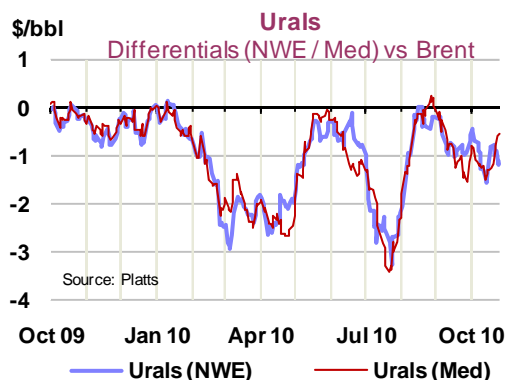
Spot crude oil prices strengthened on average in October following renewed demand from refiners, with maintenance turnarounds ending in the key US market while buying by China was especially brisk to meet higher throughput rates. However, France's four-week long strike action, which blocked ports from unloading crude and sharply reduced refinery operations, depressed regional crude prices by mid-October and distorted Atlantic Basin crudes pegged to Dated Brent.



Reversing last month's declines, average spot prices for WTI saw the highest monthly increase, up by \$6.72/bbl to \$81.89/bbl. After posting modest increases in September, North Sea Dated Brent increased by \$4.95/bbl to \$82.74/bbl. Spot prices for Dubai saw similar gains, up by \$5.10/bbl, to an average \$80.22/bbl. By early November, spot prices for benchmark crudes were up a further \$2-3/bbl.

WTI's relative strength was due in part to a drawdown of crude oil inventories at the key Cushing, Oklahoma storage terminals. Cushing stocks fell for the third month in a row in October, but at 33.5 mb, stocks are only 4.3 mb below July levels. The narrowing of the contango has made the storage play

uneconomic in recent months. The forward WTI Cushing price differential for M1-M2 has narrowed to \$0.68/bbl versus \$1.35/bbl in September.



Meanwhile, Brent's relative weakness stemmed from the 30 mb of crude oil supplies sitting offshore France because of the month-long strikes at the country's ports and refineries, the latter cutting crude supplies by an estimated 950 kb/d. As a result, WTI's discount to Dated Brent narrowed to \$0.85/bbl in October versus \$2.62/bbl in September. For several days in mid-October WTI even managed to regain a premium to Brent.

In the Mediterranean, Urals' discount to Dated Brent widened to \$1.21/bbl on average in October compared to an unusually narrow \$0.41/bbl in September, when reduced supplies tightened the differential. Russia's ESPO crude saw its price differential to Dubai crude hit an all-time high on the back of brisk demand for light sour crudes, and as refiner acceptance of the new grade increased. ESPO Blend traded at a premium to Dubai of \$1.65/bbl in early November compared with \$1.05/bbl on average in October, \$0.64/bbl in September and \$0.19/bbl in August.



### Spot Crude Oil Prices and Differentials

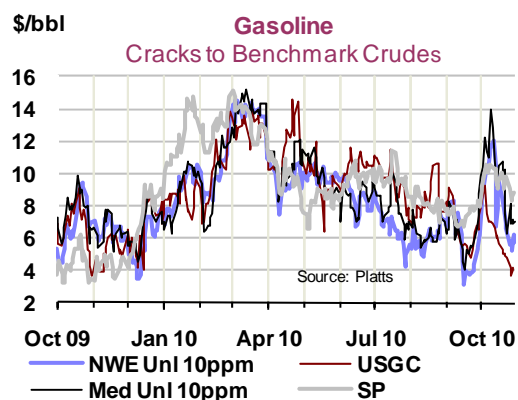
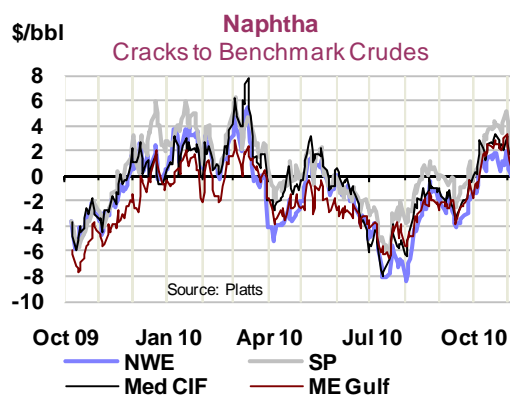
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## Spot Product Prices

Spot product prices rose in all major regions in October, with crack spreads for naphtha and middle distillates especially robust in Europe and Asia. By contrast, differentials for fuel oil —barring the Med— weakened across all markets as demand from utilities waned.



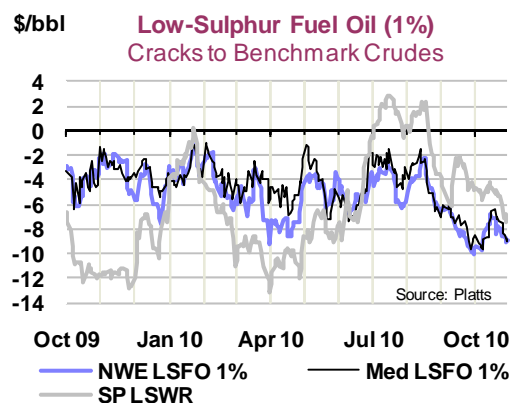
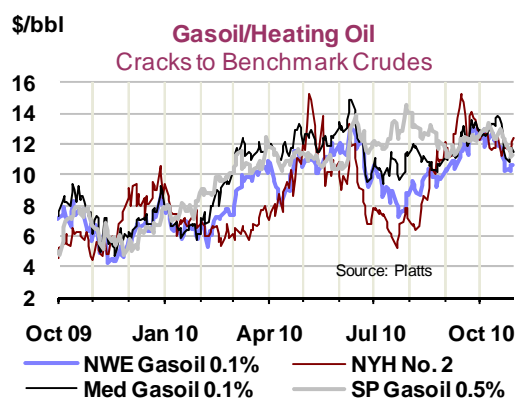
In Europe, reduced product supplies due to the shut-in of French refineries and increased buying of heating fuels by German consumers ahead of the peak winter season boosted crack spreads for gasoil. In the Mediterranean, differentials to Urals increased to \$13.17/bbl in October compared with \$11.54/bbl in September. Gasoil cracks for Brent in Rotterdam rose to \$12.09/bbl versus \$11/bbl in September.

In the US, stronger crude markets largely outstripped product price increases, with only gasoline cracks in New York Harbor rising month-on-month. Unleaded gasoline differentials rose counter-seasonally, in part due to reduced yields of gasoline as refiners switched to a higher heating oil slate, to a monthly average of \$8.18/bbl versus \$7.44/bbl in September and \$5.12/bbl in August. By contrast, heating oil cracks declined slightly, to \$12.32/bbl from an average \$12.73/bbl the previous month.

In Asia, crack spreads were mixed in October, with naphtha, gasoline and middle distillates showing strong increases while fuel oil remained weak. The focus of market attention has been on China's surging end-year demand for diesel and gasoil. Chinese government mandates to meet emissions reductions and energy efficiency targets have seen a surge in diesel and gasoil demand. As part of the conservation efforts, power rationing has forced companies to burn diesel to generate electricity.

Meanwhile, increased petrochemical demand pushed naphtha crack spreads in Singapore into positive territory in October, to \$2.75/bbl last month compared -\$0.60/bbl in September. Premium unleaded gasoline differentials to Dubai increased to \$9.49/bbl last month compared with \$7.43/bbl in September. Gasoil firmed to \$12.64/bbl on average in October compared to \$11.92/bbl the previous month.

Fuel oil cracks continued their downward trend in October, with LSWR differentials to Dubai at -\$4.85/bbl, as the end of seasonally strong demand for power unwound.





## Spot Product Prices

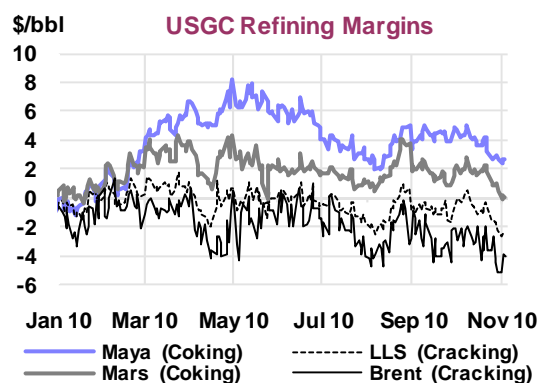
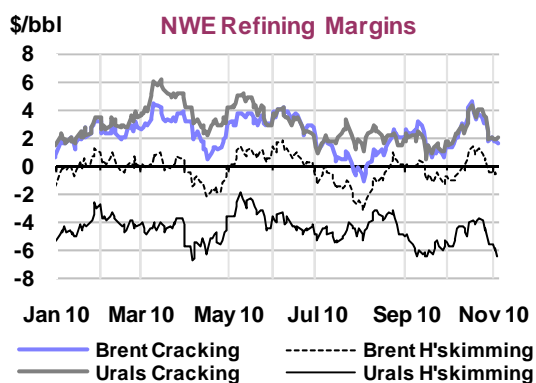
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## Refining Margins

Refinery margins rose in Europe and Asia in October, while the picture remained mixed in the US. Both Northwest European and Mediterranean margins improved strongly, in part due to the French refinery strike. In Asia, Singapore and China margins all strengthened in October. In the US, Gulf Coast margins moved sideways whereas on the West Coast they weakened, except for the Oman cracking margin.



In Northwest Europe, margins all improved due to increasing product cracks as supply tightened with the strike at French ports and refineries. The shortfall was particularly evident for the light and middle distillates, with prices rising sharply. Reduced demand for feedstock from French refiners pressured

crude prices lower by mid-October, and both weaker crude oil prices and higher prices for light products led to improved margins, especially at cracking units. Urals cracking margins rose the most, as there was a relatively larger drop in the Urals price compared to Brent. In the Mediterranean, margins gained even more than in Northwest Europe, helped by a larger increase in product prices as supply was additionally tightened due to regional refinery maintenance.

In the US Gulf, margins moved sideways in October with Bonny light and Brent cracking margins decreasing slightly. LLS and Mars cracking margins improved a little, although remained negative. Generally, crude and product prices moved in parallel throughout the month. Gasoline prices were to some extent supported by limited arbitrage from Europe but in the second half of the month prices shifted down and moved sideways as refiners came back from maintenance work and increased throughout rates. On the other hand, crude prices improved towards the end of the month and this led to weaker margins. West Coast margins all declined except the Oman cracking margin. Margins fell more on the West Coast than in the Gulf as gasoline prices dropped sharply around mid-month and crude prices were relatively higher.

Singapore margins strengthened slightly in October. In the first half of the month, increased product prices in Europe opened the westward arbitrage, which pushed regional product prices higher. In addition, the naphtha crack was lifted by strong regional petrochemical demand. Margins in China strengthened on improving gasoline and to some extent gasoil cracks.

### Selected Refining Margins in Major Refining Centres

		(\$/bbl)									
		Monthly Average			Change		Average for week ending:				
		Aug 10	Sep 10	Oct 10		Oct 10-Sep 10	08 Oct	15 Oct	22 Oct	29 Oct	05 Nov
<b>NW Europe</b>	Brent (Cracking)	1.06	1.73	2.82	↑	1.09	1.81	3.19	3.81	2.77	1.68
	Urals (Cracking)	2.06	1.63	2.95	↑	1.33	2.09	2.98	3.94	3.09	1.90
	Brent (Hydroskimming)	-0.89	-0.45	0.12	↑	0.57	-0.81	0.23	1.09	0.22	-0.65
	Urals (Hydroskimming)	-2.28	-3.12	-2.44	↑	0.68	-3.09	-2.70	-1.55	-2.24	-3.12
<b>Mediterranean</b>	Es Sider (Cracking)	0.61	0.14	1.80	↑	1.66	0.83	2.14	2.61	1.95	0.54
	Urals (Cracking)	0.95	0.04	2.16	↑	2.12	1.49	2.74	2.87	1.89	0.46
	Es Sider (Hydroskimming)	-3.04	-4.09	-3.74	↑	0.34	-4.72	-4.14	-2.90	-3.01	-4.42
	Urals (Hydroskimming)	-4.00	-5.82	-4.61	↑	1.21	-5.03	-4.53	-3.95	-4.72	-6.08
<b>US Gulf Coast</b>	Bonny (Cracking)	-1.48	-1.34	-1.58	↓	-0.23	-1.14	-1.66	-1.61	-2.14	-2.94
	Brent (Cracking)	-2.72	-2.79	-2.99	↓	-0.20	-2.76	-2.80	-2.87	-3.69	-4.36
	LLS (Cracking)	-0.97	-0.85	-0.64	↑	0.21	0.01	-0.39	-0.78	-1.45	-2.35
	Mars (Cracking)	0.27	-0.17	-0.14	↑	0.02	0.11	0.05	-0.06	-0.62	-1.75
	Mars (Coking)	2.04	1.71	1.79	↑	0.08	2.00	2.01	1.99	1.13	0.18
	Maya (Coking)	3.34	4.26	3.90	↓	-0.36	4.30	4.25	3.93	2.89	2.68
<b>US West Coast</b>	ANS (Cracking)	0.90	0.01	-1.15	↓	-1.17	-0.80	-0.15	-1.99	-1.65	-2.50
	Kern (Cracking)	3.13	4.10	1.25	↓	-2.85	2.11	1.55	0.53	0.48	0.86
	Oman (Cracking)	1.09	-0.83	0.22	↑	1.05	0.94	1.18	-0.68	-0.69	-2.21
	Kern (Coking)	11.18	9.83	9.66	↓	-0.17	11.63	11.75	7.76	7.03	7.14
<b>Singapore</b>	Dubai (Hydroskimming)	-1.27	-2.23	-1.96	↑	0.27	-2.32	-1.79	-1.82	-1.77	-3.36
	Tapis (Hydroskimming)	-2.93	-4.89	-4.74	↑	0.15	-6.04	-4.70	-3.71	-4.18	-5.91
	Dubai (Hydrocracking)	0.54	-0.15	0.77	↑	0.92	0.25	1.10	0.97	0.94	-0.46
	Tapis (Hydrocracking)	-2.25	-3.47	-2.75	↑	0.71	-4.25	-2.61	-1.72	-2.07	-3.57
<b>China</b>	Cabinda (Hydroskimming)	-2.76	-4.72	-4.28	↑	0.44	-4.93	-4.19	-3.49	-4.32	-6.17
	Daqing (Hydroskimming)	-0.28	-3.94	-3.72	↑	0.22	-4.57	-4.03	-2.75	-3.33	-4.55
	Dubai (Hydroskimming)	-1.08	-2.01	-1.74	↑	0.27	-2.08	-1.56	-1.61	-1.56	-3.16
	Daqing (Hydrocracking)	1.40	-1.07	0.24	↑	1.31	-1.01	0.12	1.28	0.90	0.05
	Dubai (Hydrocracking)	0.80	0.14	1.08	↑	0.94	0.56	1.42	1.27	1.25	-0.16

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

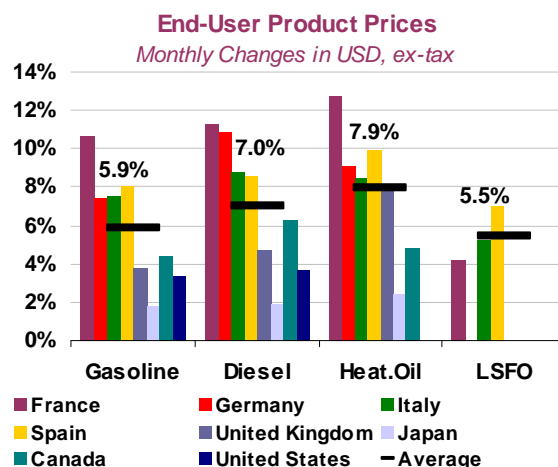
\*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.

Sources: IEA, Purvin & Gertz Inc.

## End-User Product Prices in October

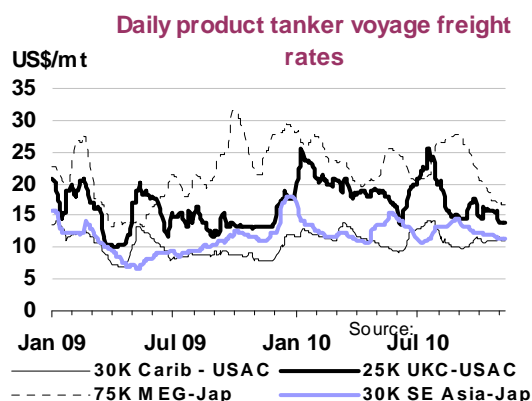
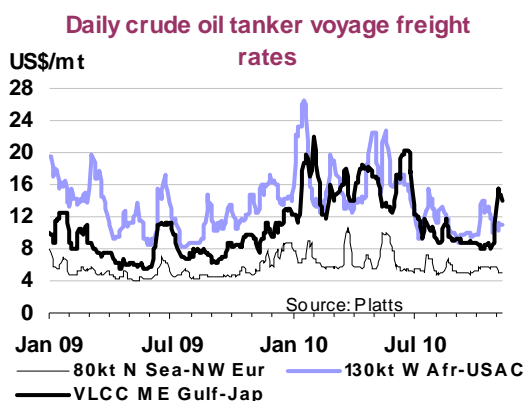
Average IEA end-user prices in US dollars, ex-tax climbed by a notable 7.1% in October. On this basis, price rises were reported across all surveyed products and countries, with the Eurozone reporting the steepest increases. Prices strengthened by an average 9.71% in strike-hit France, with notable climbs reported for heating oil (+12.7%), automotive diesel (+11.3%) and gasoline (+10.6%). In other Eurozone countries, price rises were weaker, with Germany, Spain and Italy up on average by 9.12%, 8.40% and 7.49%, respectively.

The lagged effect of the weakening US dollar, which muted price gains, is evident when converting prices in national currencies. Transport fuel prices remained relatively stable, with average IEA region gasoline and diesel prices rising by 0.8% and 1.4%, respectively. In October, gasoline prices averaged \$2.80/gallon in the US, ¥132/litre in Japan and £1.17/litre in the UK. In the Eurozone prices ranged from €1.37/litre in Germany to €1.17/litre in Spain. Diesel prices at the pump increased across all surveyed countries except Japan. Forecourt prices averaged \$3.05/gallon in the US, ¥112/litre in Japan and £1.20/litre in the UK whilst in continental Europe prices ranged from €1.09 in Spain to €1.22 in Italy.



## Freight

In contrast to the malaise reported in recent months, the dirty tanker market experienced a slight upturn in October. Rates on the benchmark Suezmax West Africa – US Atlantic Coast route firmed at the start of the month following some indirect supply tightness as vessels were delayed by the French port strikes combined with the fixing of some date-specific cargoes. Rates surged from approximately \$10/mt to \$13/mt by mid-month but then slid back to \$11/mt as exporters took advantage of comparatively cheaper VLCCs. In turn, VLCC rates surged by \$5/mt in early November so that by the 3rd of the month, rates on the benchmark Middle East Gulf – Japan route stood at \$16/mt. In contrast, rates on the Aframax North Sea – North West Europe stagnated at \$5/mt, close to break-even levels.

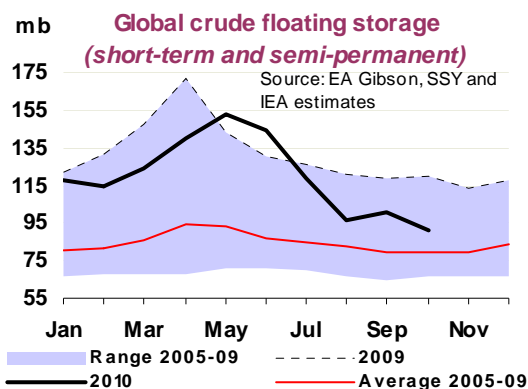


Clean product tanker rates weakened with only one benchmark route holding steady over the month as the oversupply in the market continued to weigh heavy. Rates on the benchmark Middle East Gulf – Japan route softened by \$4/mt so that by month-end they stood below \$17/mt. Asian market sentiment remained soft, and rates on the Handymax Singapore – Japan route fell from approximately \$12/mt to \$11/mt by early November. Atlantic basin rates fared little better, and a mid-month recovery on the UK –

US Atlantic coast petered out with rates falling back to below early month levels of \$14/mt. The benchmark Caribbean – US Atlantic coast route remained torpid at close to \$11/mt.

During the past month, the spectre of piracy has once again cast a shadow over the tanker industry. Following the end of the monsoon season, Somali pirates have become more audacious in their hijacking attempts with a recent attack on a VLCC en-route to Japan reported 340 nautical miles west from the Indian port of Mangalore. Such attacks, if they persist are likely to intensify calls for the international military fleet to step up their presence in the region since there is no alternative route on lucrative eastwards trades. Additionally, the South Korean supertanker *Samho Dream* was recently released after a record ransom of \$9.5 million was paid to its Somali captors. Such developments are likely to encourage the pirates to continue their activities in their region for the near future.

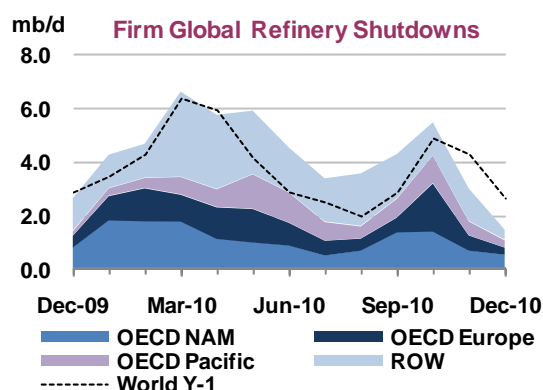
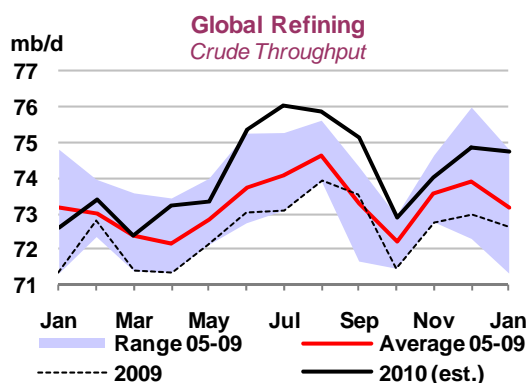
Latest data suggest that crude and products in short-term floating storage fell by 17.4 mb to 58.6 mb by end-October, leaving crude and products accounting for 32.1 mb and 26.5 mb, respectively. 9.1 mb of the 9.8 mb fall in crude came from Iran offloading some of its previously unsold cargoes. Product floating storage fell by 7.6 mb with notable drops in the Mediterranean (-3 mb) and NW Europe (-2.6 mb). VLCCs in the storage fleet reflected the fall in crude as they fell to 16, their lowest level on record.



# REFINING

## Summary

- **3Q10 global refinery crude throughputs have been revised up by 350 kb/d to 75.7 mb/d**, following stronger final US data for August and higher-than-expected runs in both the OECD and non-OECD in September. Russian refiners sustained near-record high runs, despite announcements of heavy maintenance, while Chinese runs have been supported by strong diesel demand. 4Q10 throughputs have been lifted by 155 kb/d, to 73.9 mb/d on average. Annual growth in throughput now stands at 2.2 mb/d in 3Q10 and 1.5 mb/d in 4Q10.
- **OECD crude runs fell by 770 kb/d in September to average 37.0 mb/d**, with declines in all regions, as the autumn maintenance season got underway. A total of 2.6 mb/d of capacity was taken offline for maintenance in September compared with 1.6 mb/d in August. OECD throughputs fell further in October, to only 34.6 mb/d. Peak maintenance, poor margins and industrial action in France all coincided to drag OECD crude runs to their lowest level since June 1993.
- **OECD refinery yields increased for gasoline, gasoil and jet fuel/kerosene in August**, and fell for all other products. OECD gross refinery output in August was around the same level as in July, due to refinery run cuts in Europe and the start of the maintenance season in North America.



## Global Refinery Throughput

**Global refinery crude runs** have again been revised up for 3Q10, to 75.7 mb/d, following stronger throughputs in both OECD and non-OECD countries. Final OECD data for August and preliminary data for September both came in higher than expected, lifting OECD runs to 37.5 mb/d for the quarter, some 1.1 mb/d above a year earlier. In the non-OECD, higher Russian and Chinese runs in September were the main contributors to a 195 kb/d quarterly adjustment. Non-OECD runs are now assessed at 38.2 mb/d, adding a further 1.0 mb/d to global growth.

Preliminary indications are that global crude throughputs fell sharply in October, potentially by as much as 2.3 mb/d, as peak autumn maintenance, low margins and industrial action in France all contributed. The entire decline came in the OECD, where runs were at their lowest since June 1993, while non-OECD runs are thought to have held up around September levels. OECD runs will likely rebound in November and December as maintenance winds down and refiners in France ramp up operations again, though global 4Q10 runs are about 1.8 mb/d below the 3Q10 peak. Annual growth now stands at 2.2 mb/d in 3Q10 and 1.5 mb/d in 4Q10.

### Global Refinery Crude Throughput<sup>1</sup> (million barrels per day)

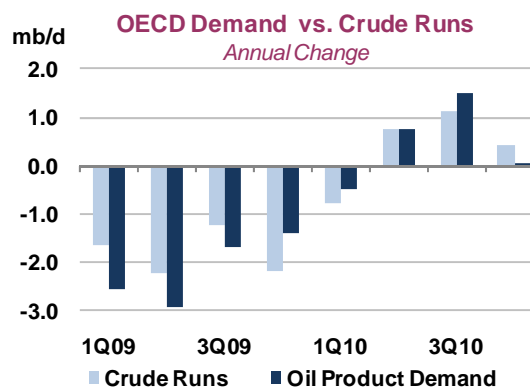
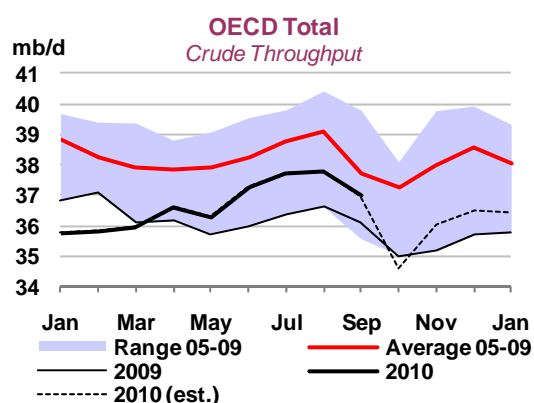
	2Q2010	Jul 10	Aug 10	Sep 10	3Q2010	Oct 10	Nov 10	Dec 10	4Q2010	Jan 11	Feb 11
North America	18.2	18.6	18.1	17.7	18.1	16.7	17.2	17.3	17.1	17.1	16.9
Europe	12.3	13.0	12.9	12.6	12.8	11.5	12.2	12.3	12.0	12.3	12.4
Pacific	6.2	6.2	6.8	6.7	6.5	6.3	6.6	6.9	6.6	7.0	7.1
<b>Total OECD</b>	<b>36.7</b>	<b>37.7</b>	<b>37.8</b>	<b>37.0</b>	<b>37.5</b>	<b>34.6</b>	<b>36.0</b>	<b>36.5</b>	<b>35.7</b>	<b>36.5</b>	<b>36.5</b>
FSU	6.2	6.5	6.7	6.6	6.6	6.4	6.5	6.6	6.5	6.5	6.5
Non-OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	8.5	8.3	8.2	8.5	8.4	8.7	8.8	8.7	8.7	8.6	8.7
Other Asia	8.8	8.9	8.6	8.6	8.7	8.9	8.7	8.9	8.8	8.9	9.0
Latin America	4.9	5.3	5.2	5.3	5.3	5.2	5.2	5.2	5.2	5.1	5.1
Middle East	5.9	6.2	6.2	6.2	6.2	6.0	5.7	5.9	5.9	6.1	6.1
Africa	2.3	2.5	2.5	2.3	2.5	2.3	2.3	2.4	2.3	2.4	2.3
<b>Total Non-OECD</b>	<b>37.3</b>	<b>38.3</b>	<b>38.1</b>	<b>38.2</b>	<b>38.2</b>	<b>38.3</b>	<b>38.0</b>	<b>38.4</b>	<b>38.2</b>	<b>38.3</b>	<b>38.3</b>
<b>Total</b>	<b>74.0</b>	<b>76.1</b>	<b>75.9</b>	<b>75.2</b>	<b>75.7</b>	<b>72.9</b>	<b>74.0</b>	<b>74.9</b>	<b>73.9</b>	<b>74.7</b>	<b>74.8</b>

<sup>1</sup> Preliminary and estimated runs based on capacity, known outages, economic run cuts and global demand forecast

## OECD Refinery Throughput

September **OECD crude runs** averaged 37.0 mb/d, 770 kb/d below August's high, but 860 kb/d above a year earlier. Throughputs fell in all OECD regions, as peak summer demand ebbed and autumn maintenance got underway. North American throughputs declined by 440 kb/d in the month, to an average of 17.7 mb/d, equivalent to 82.9% utilisation. While maintenance activity picked up sharply and some capacity was permanently shut, high stocks and poor margins also contributed to lower run rates at US refineries. On the other side of the Atlantic, economics were better and refiners in the largest European countries sustained runs at relatively healthy rates. The closure of Norway's Mongstad refinery from end-August and slightly lower runs in the Netherlands contributed to drag the regional total down by 270 kb/d from a month earlier however. In the Pacific, runs were similarly lower in September, as the autumn turnaround season picked up. Lower Japanese runs, however, were partly offset by higher throughputs in South Korea, limiting the monthly decline to only 60 kb/d.

The slide in OECD crude throughputs accelerated in October, with preliminary data pointing to steep declines. US, Canadian and Japanese runs were down by 750 kb/d, 200 kb/d and 240 kb/d respectively, while European refining activity was severely disrupted by industrial action in France. OECD October runs could have fallen by as much as 2.4 mb/d from September, to average only 34.6 mb/d, 415 kb/d below an already depressed level in 2009, and 370 kb/d lower than our previous assessment.





## Refinery Crude Throughput and Utilisation in OECD Countries

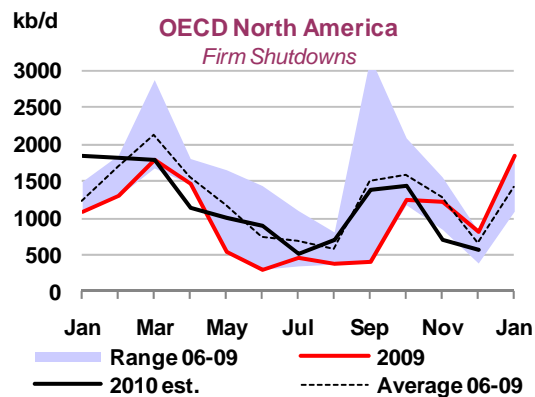
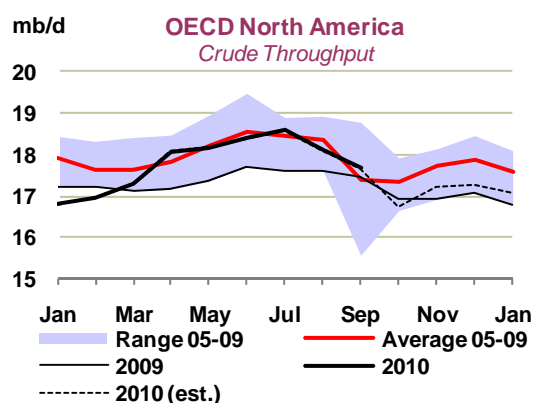
(million barrels per day)

	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Change from		Utilisation rate <sup>1</sup>	
							Aug 10	Sep 09	Sep 10	Sep 09
US <sup>2</sup>	15.12	15.22	15.39	15.52	15.11	14.73	-0.38	0.05	83.5%	83.3%
Canada	1.69	1.73	1.81	1.84	1.84	1.73	-0.11	0.22	88.4%	77.1%
Mexico	1.26	1.23	1.20	1.21	1.15	1.20	0.05	-0.05	70.8%	81.1%
<b>OECD North America</b>	<b>18.07</b>	<b>18.18</b>	<b>18.40</b>	<b>18.57</b>	<b>18.10</b>	<b>17.66</b>	<b>-0.44</b>	<b>0.21</b>	<b>82.9%</b>	<b>82.6%</b>
France	1.46	1.35	1.34	1.45	1.50	1.51	0.01	0.10	81.6%	70.6%
Germany	1.89	1.93	2.02	1.99	2.04	2.05	0.00	0.00	85.8%	85.8%
Italy	1.60	1.58	1.81	1.76	1.69	1.73	0.03	0.08	75.9%	72.3%
Netherlands	1.05	1.03	1.11	1.08	1.08	1.02	-0.06	-0.06	84.3%	89.4%
Spain	1.08	0.90	1.20	1.14	1.11	1.11	0.00	0.09	78.9%	79.5%
United Kingdom	1.38	1.45	1.49	1.47	1.45	1.43	-0.02	-0.09	79.2%	80.8%
Other OECD Europe	3.51	3.70	3.99	4.07	4.02	3.79	-0.24	0.17	77.6%	75.8%
<b>OECD Europe</b>	<b>11.97</b>	<b>11.93</b>	<b>12.97</b>	<b>12.96</b>	<b>12.90</b>	<b>12.63</b>	<b>-0.27</b>	<b>0.29</b>	<b>79.9%</b>	<b>78.1%</b>
Japan	3.50	3.22	2.83	3.25	3.53	3.41	-0.12	-0.04	74.0%	73.2%
South Korea	2.31	2.29	2.41	2.27	2.46	2.53	0.07	0.27	92.4%	82.4%
Other OECD Pacific	0.75	0.66	0.68	0.68	0.77	0.76	-0.01	0.12	90.3%	79.4%
<b>OECD Pacific</b>	<b>6.56</b>	<b>6.17</b>	<b>5.92</b>	<b>6.20</b>	<b>6.76</b>	<b>6.69</b>	<b>-0.06</b>	<b>0.35</b>	<b>81.8%</b>	<b>76.9%</b>
<b>OECD Total</b>	<b>36.60</b>	<b>36.28</b>	<b>37.29</b>	<b>37.73</b>	<b>37.75</b>	<b>36.99</b>	<b>-0.77</b>	<b>0.86</b>	<b>81.7%</b>	<b>80.0%</b>

<sup>1</sup> Expressed as a percentage, based on crude throughput and current operable refining capacity

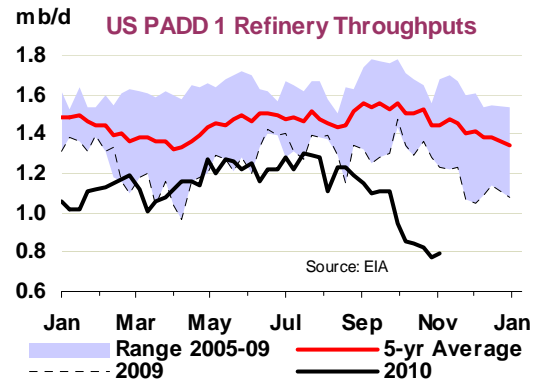
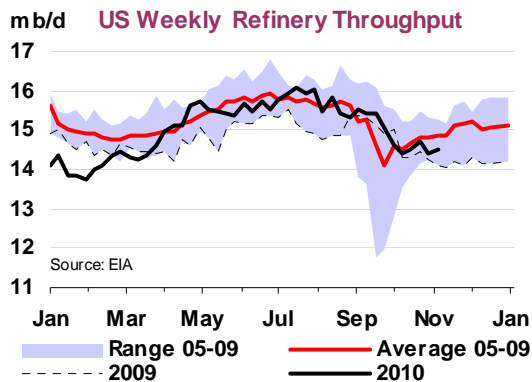
<sup>2</sup> US50

**North American** crude runs fell by 440 kb/d in September to average 17.7 mb/d, or +215 kb/d year-on-year. Although the September reading is largely unchanged from last month's report, the monthly decline is steeper than indicated a month ago, as final August values came in almost 170 kb/d higher than shown in weekly data. US runs were 380 kb/d lower than in August, as a slowdown in demand with the end of the driving season coincided with an increase in maintenance work and continued weak margins. An estimated 1.4 mb/d of capacity is thought to have been shut in September (compared to 700 kb/d a month earlier).

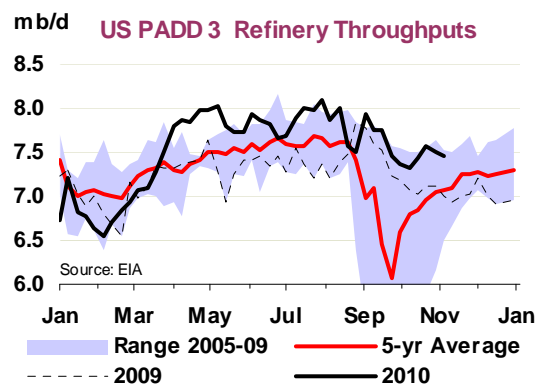
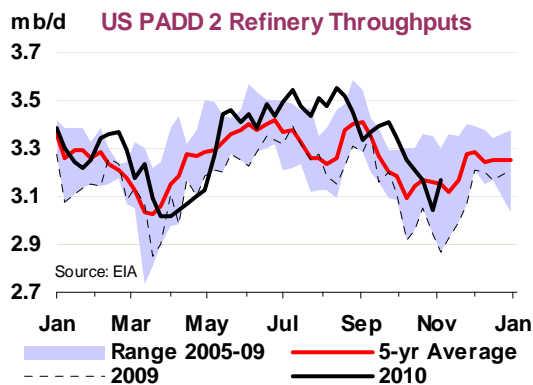


US crude runs dipped below 14 mb/d in early October for the first time in seven months, cutting capacity utilisation to just 79%, and trended sideways throughout the month. High product stocks (of both gasoline and diesel) capped refinery margins, while US maintenance remained significant, around 1.2 mb/d. The monthly decline of some 750 kb/d was almost evenly split between PADDs 1, 2 and 3, which each seeing runs curtailed by 200-250 kb/d from September. Runs on the East Coast continued their steep declines and were only 765 kb/d at the end of October (and 520 kb/d lower than July highs).

Maintenance at ConocoPhillips' Trainer and Bayway refineries and United Refining's Warren refinery added to already-shuttered capacity at Eagle Point, Delaware and Yorktown.

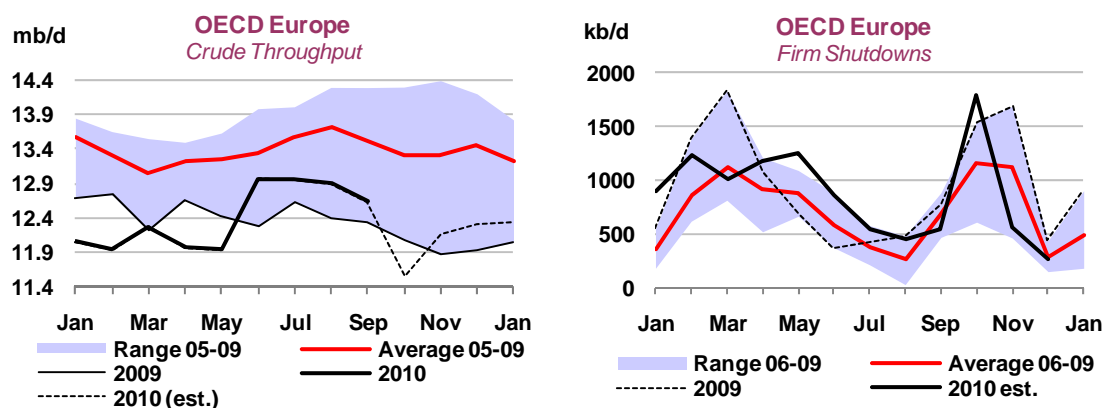


Crude throughputs also fell sharply in the US Midwest in October (by 200 kb/d on a monthly basis) to a low of 3.0 mb/d in the week ending 29 October, and the weakest run rates since November 2009. Increased maintenance explains most of the draw, as deliveries from Enbridge's previously shuttered 6A and 6B pipelines both resumed flow at the end of September. The 6A line, which carries heavy Canadian crude from Superior, Wisconsin, to Griffith, Indiana, was shut on 9 September following the discovery of a leak, but restarted gradually on 17 September. Line 6B, which runs from Sarnia, Ontario, to Griffith, Indiana, also resumed flow at the end of September. The 290 kb/d pipeline had been shut since 26 July following an oil spill, disrupting crude deliveries to refineries in Ohio, Michigan, Pennsylvania and southern Ontario. Crude runs on the US Gulf Coast were down by 240 kb/d month-on-month. Gulf Coast cracking margins remained negative (and declined further for Bonny and Brent).



**Canadian** crude throughputs fell by 110 kb/d in September, to 1.73 mb/d on average on increased shutdowns. Shell's Montreal refinery closed permanently mid-month, taking 130 kb/d of capacity off the market. Preliminary data show runs falling by a further 200 kb/d in October. Irving's 300 kb/d New Brunswick refinery started a six-week turnaround in early October, reportedly pulling in cargoes of gasoline from the US Northeast.

**European** crude runs fell by 270 kb/d in September but, at 12.6 mb/d, were nevertheless 105 kb/d higher than expected. The bulk of the decline came from Norway, as Statoil's 200 kb/d Mongstad refinery was shut from the end of August for a five-week turnaround period. Runs in the Netherlands also slipped (by 55 kb/d from a month earlier) as did Belgian runs, while throughputs in France, Germany, Spain and the UK were virtually unchanged. Runs in the main refining centres were supported by relatively healthy cracking margins, underpinned by strong heating oil deliveries in Germany as well as high gasoline export demand from Nigeria and the eastern Mediterranean.



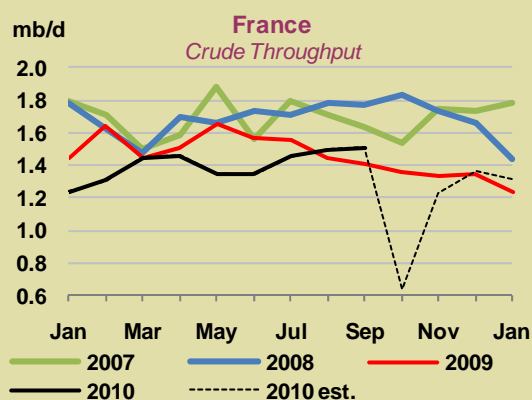
In October, European crude and product markets were dominated by the refinery and port strikes in France which severely disrupted regional refining and product supplies (*see French Refiners Return*). An average of 1.8 mb/d of capacity is assumed to have been shut in OECD Europe in the month, (1.2 mb/d more than in September and 950 kb/d due to the French strikes) dragging the regional throughputs to only 11.5 mb/d, the lowest since October 1991. Although runs likely picked up slightly in neighbouring countries to fill the product supply shortfall and on the back of the significant increase in product cracks and refining margins, maintenance in the Netherlands, Denmark and Spain further depressed runs. Greece's Hellenic reportedly raised throughputs to full capacity at its three refineries. Spain's Repsol has raised runs where possible, although its 220 kb/d Bilbao and 110 kb/d Cartagena refineries were running at lower rates due to maintenance, dragging overall Spanish throughputs down.

### The French Refineries are Back...

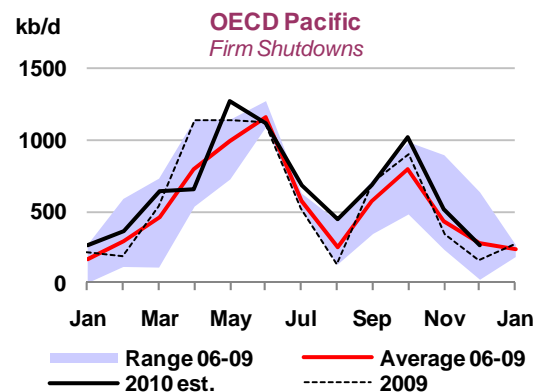
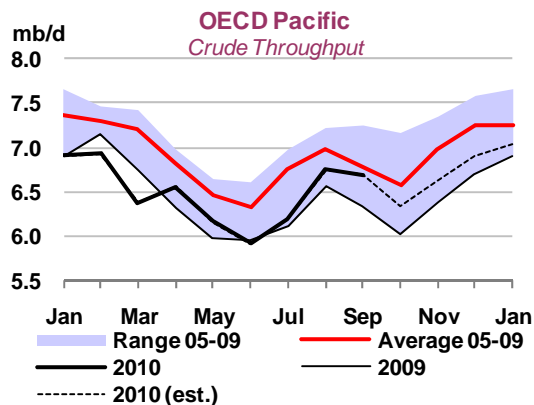
The industrial action in protest against pension reforms and port-restructuring that crippled France's fuel supplies from the end of September came to an end on 29 October. The strike, which started on 27 September at the Fos and Lavera oil terminals had prevented oil shipments in and out of the port and tightened product and crude feedstock supply to regional refineries. Already running at reduced capacity from the start of the strike due to reduced feedstock supply, the four refineries located in the Fos region, with a combined capacity of 600 kb/d started shutting down from 10 October. From 15 October to the end of the strike, the La Mede, Lavera and Berre l'Etaing refineries were completely shut due to a lack of feedstock supply. ESSO's 120 kb/d Fos sur Mer refinery managed to run at minimum rates throughout the period.

On 12 October, the strike was extended as eight out of France's 12 refineries (including Total's Dunkirk refinery which has been shut since the end of 2009) joined the protest against the pension reforms. As a consequence, the remaining French refineries not already affected by the strike at the Fos and Lavera oil terminals started shutting down, and from 15 October the bulk of the country's 1.85 mb/d refinery capacity was shut down.

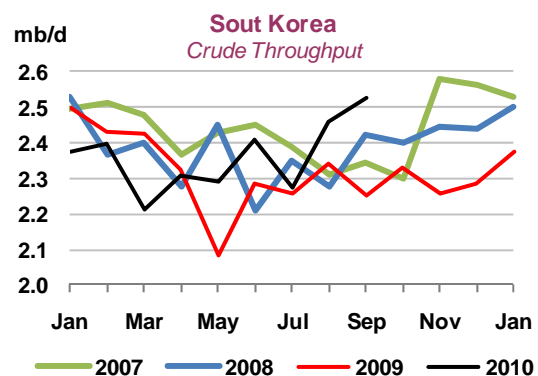
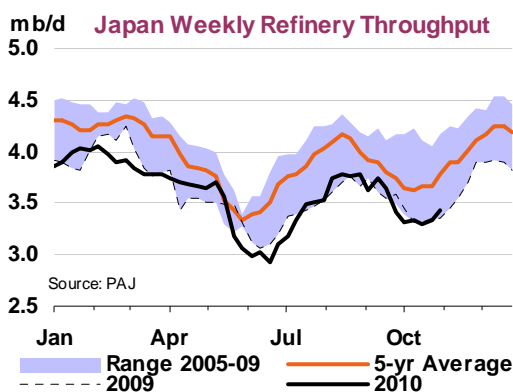
When the strike ended on 29 October, a large backlog of ships were waiting to unload cargoes at the Fos and Lavera ports, and it will probably take several weeks to bring all the oil ashore. The ramp up of refinery production is also expected to take some time, so the strike will affect November crude runs as well, despite ending in October. Preliminary calculations show that French throughputs were reduced by almost 950 kb/d in October as a result of the strike and that the impact in November could amount to around 170 kb/d. The extensive level of French outages pulled middle distillates eastwards from the US to Europe, led to a draw in European onshore and floating product inventory and supported European refining margins in October.



**OECD Pacific** crude runs declined by 60 kb/d in September to 6.7 mb/d on average. A seasonal uptick in maintenance, predominantly in Japan, caused the declines. Japanese throughputs peaked at 81.7% utilisation at the end of August, though output outstripped demand leading to increased exports. Japan's product exports averaged 515 kb/d in August (of which 75% were middle distillates), a level only surpassed once before (in August 2008). Turnarounds cut crude runs by 120 kb/d in September to just 74% utilisation at the end of that month. Weekly data from the Petroleum Association of Japan (PAJ) show that maintenance dented Japanese runs by a further 240 kb/d in October. Autumn turnarounds are expected to have peaked in October and runs will likely rise in line with seasonal trends from November onwards to meet winter demand, not least given low regional middle distillate stocks.

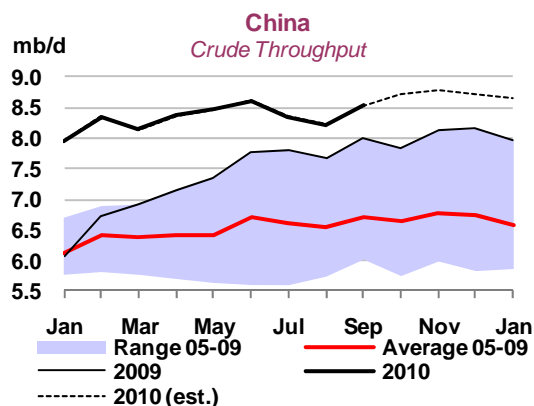
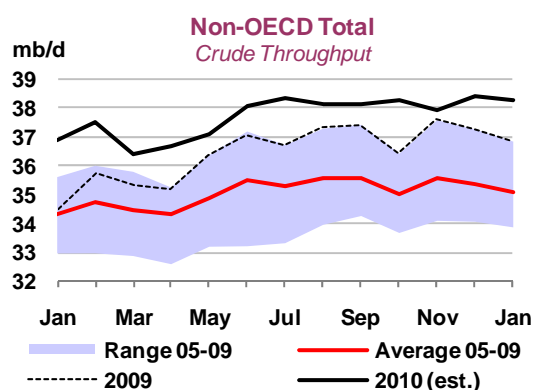


Regional September throughputs were nevertheless supported by stronger-than-expected runs in South Korea and Australia. Korean throughputs reached 2.53 mb/d, their highest since January 2008, and 110 kb/d higher than forecasted. As in Japan, the high runs were accompanied by strong product exports, these averaging some 990 kb/d (of which 63% were middle distillates).



## Non-OECD Refinery Throughput

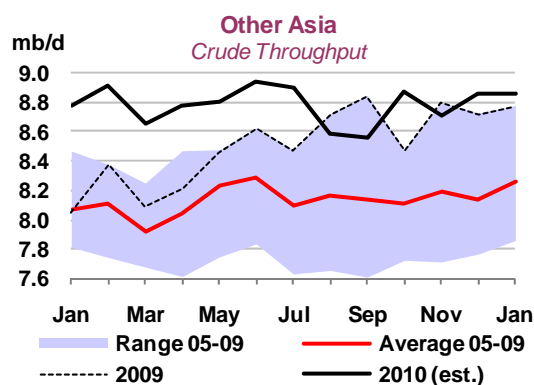
**Non-OECD throughputs** have been revised up by 200 kb/d for 3Q10 to 38.2 mb/d on average. Significantly stronger crude runs in Russia in September, despite reports of heavy maintenance, and upwardly revised runs in China underpin the higher estimate. Robust Middle Eastern and African runs in August and September also contributed. In all, 3Q10 non-OECD annual throughput growth is now 1.05 mb/d. Total non-OECD runs are expected to remain relatively stable in 4Q10, as rising runs from China and Other Asia will be offset by lower runs in the Middle East, Africa and Latin America. Both Chinese state-owned refiners, CNPC and Sinopec, have announced they are planning higher runs in October and November to meet strong domestic diesel demand. Some new capacity is also being commissioned, further supporting throughputs. Meanwhile, Middle Eastern runs will likely be cut by maintenance in November, while African runs are expected to ease back from recent highs.



**Chinese** crude runs rose by 6.4% y-o-y in September to 8.53 mb/d, according to the National Bureau of Statistics. This is 3.9% higher than in August (+320 kb/d) and 140 kb/d more than expected. According to industry surveys, China's state-owned refiners plan to increase operating rates at their plants to 91% in October (from 88% a month earlier) as refineries return from maintenance. We have also raised our forecast for November as both PetroChina and Sinopec have reported they intend to process record high throughputs in order to increase fuel supplies amid surging domestic diesel demand. Sinopec reportedly even cancelled scheduled maintenance at its Gaoqiao and Guangzhou refineries to sustain run rates. Diesel shortages have been reported in several regions as the government mandated power cuts in order to achieve the country's energy efficiency goals. This has led to increased use of stand-alone diesel generators, and demand could remain strong until early in 2011. The commissioning of PetroChina's 200 kb/d Qinzhou refinery and the 60 kb/d CDU at Qingyang Petrochemical will also likely support runs.

In 'Other Asia', **Indian** refinery throughputs were down 10.1% in September from a year earlier, due to maintenance and lower margins. Total runs averaged 3.5 mb/d, 320 kb/d lower than in August and 195 kb/d less than the previous forecast. IOC, the country's largest state-run refinery, processed 20.5% less crude in September due to planned shutdowns at its 240 kb/d Panipat and 120 kb/d Barauni refineries. Crude runs at IOC's Haldia refinery declined by a third during the month due to crude unloading problems at Paradip port.

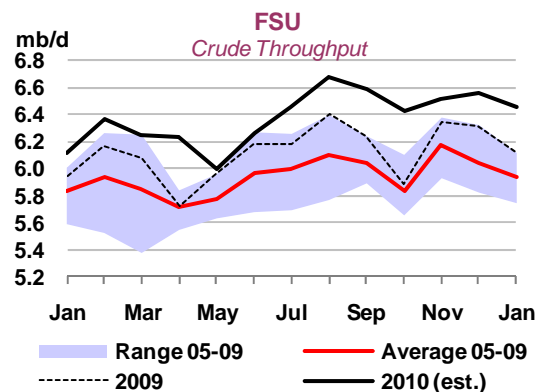
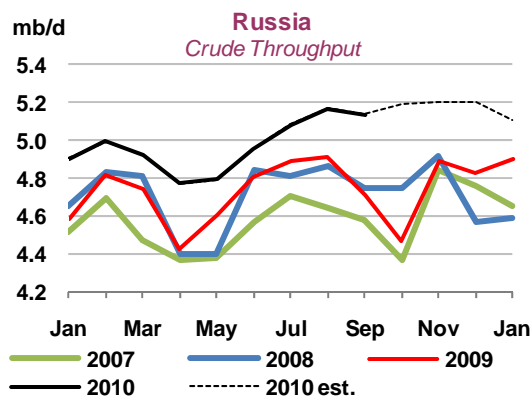
Runs at Reliance's 660 kb/d domestic plant fell by 70 kb/d in September, possibly due to maintenance of one of the refinery's two 330 kb/d crude distillation units (CDU). More recently, reports are that Reliance will shut one CDU for one month starting in November, and it is possible that both CDUs will be overhauled. Separately, we have revised higher Indian runs back to April, based on the latest earnings report from Reliance. In that report, it was stated that the company processed 33.8 mt of crude in the first 6 months of the fiscal year (April to September), representing an average utilisation rate of 109%. Runs at Reliance's export refinery are not included in official ministry statistics, and we had assumed throughputs of 600 kb/d at the new 580 kb/d export refinery. In accordance with the latest statements, we have raised this closer to 640 kb/d on average.



**Russian** crude runs were sustained near record-high levels in September as crude oil output hit new all-time highs, and despite significant planned maintenance. According to the ministry, throughputs were 5.14 mb/d, compared to 5.17 mb/d in August and 4.71 mb/d a year earlier. Strong domestic oil product demand, higher margins and crude export duties in September could have led refiners to sustain high run rates. Industry news reports had suggested maintenance would peak in September, with some 400 kb/d capacity offline (up from only 200 kb/d in August), though if the maintenance indeed took

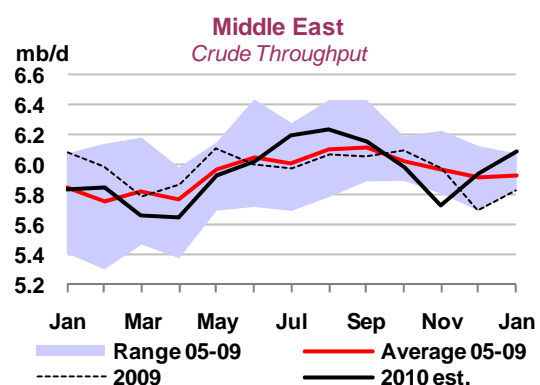
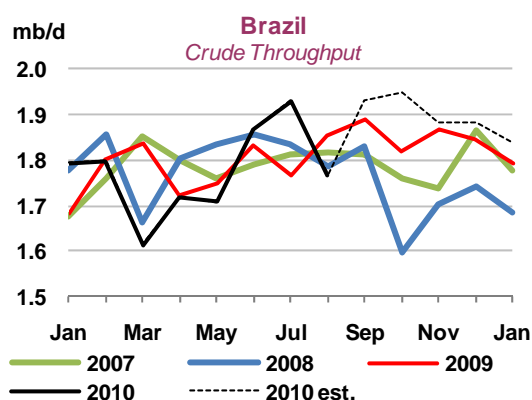
place, the event did not seem to translate into lower runs. Next year's proposed tax changes (see: *Russia: Re-drawing the Fiscal Map* in Supply) could mean that some refiners take advantage of advantageous fiscal regime currently in place and defer maintenance to next year.

Russian refining margins were higher in September as an increase in export duties and ample supplies dragged Russian spot oil prices for domestic delivery lower by 9-14%. Russian domestic oil prices are based on export netbacks, or the return the oil companies receive on a barrel of oil shipped to international markets. Russia's export duty on crude for October is set to be reduced by \$7/tonne to \$266.5/tonne from September, potentially leading to an increase in exports at the expense of domestic refinery operations. Russian crude oil production hit another record high in October, at 10.6 mb/d.



At the end of October, Russian oil producer Tatneft launched the first new large-scale refinery in the country since the dissolution of the Soviet Union. The \$5.5 billion Nizhnekamsk plant with a capacity of 140 kb/d has a Nelson complexity index of 15, considerably higher than the country average. In a second stage, the company will add a hydrocracker and double the plant's capacity to 280 kb/d.

**Brazilian** crude runs fell by 160 kb/d in August, to average 1.77 mb/d. Maintenance at Petrobras' REPAR refinery for the entire month led the decline from July's record high. Runs are expected to have rebounded in September and October as maintenance was limited.

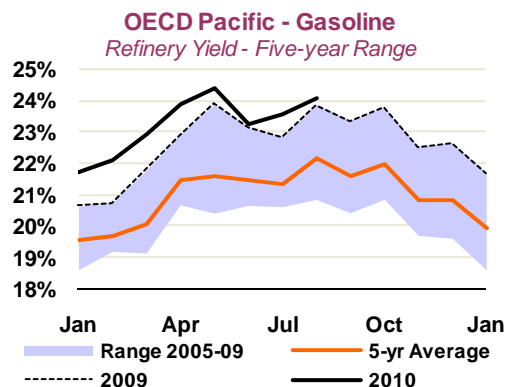
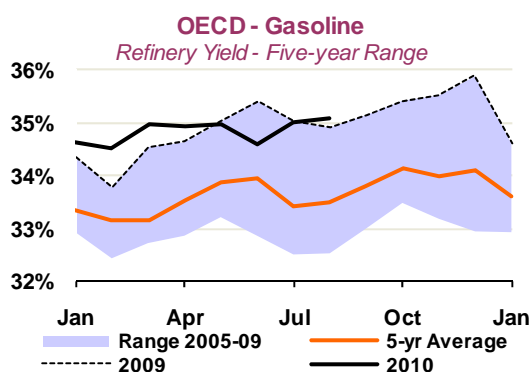


**Middle Eastern** crude runs were relatively stable over the July-September period, around 6.2 mb/d. Peak summer demand and minimal reported outages and maintenance sustained runs. Refinery shutdowns will likely reduce runs in October and November however, tightening regional product markets and drawing in products from Europe. More than 500 kb/d of refining capacity is expected to be shut in November, including Saudi Aramco's 235 kb/d Yanbu refinery. Kuwait's National Petroleum Company also plans shutdowns at both its 265 kb/d Mina Abdullah and its 445 kb/d Mina Al-Ahmadi refineries beginning in November.

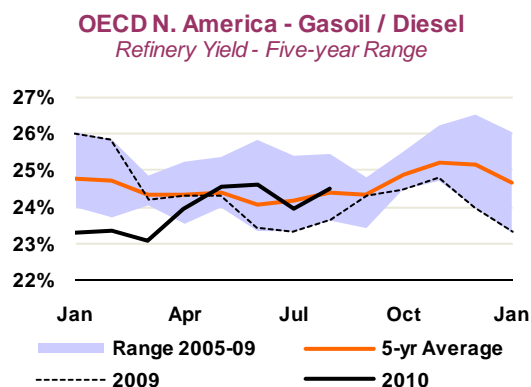
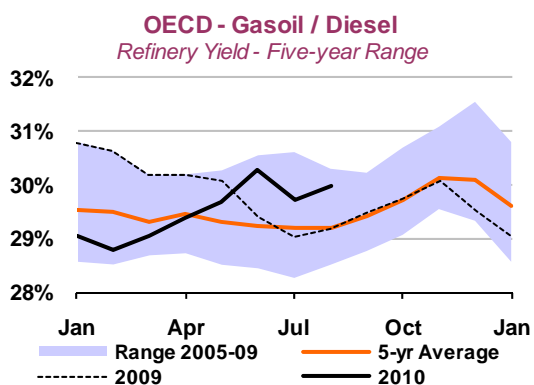


## OECD Refinery Yields

OECD refinery yields increased for gasoline, gasoil and jet fuel/kerosene in August, and decreased for all other products. OECD gross refinery output maintained the same level as in July, due to refinery run cuts in Europe and the start of the maintenance season in North America.



OECD August gasoline yields increased slightly compared to July, standing 0.2 percentage points (pp) above last year's levels. The yields were lifted by another increase in North American gasoline yields, which were up 0.5 pp from July. Refinery gross output of gasoline in North America was still high but flat compared to the previous month as the maintenance season started in August. Gasoline yields in the Pacific region continued to stay at historically high levels, and were 2 pp higher than the five-year average. Refinery gross output increased too, and although in line with seasonal trends, it was still 110 kb/d higher than the five-year average. European yields fell 0.3 pp, reflecting poor margins also highlighted by a fall in the refinery gross output.



After a dip in July, OECD gasoil/diesel yields increased in August. The largest contributor was North America, where gasoil/diesel yields rose 0.6 pp. North American gross output was slightly up as well, in line with higher diesel demand figures for the region. European yields were up 0.2 pp, but gross output continued to fall as refinery margins were poor. Pacific yields fell seasonally by 0.5 pp, but gross output increased by 120 kb/d from the previous month, leaving output at a level above the five-year range.

OECD jet fuel/kerosene yields were also higher in August due to higher yields at European refineries. Naphtha yields continued their downward trend from the heights seen earlier this year and the yields are now in line with those seen last year. European naphtha yields were especially weighed down by weak regional prices. Fuel oil yields decreased in August in all OECD regions.

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

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
<b>OECD DEMAND</b>																	
North America	25.5	24.2	23.4	22.9	23.3	23.6	23.3	23.6	23.8	24.1	23.7	23.8	23.6	23.7	24.1	23.7	23.8
Europe	15.5	15.4	14.9	14.3	14.5	14.4	14.5	14.2	14.1	14.7	14.4	14.4	14.1	14.0	14.4	14.3	14.2
Pacific	8.4	8.0	8.1	7.3	7.2	8.0	7.7	8.2	7.3	7.6	7.8	7.7	8.1	7.2	7.3	7.7	7.6
Total OECD	49.3	47.6	46.4	44.5	45.0	45.9	45.4	45.9	45.2	46.5	45.9	45.9	45.8	44.9	45.8	45.8	45.6
<b>NON-OECD DEMAND</b>																	
FSU	4.1	4.2	4.0	3.9	4.1	4.0	4.0	4.2	4.1	4.4	4.2	4.2	4.3	4.2	4.5	4.3	4.4
Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
China	7.6	7.7	7.5	8.5	8.7	8.8	8.4	8.9	9.4	9.2	9.2	9.2	9.4	9.7	9.6	9.5	9.6
Other Asia	9.5	9.6	9.9	10.1	9.8	10.1	10.0	10.2	10.4	10.0	10.4	10.3	10.5	10.7	10.3	10.7	10.6
Latin America	5.7	6.0	5.8	6.0	6.1	6.1	6.0	6.1	6.3	6.4	6.4	6.3	6.3	6.5	6.6	6.6	6.5
Middle East	6.6	7.0	6.8	7.3	7.7	7.1	7.2	7.1	7.5	8.0	7.3	7.5	7.5	7.9	8.3	7.7	7.9
Africa	3.1	3.2	3.3	3.2	3.2	3.1	3.2	3.2	3.3	3.2	3.2	3.2	3.3	3.4	3.3	3.3	3.4
Total Non-OECD	37.3	38.6	38.0	39.7	40.4	40.0	39.5	40.4	41.7	42.0	41.5	41.4	42.1	43.2	43.5	43.0	42.9
<b>Total Demand<sup>1</sup></b>	<b>86.7</b>	<b>86.1</b>	<b>84.4</b>	<b>84.2</b>	<b>85.4</b>	<b>85.9</b>	<b>85.0</b>	<b>86.4</b>	<b>87.0</b>	<b>88.5</b>	<b>87.5</b>	<b>87.3</b>	<b>87.9</b>	<b>88.1</b>	<b>89.3</b>	<b>88.7</b>	<b>88.5</b>
<b>OECD SUPPLY</b>																	
North America <sup>4</sup>	13.9	13.3	13.5	13.5	13.7	13.8	13.6	13.9	14.0	14.1	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Europe	5.0	4.8	4.9	4.5	4.2	4.5	4.5	4.5	4.2	3.8	4.2	4.2	4.2	4.0	3.8	4.0	4.0
Pacific	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	19.5	18.7	19.0	18.6	18.6	18.9	18.8	19.1	18.8	18.5	18.8	18.8	19.0	18.5	18.5	18.8	18.7
<b>NON-OECD SUPPLY</b>																	
FSU	12.8	12.8	13.0	13.3	13.4	13.5	13.3	13.5	13.5	13.5	13.8	13.6	13.8	13.8	13.6	13.9	13.8
Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.8	3.8	3.9	3.9	3.9	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
Other Asia <sup>2</sup>	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.7	3.6	3.6	3.7	3.6	3.6	3.6	3.6
Latin America <sup>2,4</sup>	3.6	3.7	3.8	3.9	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.1	4.2	4.4	4.5	4.5	4.4
Middle East	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa <sup>2</sup>	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Total Non-OECD	28.2	28.4	28.7	29.0	29.2	29.4	29.1	29.6	29.7	29.8	30.1	29.8	30.4	30.4	30.4	30.6	30.4
Processing Gains <sup>3</sup>	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Global Biofuels <sup>4</sup>	1.1	1.4	1.1	1.6	1.8	1.7	1.6	1.4	1.9	2.1	1.8	1.8	1.5	2.0	2.4	2.1	2.0
Total Non-OPEC <sup>2</sup>	50.9	50.8	51.1	51.5	51.9	52.3	51.7	52.2	52.7	52.6	53.0	52.6	53.1	53.1	53.4	53.8	53.4
Non-OPEC: Historical Composition <sup>2</sup>	50.4	49.8	51.1	51.5	51.9	52.3	51.7	52.2	52.7	52.6	53.0	52.6	53.1	53.1	53.4	53.8	53.4
<b>OPEC</b>																	
Crude <sup>5</sup>	30.3	31.2	28.6	28.5	28.8	28.9	28.7	29.1	29.0	29.2							
NGLs	4.3	4.4	4.6	4.5	4.7	4.8	4.6	5.0	5.0	5.2	5.3	5.1	5.7	5.8	5.8	5.9	5.8
Total OPEC <sup>2</sup>	34.6	35.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.4							
OPEC: Historical Composition <sup>2</sup>	35.1	36.6	33.2	33.0	33.5	33.7	33.4	34.1	34.0	34.4							
<b>Total Supply<sup>6</sup></b>	<b>85.5</b>	<b>86.4</b>	<b>84.3</b>	<b>84.5</b>	<b>85.3</b>	<b>86.1</b>	<b>85.1</b>	<b>86.3</b>	<b>86.7</b>	<b>86.9</b>							
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>Reported OECD</b>																	
Industry	-0.3	0.3	0.6	0.1	0.2	-1.2	-0.1	0.2	0.9	-0.1							
Government	0.1	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.0	-0.1							
Total	-0.2	0.3	0.8	0.2	0.2	-1.2	0.0	0.2	0.9	-0.2							
Floating Storage/Oil in Transit	0.0	0.0	0.6	0.2	0.0	0.5	0.3	-0.2	0.0	-0.2							
Miscellaneous to balance <sup>7</sup>	-1.0	-0.1	-1.5	-0.1	-0.3	0.9	-0.2	-0.1	-1.2	-1.1							
<b>Total Stock Ch. &amp; Misc</b>	<b>-1.2</b>	<b>0.3</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-1.5</b>							

**Memo items:**

Call on OPEC crude + Stock ch. <sup>8</sup>	31.5	30.9	28.7	28.2	28.8	28.8	28.6	29.2	29.3	30.7	29.2	29.6	29.1	29.3	30.0	29.1	29.4
Adjusted Call on OPEC + Stock ch. <sup>9</sup>	30.5	30.9	27.2	28.1	28.5	29.7	28.4	29.1	28.1	29.6	28.8	28.9	28.8	28.9	29.6	28.7	29.0

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

2 Other Asia includes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.

Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time.

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

4 As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.

5 As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL and non-conventional category, but Orimulsion production reportedly ceased from January 2007.

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

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

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

9 Equals the "Call on OPEC + Stock Ch." with "Miscellaneous to balance" added for historical periods and with an average of "Miscellaneous to balance" for the most recent 8 quarters added for forecast periods.

**Table 1A**  
**WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1**  
(million barrels per day)

	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
<b>OECD DEMAND</b>																	
North America	-	-	-	-	-	-	-	-	-	0.2	-	-	-	-	0.2	-	0.1
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.2	-	0.1	-	-	0.1	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.5	-	0.1	-	-	0.3	-	0.1
<b>NON-OECD DEMAND</b>																	
FSU	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.3
<b>Total Demand</b>	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.9	0.3	0.4	0.3	0.2	0.6	0.3	0.4
<b>OECD SUPPLY</b>																	
North America	-	-	-	-	-	-	-	-	-	0.1	0.3	0.1	0.1	0.2	0.2	0.3	0.2
Europe	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	0.2	-	0.1	0.2	0.2	0.3	0.2
<b>NON-OECD SUPPLY</b>																	
FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-0.1	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	0.1	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Global Biofuels	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	-	-	-
Total Non-OPEC	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	0.2	-	0.1	0.2	0.3	0.4	0.3
Non-OPEC: historical composition	-	-0.1	-	-	-	-	-	-0.1	-0.1	-	0.2	-	0.1	0.2	0.3	0.4	0.3
<b>OPEC</b>																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
OPEC: historical composition	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
<b>Total Supply</b>	-	-0.1	-	-	-	-	-	-0.1	-0.1	-0.1	-	-	-	-	-	-	-
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>REPORTED OECD</b>																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-0.4	-	-	-	-	-	-	-
Miscellaneous to balance	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.1	-	-	-	-	-	-	-	-
<b>Total Stock Ch. &amp; Misc</b>	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-1.0	-	-	-	-	-	-	-
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch.	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.9	0.2	0.4	0.2	0.1	0.3	-0.1	0.1
Adjusted Call on OPEC + Stock ch.	-	-	-	-	-	-	-	-	0.4	-0.1	-0.2	-	-0.1	-0.3	-	-0.5	-0.2

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

**Table 2**  
**SUMMARY OF GLOBAL OIL DEMAND**

	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
<b>Demand (mb/d)</b>																
North America	24.18	23.43	22.94	23.28	23.55	23.30	23.58	23.78	24.14	23.68	23.80	23.61	23.66	24.10	23.73	23.78
Europe	15.36	14.89	14.27	14.47	14.35	14.49	14.17	14.13	14.74	14.40	14.36	14.14	13.99	14.44	14.32	14.22
Pacific	8.04	8.12	7.27	7.25	7.99	7.66	8.19	7.32	7.60	7.83	7.73	8.09	7.20	7.28	7.72	7.57
<b>Total OECD</b>	<b>47.58</b>	<b>46.44</b>	<b>44.48</b>	<b>44.99</b>	<b>45.89</b>	<b>45.45</b>	<b>45.94</b>	<b>45.22</b>	<b>46.48</b>	<b>45.91</b>	<b>45.89</b>	<b>45.84</b>	<b>44.86</b>	<b>45.81</b>	<b>45.77</b>	<b>45.57</b>
Asia	17.37	17.44	18.57	18.54	18.92	18.37	19.17	19.77	19.25	19.63	19.46	19.95	20.41	19.95	20.26	20.14
Middle East	7.01	6.77	7.28	7.74	7.10	7.23	7.15	7.55	7.97	7.35	7.51	7.48	7.94	8.31	7.68	7.85
Latin America	6.00	5.80	5.99	6.09	6.13	6.00	6.05	6.29	6.41	6.40	6.29	6.28	6.53	6.64	6.63	6.52
FSU	4.23	3.98	3.87	4.11	4.04	4.00	4.19	4.14	4.42	4.22	4.24	4.32	4.23	4.51	4.35	4.35
Africa	3.19	3.25	3.23	3.17	3.11	3.19	3.18	3.28	3.22	3.23	3.23	3.33	3.41	3.32	3.34	3.35
Europe	0.76	0.75	0.75	0.73	0.72	0.74	0.70	0.71	0.70	0.71	0.70	0.72	0.73	0.72	0.72	0.72
<b>Total Non-OECD</b>	<b>38.55</b>	<b>37.99</b>	<b>39.69</b>	<b>40.39</b>	<b>40.02</b>	<b>39.53</b>	<b>40.44</b>	<b>41.73</b>	<b>41.97</b>	<b>41.54</b>	<b>41.43</b>	<b>42.07</b>	<b>43.23</b>	<b>43.46</b>	<b>42.98</b>	<b>42.94</b>
<b>World</b>	<b>86.13</b>	<b>84.43</b>	<b>84.17</b>	<b>85.38</b>	<b>85.91</b>	<b>84.98</b>	<b>86.38</b>	<b>86.96</b>	<b>88.45</b>	<b>87.46</b>	<b>87.32</b>	<b>87.91</b>	<b>88.09</b>	<b>89.27</b>	<b>88.75</b>	<b>88.51</b>
of which: US50	19.50	18.86	18.57	18.72	18.93	18.77	18.93	19.10	19.45	18.96	19.11	18.91	19.00	19.39	18.99	19.08
Europe 5*	9.43	9.32	8.77	8.84	8.79	8.93	8.78	8.67	9.03	8.76	8.81	8.76	8.55	8.77	8.68	8.69
China	7.75	7.51	8.47	8.70	8.78	8.37	8.93	9.36	9.24	9.21	9.19	9.41	9.73	9.62	9.52	9.57
Japan	4.79	4.73	4.04	4.11	4.60	4.37	4.79	4.04	4.33	4.43	4.40	4.66	3.90	4.02	4.30	4.22
India	3.09	3.36	3.30	3.09	3.30	3.26	3.39	3.45	3.13	3.40	3.34	3.53	3.54	3.22	3.51	3.45
Russia	3.00	2.76	2.71	2.93	2.84	2.81	2.94	2.95	3.22	2.99	3.02	3.02	2.99	3.27	3.07	3.09
Brazil	2.53	2.43	2.53	2.62	2.68	2.57	2.59	2.70	2.75	2.81	2.71	2.72	2.82	2.87	2.93	2.84
Saudi Arabia	2.27	2.10	2.65	2.87	2.36	2.49	2.36	2.75	3.02	2.49	2.66	2.49	2.92	3.15	2.63	2.80
Canada	2.24	2.20	2.08	2.16	2.17	2.15	2.19	2.23	2.29	2.24	2.24	2.20	2.19	2.27	2.23	2.23
Korea	2.14	2.31	2.14	2.03	2.26	2.18	2.31	2.18	2.15	2.25	2.22	2.31	2.18	2.13	2.25	2.22
Mexico	2.15	2.06	2.02	2.11	2.15	2.08	2.14	2.17	2.12	2.17	2.15	2.17	2.19	2.14	2.20	2.17
Iran	1.94	1.86	1.82	1.81	1.84	1.83	1.82	1.81	1.82	1.85	1.82	1.93	1.88	1.89	1.89	1.90
<b>Total</b>	<b>60.83</b>	<b>59.49</b>	<b>59.07</b>	<b>59.99</b>	<b>60.70</b>	<b>59.82</b>	<b>61.18</b>	<b>61.40</b>	<b>62.55</b>	<b>61.55</b>	<b>61.67</b>	<b>62.13</b>	<b>61.90</b>	<b>62.74</b>	<b>62.21</b>	<b>62.25</b>
% of World	70.6%	70.5%	70.2%	70.3%	70.7%	70.4%	70.8%	70.6%	70.7%	70.4%	70.6%	70.7%	70.3%	70.3%	70.1%	70.3%
<b>Annual Change (% per annum)</b>																
North America	-5.2	-5.4	-6.1	-1.3	-1.6	-3.6	0.6	3.6	3.7	0.5	2.1	0.1	-0.5	-0.2	0.2	-0.1
Europe	-0.6	-2.9	-5.7	-7.1	-6.7	-5.6	-4.8	-1.0	1.9	0.3	-0.9	-0.2	-1.0	-2.1	-0.6	-1.0
Pacific	-4.0	-8.5	-7.2	-3.5	0.5	-4.8	0.9	0.6	4.9	-2.0	1.0	-1.2	-1.5	-4.3	-1.4	-2.1
<b>Total OECD</b>	<b>-3.6</b>	<b>-5.2</b>	<b>-6.1</b>	<b>-3.6</b>	<b>-2.9</b>	<b>-4.5</b>	<b>-1.1</b>	<b>1.7</b>	<b>3.3</b>	<b>0.0</b>	<b>1.0</b>	<b>-0.2</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-0.3</b>	<b>-0.7</b>
Asia	1.7	-0.8	4.8	6.7	12.5	5.8	9.9	6.5	3.8	3.8	5.9	4.0	3.2	3.6	3.2	3.5
Middle East	5.7	1.6	3.2	3.7	3.8	3.1	5.6	3.7	2.9	3.4	3.9	4.7	5.1	4.3	4.5	4.6
Latin America	5.6	0.0	-1.1	-0.6	2.2	0.1	4.4	5.1	5.2	4.3	4.8	3.8	3.8	3.6	3.6	3.7
FSU	2.6	-5.0	-6.7	-6.2	-3.8	-5.4	5.2	7.0	7.5	4.6	6.1	3.0	2.3	2.1	3.0	2.6
Africa	3.9	1.5	1.0	0.9	-3.4	0.0	-2.2	1.6	1.5	3.9	1.2	4.7	3.7	3.2	3.2	3.7
Europe	-0.4	-4.3	-0.9	-0.7	-6.5	-3.2	-6.4	-6.4	-3.7	-0.9	-4.4	2.5	3.2	2.6	2.0	2.6
<b>Total Non-OECD</b>	<b>3.3</b>	<b>-0.6</b>	<b>1.9</b>	<b>3.0</b>	<b>5.8</b>	<b>2.5</b>	<b>6.5</b>	<b>5.2</b>	<b>3.9</b>	<b>3.8</b>	<b>4.8</b>	<b>4.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>	<b>3.6</b>
<b>World</b>	<b>-0.6</b>	<b>-3.2</b>	<b>-2.5</b>	<b>-0.6</b>	<b>0.9</b>	<b>-1.3</b>	<b>2.3</b>	<b>3.3</b>	<b>3.6</b>	<b>1.8</b>	<b>2.8</b>	<b>1.8</b>	<b>1.3</b>	<b>0.9</b>	<b>1.5</b>	<b>1.4</b>
<b>Annual Change (mb/d)</b>																
North America	-1.33	-1.35	-1.49	-0.30	-0.39	-0.88	0.15	0.83	0.86	0.13	0.50	0.03	-0.11	-0.04	0.05	-0.02
Europe	-0.10	-0.45	-0.86	-1.11	-1.03	-0.86	-0.72	-0.14	0.27	0.05	-0.13	-0.03	-0.14	-0.31	-0.08	-0.14
Pacific	-0.34	-0.76	-0.56	-0.26	0.04	-0.39	0.07	0.04	0.36	-0.16	0.08	-0.10	-0.11	-0.32	-0.11	-0.16
<b>Total OECD</b>	<b>-1.77</b>	<b>-2.56</b>	<b>-2.91</b>	<b>-1.68</b>	<b>-1.38</b>	<b>-2.13</b>	<b>-0.50</b>	<b>0.74</b>	<b>1.49</b>	<b>0.02</b>	<b>0.44</b>	<b>-0.11</b>	<b>-0.36</b>	<b>-0.67</b>	<b>-0.14</b>	<b>-0.32</b>
Asia	0.29	-0.14	0.85	1.17	2.11	1.00	1.73	1.20	0.71	0.72	1.09	0.77	0.64	0.70	0.63	0.69
Middle East	0.38	0.11	0.23	0.28	0.26	0.22	0.38	0.27	0.23	0.24	0.28	0.33	0.39	0.34	0.33	0.35
Latin America	0.32	0.00	-0.07	-0.04	0.13	0.01	0.25	0.31	0.32	0.27	0.29	0.23	0.24	0.23	0.23	0.23
FSU	0.11	-0.21	-0.28	-0.27	-0.16	-0.23	0.21	0.27	0.31	0.19	0.24	0.13	0.09	0.09	0.13	0.11
Africa	0.12	0.05	0.03	0.03	-0.11	0.00	-0.07	0.05	0.05	0.12	0.04	0.15	0.12	0.10	0.10	0.12
Europe	0.00	-0.03	-0.01	-0.01	-0.05	-0.02	-0.05	-0.05	-0.03	-0.01	-0.03	0.02	0.02	0.02	0.01	0.02
<b>Total Non-OECD</b>	<b>1.22</b>	<b>-0.23</b>	<b>0.76</b>	<b>1.16</b>	<b>2.18</b>	<b>0.98</b>	<b>2.45</b>	<b>2.05</b>	<b>1.58</b>	<b>1.53</b>	<b>1.90</b>	<b>1.63</b>	<b>1.50</b>	<b>1.49</b>	<b>1.43</b>	<b>1.51</b>
<b>World</b>	<b>-0.55</b>	<b>-2.78</b>	<b>-2.16</b>	<b>-0.52</b>	<b>0.80</b>	<b>-1.15</b>	<b>1.95</b>	<b>2.79</b>	<b>3.08</b>	<b>1.55</b>	<b>2.34</b>	<b>1.52</b>	<b>1.14</b>	<b>0.82</b>	<b>1.29</b>	<b>1.19</b>
<b>Revisions to Oil Demand from Last Month's Report (mb/d)</b>																
North America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.18	-0.03	0.03	0.04	0.03	0.16	0.05	0.07
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.14	-0.01	0.03	0.00	-0.01	0.01	-0.01	0.00
Pacific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.20	0.02	0.06	0.00	0.01	0.09	0.01	0.03
<b>Total OECD</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>0.00</b>	<b>0.00</b>	<b>0.52</b>	<b>-0.02</b>	<b>0.13</b>	<b>0.04</b>	<b>0.03</b>	<b>0.26</b>	<b>0.04</b>	<b>0.10</b>
Asia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.07	0.03	0.06	-0.01	0.06	-0.01	0.02
Middle East	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16	0.19	0.18	0.21	0.19	0.18	0.19	0.19
Latin America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.01	0.01	0.00	0.00	0.02	0.02	0.01
FSU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.01	0.02	0.00	0.00	0.04	0.01	0.01
Africa	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.04	0.01	0.01	0.01	0.01	0.04	0.01	0.02
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00
<b>Total Non-OECD</b>	<b>0.18</b>	<b>0.19</b>	<b>0.19</b>	<b>0.19</b>	<b>0.17</b>	<b>0.18</b>	<b>0.18</b>	<b>0.19</b>	<b>0.33</b>	<b>0.29</b>	<b>0.25</b>	<b>0.27</b>	<b>0.20</b>	<b>0.33</b>	<b>0.22</b>	<b>0.26</b>
<b>World</b>	<b>0.18</b>	<b>0.19</b>	<b>0.19</b>	<b>0.19</b>	<b>0.17</b>	<b>0.18</b>	<b>0.18</b>	<b>0.19</b>	<b>0.85</b>	<b>0.27</b>	<b>0.38</b>	<b>0.31</b>	<b>0.23</b>	<b>0.60</b>	<b>0.26</b>	<b>0.35</b>
<b>Revisions to Oil Demand Growth from Last Month's Report (mb/d)</b>																
World	0.01	0.00	-0.01	0.01	0.00	0.00	0.00	0.00	0.66	0.10	0.19	0.13	0.04	-0.26	-0.01	-0.02

\* France, Germany, Italy, Spain and UK

**Table 2a**  
**OECD REGIONAL OIL DEMAND<sup>1</sup>**  
(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10 <sup>2</sup>	Latest month vs.	
										Jul 10	Aug 09
<b>North America</b>											
LPG&Ethane	2.70	2.79	2.61	3.17	3.18	2.53	2.56	2.68	2.72	0.04	0.07
Naphtha	0.36	0.33	0.33	0.32	0.40	0.42	0.42	0.44	0.42	-0.02	0.10
Motor Gasoline	10.54	10.56	10.75	10.52	10.22	10.81	10.92	10.97	11.01	0.04	0.13
Jet/Kerosene	1.77	1.62	1.67	1.57	1.62	1.66	1.74	1.70	1.72	0.02	0.04
Gasoil/Diesel Oil	5.00	4.61	4.42	4.72	4.80	4.70	4.80	4.55	4.83	0.28	0.46
Residual Fuel Oil	1.07	0.93	0.84	0.93	0.99	0.96	0.96	0.99	0.90	-0.09	-0.06
Other Products	2.73	2.46	2.67	2.31	2.36	2.70	2.81	2.73	2.91	0.18	0.26
<b>Total</b>	<b>24.18</b>	<b>23.30</b>	<b>23.28</b>	<b>23.55</b>	<b>23.58</b>	<b>23.78</b>	<b>24.22</b>	<b>24.06</b>	<b>24.50</b>	<b>0.44</b>	<b>0.99</b>
<b>Europe</b>											
LPG&Ethane	1.02	0.92	0.88	0.89	0.98	0.94	0.89	0.85	0.87	0.02	0.01
Naphtha	1.16	1.11	1.09	1.15	1.27	1.15	1.16	1.23	1.19	-0.04	0.14
Motor Gasoline	2.36	2.29	2.39	2.20	2.06	2.27	2.31	2.38	2.31	-0.08	-0.03
Jet/Kerosene	1.32	1.27	1.35	1.24	1.20	1.24	1.32	1.39	1.36	-0.03	-0.01
Gasoil/Diesel Oil	6.27	6.02	5.78	6.09	6.12	5.87	6.04	6.10	5.85	-0.25	0.56
Residual Fuel Oil	1.66	1.43	1.37	1.40	1.33	1.21	1.23	1.29	1.26	-0.03	-0.05
Other Products	1.57	1.45	1.60	1.38	1.21	1.44	1.60	1.57	1.52	-0.05	-0.01
<b>Total</b>	<b>15.36</b>	<b>14.49</b>	<b>14.47</b>	<b>14.35</b>	<b>14.17</b>	<b>14.13</b>	<b>14.54</b>	<b>14.81</b>	<b>14.36</b>	<b>-0.45</b>	<b>0.61</b>
<b>Pacific</b>											
LPG&Ethane	0.88	0.86	0.85	0.87	0.90	0.83	0.79	0.72	0.81	0.09	0.02
Naphtha	1.60	1.63	1.62	1.71	1.76	1.60	1.62	1.58	1.68	0.10	0.06
Motor Gasoline	1.53	1.55	1.60	1.57	1.52	1.52	1.51	1.65	1.72	0.07	0.05
Jet/Kerosene	0.89	0.85	0.60	0.99	1.15	0.71	0.64	0.61	0.64	0.03	0.01
Gasoil/Diesel Oil	1.69	1.60	1.50	1.68	1.64	1.55	1.56	1.56	1.54	-0.02	0.02
Residual Fuel Oil	0.91	0.75	0.65	0.71	0.77	0.67	0.66	0.74	0.73	-0.01	0.09
Other Products	0.54	0.42	0.44	0.45	0.45	0.42	0.46	0.52	0.57	0.05	0.14
<b>Total</b>	<b>8.04</b>	<b>7.66</b>	<b>7.25</b>	<b>7.99</b>	<b>8.19</b>	<b>7.32</b>	<b>7.24</b>	<b>7.38</b>	<b>7.70</b>	<b>0.32</b>	<b>0.38</b>
<b>OECD</b>											
LPG&Ethane	4.60	4.58	4.33	4.93	5.05	4.30	4.24	4.25	4.40	0.14	0.10
Naphtha	3.12	3.06	3.04	3.18	3.43	3.16	3.21	3.25	3.29	0.04	0.30
Motor Gasoline	14.43	14.39	14.74	14.30	13.79	14.60	14.74	15.00	15.04	0.04	0.15
Jet/Kerosene	3.98	3.73	3.62	3.80	3.98	3.62	3.69	3.70	3.72	0.02	0.04
Gasoil/Diesel Oil	12.95	12.23	11.69	12.49	12.57	12.12	12.40	12.21	12.22	0.01	1.03
Residual Fuel Oil	3.64	3.12	2.86	3.04	3.10	2.85	2.85	3.02	2.89	-0.13	-0.03
Other Products	4.85	4.33	4.71	4.14	4.02	4.56	4.88	4.82	5.00	0.19	0.38
<b>Total</b>	<b>47.58</b>	<b>45.45</b>	<b>44.99</b>	<b>45.89</b>	<b>45.94</b>	<b>45.22</b>	<b>46.00</b>	<b>46.25</b>	<b>46.55</b>	<b>0.31</b>	<b>1.97</b>

<sup>1</sup> Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada.

<sup>2</sup> Latest official OECD submissions (MOS).

**Table 2b**  
**OIL DEMAND IN SELECTED OECD COUNTRIES<sup>1</sup>**  
(million barrels per day)

	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10 <sup>2</sup>	Latest month vs.	
										Jul 10	Aug 09
<b>United States<sup>3</sup></b>											
LPG	1.95	2.05	1.90	2.41	2.39	1.80	1.83	1.95	2.00	0.05	0.04
Naphtha	0.25	0.25	0.26	0.25	0.27	0.28	0.29	0.31	0.28	-0.02	0.04
Motor Gasoline	8.99	9.00	9.16	8.94	8.68	9.22	9.30	9.36	9.40	0.04	0.11
Jet/Kerosene	1.55	1.41	1.46	1.39	1.42	1.46	1.53	1.48	1.51	0.04	0.06
Gasoil	3.95	3.63	3.46	3.70	3.79	3.70	3.76	3.56	3.81	0.24	0.38
Residual Fuel Oil	0.62	0.51	0.38	0.51	0.58	0.53	0.52	0.58	0.48	-0.09	0.01
Other Products	2.19	1.92	2.12	1.73	1.80	2.11	2.18	2.12	2.31	0.19	0.21
<b>Total</b>	<b>19.50</b>	<b>18.77</b>	<b>18.72</b>	<b>18.93</b>	<b>18.93</b>	<b>19.10</b>	<b>19.40</b>	<b>19.36</b>	<b>19.80</b>	<b>0.45</b>	<b>0.85</b>
<b>Japan</b>											
LPG	0.53	0.49	0.47	0.51	0.53	0.46	0.44	0.40	0.43	0.03	0.01
Naphtha	0.75	0.73	0.75	0.80	0.84	0.71	0.69	0.70	0.77	0.07	0.01
Motor Gasoline	0.98	0.99	1.03	1.00	0.96	0.97	0.96	1.07	1.13	0.05	0.02
Jet/Kerosene	0.59	0.55	0.34	0.64	0.81	0.43	0.36	0.34	0.35	0.01	0.00
Diesel	0.48	0.40	0.39	0.43	0.38	0.35	0.35	0.37	0.37	-0.01	-0.04
Other Gasoil	0.44	0.44	0.38	0.46	0.53	0.43	0.43	0.42	0.41	-0.01	0.02
Residual Fuel Oil	0.54	0.40	0.37	0.38	0.39	0.36	0.36	0.42	0.42	0.00	0.06
Other Products	0.49	0.37	0.39	0.38	0.34	0.33	0.37	0.44	0.51	0.07	0.12
<b>Total</b>	<b>4.79</b>	<b>4.37</b>	<b>4.11</b>	<b>4.60</b>	<b>4.79</b>	<b>4.04</b>	<b>3.96</b>	<b>4.17</b>	<b>4.39</b>	<b>0.22</b>	<b>0.21</b>
<b>Germany</b>											
LPG	0.09	0.09	0.09	0.09	0.10	0.10	0.10	0.10	0.11	0.00	0.01
Naphtha	0.38	0.37	0.38	0.38	0.43	0.37	0.41	0.42	0.41	-0.01	0.04
Motor Gasoline	0.48	0.47	0.49	0.47	0.42	0.48	0.48	0.49	0.47	-0.02	-0.01
Jet/Kerosene	0.19	0.19	0.20	0.19	0.17	0.19	0.21	0.21	0.20	-0.01	0.00
Diesel	0.65	0.64	0.69	0.66	0.60	0.68	0.70	0.71	0.68	-0.03	0.03
Other Gasoil	0.48	0.41	0.29	0.36	0.46	0.33	0.37	0.37	0.44	0.07	0.25
Residual Fuel Oil	0.16	0.15	0.14	0.14	0.14	0.13	0.13	0.15	0.14	0.00	0.00
Other Products	0.14	0.11	0.13	0.11	0.05	0.11	0.12	0.13	0.10	-0.03	-0.02
<b>Total</b>	<b>2.57</b>	<b>2.44</b>	<b>2.41</b>	<b>2.39</b>	<b>2.38</b>	<b>2.39</b>	<b>2.52</b>	<b>2.58</b>	<b>2.56</b>	<b>-0.02</b>	<b>0.30</b>
<b>Italy</b>											
LPG	0.10	0.10	0.08	0.12	0.14	0.10	0.10	0.09	0.09	0.00	0.01
Naphtha	0.10	0.09	0.09	0.09	0.11	0.12	0.12	0.12	0.12	0.00	0.02
Motor Gasoline	0.26	0.25	0.26	0.24	0.22	0.24	0.25	0.26	0.24	-0.02	0.00
Jet/Kerosene	0.09	0.09	0.11	0.09	0.09	0.11	0.11	0.12	0.12	0.00	0.01
Diesel	0.51	0.49	0.50	0.50	0.47	0.50	0.52	0.55	0.44	-0.11	0.02
Other Gasoil	0.13	0.13	0.11	0.16	0.13	0.10	0.10	0.11	0.10	-0.01	0.00
Residual Fuel Oil	0.25	0.21	0.21	0.19	0.15	0.14	0.15	0.16	0.14	-0.02	-0.05
Other Products	0.19	0.16	0.19	0.14	0.13	0.16	0.18	0.20	0.21	0.01	0.05
<b>Total</b>	<b>1.63</b>	<b>1.53</b>	<b>1.55</b>	<b>1.54</b>	<b>1.45</b>	<b>1.47</b>	<b>1.54</b>	<b>1.62</b>	<b>1.47</b>	<b>-0.15</b>	<b>0.07</b>
<b>France</b>											
LPG	0.13	0.09	0.06	0.09	0.14	0.09	0.09	0.08	0.09	0.01	0.03
Naphtha	0.17	0.14	0.15	0.14	0.15	0.15	0.14	0.13	0.14	0.01	0.04
Motor Gasoline	0.21	0.20	0.21	0.19	0.17	0.20	0.20	0.21	0.20	-0.02	-0.01
Jet/Kerosene	0.16	0.15	0.16	0.14	0.14	0.15	0.16	0.17	0.16	-0.01	0.00
Diesel	0.66	0.66	0.68	0.68	0.64	0.69	0.72	0.73	0.65	-0.07	0.04
Other Gasoil	0.33	0.31	0.24	0.33	0.35	0.21	0.20	0.22	0.23	0.01	0.04
Residual Fuel Oil	0.10	0.10	0.09	0.10	0.11	0.09	0.09	0.08	0.07	-0.01	-0.01
Other Products	0.19	0.18	0.18	0.15	0.16	0.19	0.22	0.19	0.18	-0.01	0.02
<b>Total</b>	<b>1.95</b>	<b>1.83</b>	<b>1.77</b>	<b>1.82</b>	<b>1.85</b>	<b>1.77</b>	<b>1.82</b>	<b>1.81</b>	<b>1.72</b>	<b>-0.09</b>	<b>0.15</b>
<b>United Kingdom</b>											
LPG	0.17	0.16	0.14	0.14	0.13	0.15	0.14	0.11	0.11	0.00	-0.01
Naphtha	0.02	0.02	0.02	0.03	0.03	0.02	0.01	0.02	0.02	0.00	0.01
Motor Gasoline	0.39	0.37	0.37	0.35	0.35	0.36	0.35	0.35	0.35	0.00	-0.02
Jet/Kerosene	0.34	0.34	0.34	0.34	0.35	0.30	0.31	0.32	0.33	0.01	-0.02
Diesel	0.44	0.45	0.45	0.44	0.47	0.46	0.48	0.47	0.47	0.00	0.01
Other Gasoil	0.14	0.10	0.11	0.09	0.11	0.10	0.11	0.13	0.13	-0.01	0.01
Residual Fuel Oil	0.09	0.07	0.07	0.07	0.06	0.06	0.04	0.07	0.06	0.00	0.00
Other Products	0.15	0.16	0.16	0.15	0.14	0.16	0.17	0.15	0.17	0.02	0.01
<b>Total</b>	<b>1.73</b>	<b>1.67</b>	<b>1.66</b>	<b>1.61</b>	<b>1.65</b>	<b>1.62</b>	<b>1.59</b>	<b>1.63</b>	<b>1.64</b>	<b>0.01</b>	<b>-0.02</b>
<b>Canada</b>											
LPG	0.34	0.34	0.33	0.34	0.35	0.35	0.35	0.35	0.34	-0.01	0.02
Naphtha	0.08	0.05	0.05	0.05	0.08	0.08	0.09	0.08	0.09	0.01	0.03
Motor Gasoline	0.72	0.73	0.76	0.72	0.70	0.75	0.76	0.77	0.77	0.00	0.01
Jet/Kerosene	0.12	0.12	0.12	0.10	0.11	0.11	0.12	0.13	0.10	-0.02	-0.03
Diesel	0.23	0.23	0.23	0.23	0.23	0.23	0.24	0.21	0.20	-0.01	-0.02
Other Gasoil	0.33	0.28	0.26	0.31	0.32	0.29	0.30	0.30	0.33	0.03	0.07
Residual Fuel Oil	0.11	0.09	0.09	0.09	0.11	0.10	0.11	0.10	0.10	0.00	0.01
Other Products	0.32	0.30	0.32	0.32	0.30	0.32	0.36	0.36	0.33	-0.03	0.01
<b>Total</b>	<b>2.24</b>	<b>2.15</b>	<b>2.16</b>	<b>2.17</b>	<b>2.19</b>	<b>2.23</b>	<b>2.33</b>	<b>2.30</b>	<b>2.27</b>	<b>-0.03</b>	<b>0.11</b>

<sup>1</sup> Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils.

<sup>2</sup> Latest official OECD submissions (MOS).

<sup>3</sup> US figures exclude US territories.



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

	2009	2010	2011	2Q10	3Q10	4Q10	1Q11	2Q11	Aug 10	Sep 10	Oct 10
<b>OPEC</b>											
Crude Oil											
Saudi Arabia	7.92			7.96	8.04				8.11	8.01	7.97
Iran	3.74			3.75	3.69				3.70	3.68	3.70
Iraq	2.43			2.35	2.41				2.33	2.52	2.44
UAE	2.27			2.30	2.33				2.32	2.31	2.33
Kuwait	2.01			2.03	2.03				2.04	2.03	2.03
Neutral Zone	0.54			0.54	0.54				0.54	0.54	0.54
Qatar	0.80			0.79	0.80				0.79	0.80	0.80
Angola	1.77			1.81	1.71				1.77	1.65	1.68
Nigeria	1.82			1.96	2.15				2.14	2.15	2.16
Libya	1.55			1.56	1.56				1.56	1.55	1.56
Algeria	1.25			1.24	1.26				1.26	1.27	1.27
Ecuador	0.47			0.46	0.46				0.46	0.46	0.47
Venezuela	2.15			2.24	2.23				2.23	2.23	2.21
Total Crude Oil <sup>6</sup>	28.71			28.99	29.21				29.24	29.20	29.15
Total NGLs <sup>1,6</sup>	4.65	5.11	5.78	5.02	5.16	5.28	5.67	5.75	5.16	5.16	5.28
<b>Total OPEC<sup>6</sup></b>	<b>33.36</b>			<b>34.01</b>	<b>34.37</b>				<b>34.41</b>	<b>34.36</b>	<b>34.43</b>
OPEC: Historical Composition <sup>6</sup>	33.36			34.01	34.37				34.41	34.36	34.43
<b>NON-OPEC<sup>2</sup></b>											
<b>OECD</b>											
<b>North America</b>	13.62	14.01	13.98	14.05	14.08	13.97	14.06	13.88	14.17	14.05	14.14
United States <sup>5</sup>	7.44	7.72	7.78	7.74	7.82	7.66	7.75	7.87	7.83	7.97	7.87
Mexico	2.97	2.96	2.88	2.96	2.94	2.93	2.92	2.89	2.93	2.94	2.94
Canada	3.22	3.33	3.33	3.34	3.32	3.38	3.39	3.12	3.41	3.14	3.33
<b>Europe</b>	4.52	4.15	4.01	4.18	3.75	4.16	4.22	3.96	3.57	3.77	4.02
UK	1.47	1.37	1.32	1.40	1.20	1.34	1.40	1.32	1.15	1.29	1.31
Norway	2.39	2.16	2.10	2.14	1.94	2.20	2.20	2.03	1.83	1.84	2.08
Others	0.67	0.63	0.59	0.63	0.61	0.62	0.61	0.60	0.59	0.63	0.63
<b>Pacific</b>	0.65	0.64	0.69	0.62	0.64	0.66	0.68	0.67	0.62	0.66	0.65
Australia	0.55	0.54	0.59	0.52	0.54	0.56	0.57	0.57	0.53	0.57	0.55
Others	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
<b>Total OECD</b>	<b>18.80</b>	<b>18.80</b>	<b>18.68</b>	<b>18.84</b>	<b>18.47</b>	<b>18.80</b>	<b>18.95</b>	<b>18.50</b>	<b>18.36</b>	<b>18.49</b>	<b>18.81</b>
<b>NON-OECD</b>											
<b>Former USSR</b>	13.28	13.58	13.78	13.53	13.49	13.83	13.83	13.80	13.54	13.33	13.83
Russia	10.21	10.45	10.53	10.43	10.44	10.55	10.53	10.51	10.37	10.49	10.57
Others	3.07	3.13	3.25	3.10	3.05	3.28	3.30	3.29	3.17	2.84	3.26
<b>Asia</b>	7.49	7.74	7.84	7.70	7.81	7.79	7.89	7.79	7.78	7.89	7.81
China	3.89	4.09	4.20	4.06	4.14	4.16	4.23	4.17	4.13	4.21	4.19
Malaysia	0.74	0.71	0.67	0.72	0.70	0.69	0.68	0.67	0.69	0.73	0.70
India	0.80	0.86	0.89	0.84	0.88	0.88	0.88	0.88	0.87	0.88	0.89
Indonesia	0.98	0.99	0.97	1.00	0.98	0.98	0.98	0.97	0.99	0.98	0.93
Others	1.08	1.10	1.12	1.09	1.10	1.09	1.12	1.11	1.09	1.09	1.09
<b>Europe</b>	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
<b>Latin America</b>	3.88	4.09	4.40	4.09	4.09	4.17	4.25	4.35	4.14	4.04	4.12
Brazil <sup>5</sup>	2.03	2.14	2.33	2.15	2.13	2.17	2.21	2.29	2.17	2.07	2.15
Argentina	0.72	0.71	0.71	0.71	0.70	0.71	0.71	0.71	0.71	0.70	0.72
Colombia	0.67	0.80	0.92	0.78	0.80	0.83	0.87	0.90	0.81	0.81	0.82
Others	0.45	0.45	0.45	0.45	0.46	0.45	0.46	0.45	0.46	0.46	0.43
<b>Middle East<sup>3</sup></b>	1.68	1.69	1.70	1.68	1.69	1.69	1.72	1.71	1.67	1.70	1.69
Oman	0.81	0.87	0.92	0.86	0.87	0.89	0.91	0.92	0.85	0.89	0.89
Syria	0.38	0.37	0.35	0.37	0.37	0.36	0.36	0.35	0.37	0.36	0.36
Yemen	0.29	0.26	0.25	0.27	0.26	0.25	0.26	0.25	0.26	0.26	0.26
Others	0.19	0.19	0.18	0.19	0.19	0.19	0.19	0.18	0.19	0.19	0.19
<b>Africa</b>	2.60	2.55	2.59	2.55	2.55	2.54	2.56	2.57	2.55	2.55	2.54
Egypt	0.75	0.74	0.73	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74
Gabon	0.24	0.24	0.25	0.23	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Others	1.61	1.57	1.61	1.58	1.56	1.55	1.58	1.59	1.56	1.56	1.55
<b>Total Non-OECD</b>	<b>29.06</b>	<b>29.80</b>	<b>30.45</b>	<b>29.69</b>	<b>29.77</b>	<b>30.15</b>	<b>30.39</b>	<b>30.37</b>	<b>29.83</b>	<b>29.65</b>	<b>30.14</b>
Processing Gains <sup>4</sup>	2.29	2.20	2.23	2.20	2.20	2.20	2.23	2.23	2.20	2.20	2.20
Global Biofuels <sup>5</sup>	1.57	1.82	1.99	1.94	2.13	1.84	1.54	1.96	2.18	2.09	2.03
<b>TOTAL NON-OPEC<sup>6</sup></b>	<b>51.71</b>	<b>52.61</b>	<b>53.35</b>	<b>52.68</b>	<b>52.57</b>	<b>52.98</b>	<b>53.11</b>	<b>53.06</b>	<b>52.58</b>	<b>52.42</b>	<b>53.18</b>
Non-OPEC: Historical Composition <sup>6</sup>	51.71	52.61	53.35	52.68	52.57	52.98	53.11	53.06	52.58	52.42	53.18
<b>TOTAL SUPPLY</b>	<b>85.07</b>			<b>86.68</b>	<b>86.94</b>				<b>86.98</b>	<b>86.78</b>	<b>87.61</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. Orimulsion production reportedly ceased from January 2007.

<sup>2</sup> Comprises crude oil, condensates, NGLs and oil from non-conventional sources

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

<sup>4</sup> Net volumetric gains and losses in refining (excludes net gain/loss in China and non-OECD Europe) and marine transportation losses.

<sup>5</sup> As of the July 2010 OMR, Global Biofuels comprise all world biofuel production including fuel ethanol from the US and Brazil.

<sup>6</sup> Total OPEC comprises all countries which were OPEC members at 1 January 2009. OPEC Historical Composition comprises countries which were OPEC members at that point in time. Total Non-OPEC excludes all countries that were OPEC members at 1 January 2009. Non-OPEC Historical Composition excludes countries that were OPEC members at that point in time.

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

	RECENT MONTHLY STOCKS <sup>2</sup> in Million Barrels					PRIOR YEARS' STOCKS <sup>2</sup> in Million Barrels			STOCK CHANGES in mb/d			
	May2010	Jun2010	Jul2010	Aug2010	Sep2010*	Sep2007	Sep2008	Sep2009	4Q2009	1Q2010	2Q2010	3Q2010
<b>North America</b>												
Crude	501.9	511.3	507.8	504.6	505.2	449.8	456.8	478.0	-0.09	0.40	0.05	-0.07
Motor Gasoline	247.3	245.3	251.3	252.0	245.6	227.8	218.1	242.9	0.11	0.06	-0.15	0.00
Middle Distillate	222.3	231.0	243.5	247.8	243.8	207.2	197.1	250.7	-0.12	-0.26	0.16	0.14
Residual Fuel Oil	53.5	50.8	49.5	46.7	47.0	44.3	47.5	43.8	0.01	0.05	0.02	-0.04
Total Products <sup>3</sup>	698.8	711.6	734.6	737.5	730.2	672.1	654.5	745.9	-0.54	-0.25	0.42	0.20
Total <sup>4</sup>	1355.6	1377.7	1398.3	1401.4	1395.2	1285.2	1281.7	1390.3	-0.88	0.14	0.62	0.19
<b>Europe</b>												
Crude	358.8	342.5	335.1	346.5	324.4	321.3	333.1	330.1	0.03	-0.02	0.13	-0.20
Motor Gasoline	94.3	95.1	94.3	94.7	95.5	97.8	94.5	96.0	0.05	0.02	-0.09	0.00
Middle Distillate	285.7	285.1	286.1	289.3	280.8	249.5	265.6	289.9	-0.03	-0.05	0.03	-0.05
Residual Fuel Oil	74.4	77.4	72.6	73.0	74.9	76.3	74.7	69.4	0.03	0.02	0.04	-0.03
Total Products <sup>3</sup>	567.5	567.4	563.7	567.4	561.5	533.1	546.6	568.1	0.04	-0.06	0.00	-0.06
Total <sup>4</sup>	997.3	979.1	967.1	982.6	954.4	928.6	951.2	968.1	0.04	0.00	0.08	-0.27
<b>Pacific</b>												
Crude	166.5	166.3	170.6	161.8	153.9	163.4	162.1	165.9	-0.06	0.05	0.02	-0.13
Motor Gasoline	27.4	26.2	24.4	23.9	24.1	21.7	22.7	25.1	-0.02	0.02	0.01	-0.02
Middle Distillate	60.1	57.7	59.1	63.8	65.3	77.7	74.3	72.4	-0.11	-0.05	0.00	0.08
Residual Fuel Oil	21.2	20.9	20.1	20.6	22.2	25.6	22.3	21.4	-0.03	0.02	0.01	0.01
Total Products <sup>3</sup>	166.6	168.0	169.2	177.0	177.6	196.8	192.9	185.1	-0.26	-0.03	0.11	0.10
Total <sup>4</sup>	403.8	405.1	409.4	409.2	400.8	432.2	430.7	419.2	-0.39	0.03	0.21	-0.05
<b>Total OECD</b>												
Crude	1027.1	1020.1	1013.4	1012.9	983.5	934.5	952.0	974.0	-0.12	0.43	0.20	-0.40
Motor Gasoline	369.0	366.5	370.0	370.6	365.2	347.4	335.3	364.0	0.14	0.11	-0.22	-0.01
Middle Distillate	568.0	573.8	588.7	600.9	589.9	534.4	537.0	613.0	-0.26	-0.36	0.19	0.18
Residual Fuel Oil	149.1	149.1	142.2	140.3	144.1	146.2	144.5	134.6	0.00	0.09	0.07	-0.05
Total Products <sup>3</sup>	1432.9	1447.0	1467.5	1481.9	1469.3	1402.0	1394.0	1499.2	-0.76	-0.34	0.53	0.24
Total <sup>4</sup>	2756.7	2761.8	2774.8	2793.2	2750.4	2646.1	2663.6	2777.5	-1.23	0.17	0.91	-0.12

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

	RECENT MONTHLY STOCKS <sup>2</sup> in Million Barrels					PRIOR YEARS' STOCKS <sup>2</sup> in Million Barrels			STOCK CHANGES in mb/d			
	May2010	Jun2010	Jul2010	Aug2010	Sep2010*	Sep2007	Sep2008	Sep2009	4Q2009	1Q2010	2Q2010	3Q2010
<b>North America</b>												
Crude	726.6	726.6	726.6	726.6	726.4	692.8	702.4	725.1	0.02	0.00	0.00	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
<b>Europe</b>												
Crude	185.2	185.4	185.3	182.9	182.0	177.4	180.4	186.3	-0.02	0.04	-0.03	-0.04
Products	237.1	237.3	234.7	235.3	235.3	244.2	233.1	241.4	-0.01	-0.01	-0.03	-0.02
<b>Pacific</b>												
Crude	390.2	390.9	388.9	387.0	387.6	385.1	384.3	388.4	0.01	0.00	0.02	-0.04
Products	20.0	20.0	20.0	20.0	20.0	17.9	19.2	19.2	0.01	0.00	0.00	0.00
<b>Total OECD</b>												
Crude	1302.0	1302.9	1300.7	1296.4	1295.9	1255.2	1267.0	1299.8	0.00	0.04	0.00	-0.08
Products	259.1	259.3	256.7	257.3	257.3	264.0	254.2	262.5	0.00	-0.01	-0.03	-0.02
Total <sup>4</sup>	1562.5	1563.5	1558.8	1555.1	1554.6	1520.2	1522.2	1564.0	0.00	0.03	-0.04	-0.10

\* estimated

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

2 Closing stock levels.

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

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

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

**Table 5**  
**TOTAL STOCKS ON LAND IN OECD COUNTRIES<sup>1</sup>**  
('millions of barrels' and 'days')

	End September 2009		End December 2009		End March 2010		End June 2010		End September 2010 <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	194.5	90	192.6	87	195.1	85	189.1	-	-	-
Mexico	50.4	23	44.7	21	51.5	24	54.4	-	-	-
United States <sup>4</sup>	1850.3	98	1778.4	95	1781.4	94	1840.7	-	-	-
<b>Total<sup>4</sup></b>	<b>2117.3</b>	<b>90</b>	<b>2037.7</b>	<b>87</b>	<b>2050.1</b>	<b>86</b>	<b>2106.3</b>	<b>87</b>	<b>2123.6</b>	<b>90</b>
<b>Pacific</b>										
Australia	44.9	46	40.3	43	41.5	44	42.7	-	-	-
Japan	607.3	132	588.8	123	581.5	144	597.1	-	-	-
Korea	167.0	74	155.0	67	163.6	75	167.3	-	-	-
New Zealand	7.5	49	8.1	51	8.1	59	8.9	-	-	-
<b>Total</b>	<b>826.7</b>	<b>104</b>	<b>792.2</b>	<b>97</b>	<b>794.7</b>	<b>109</b>	<b>816.0</b>	<b>107</b>	<b>808.3</b>	<b>103</b>
<b>Europe<sup>5</sup></b>										
Austria	20.8	78	21.2	80	22.7	84	20.1	-	-	-
Belgium	34.2	52	34.4	53	35.3	69	37.8	-	-	-
Czech Republic	21.8	104	21.5	124	21.7	106	20.4	-	-	-
Denmark	25.0	153	25.5	154	27.2	171	28.2	-	-	-
Finland	29.3	143	33.1	151	32.5	171	28.5	-	-	-
France	174.0	96	174.9	94	171.8	97	170.1	-	-	-
Germany	276.7	116	284.1	120	287.7	120	281.0	-	-	-
Greece	35.5	90	35.1	85	35.6	104	33.9	-	-	-
Hungary	14.4	89	14.3	115	16.8	115	17.0	-	-	-
Ireland	12.4	71	11.4	66	12.7	74	12.8	-	-	-
Italy	129.0	84	125.6	87	129.2	88	132.5	-	-	-
Luxembourg	0.8	15	0.8	14	0.8	13	0.7	-	-	-
Netherlands	138.1	137	135.7	135	131.0	123	138.8	-	-	-
Norway	24.7	128	21.9	112	21.1	93	22.1	-	-	-
Poland	64.0	115	63.2	125	62.5	115	63.8	-	-	-
Portugal	24.5	92	26.2	99	23.4	85	24.9	-	-	-
Slovak Republic	8.3	103	8.3	109	9.5	122	9.3	-	-	-
Spain	135.0	94	132.6	91	132.0	93	134.1	-	-	-
Sweden	38.5	117	39.5	110	39.3	109	35.4	-	-	-
Switzerland	38.2	137	37.0	155	37.8	158	38.1	-	-	-
Turkey	57.8	111	57.6	119	58.1	96	58.4	-	-	-
United Kingdom	94.2	59	94.4	57	92.4	57	95.4	-	-	-
<b>Total</b>	<b>1397.5</b>	<b>97</b>	<b>1398.2</b>	<b>99</b>	<b>1401.1</b>	<b>99</b>	<b>1403.1</b>	<b>95</b>	<b>1373.0</b>	<b>95</b>
<b>Total OECD</b>	<b>4341.6</b>	<b>95</b>	<b>4228.1</b>	<b>92</b>	<b>4245.9</b>	<b>94</b>	<b>4325.3</b>	<b>93</b>	<b>4305.0</b>	<b>94</b>
<b>DAYS OF IEA Net Imports<sup>6</sup></b>	<b>-</b>	<b>133</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>145</b>	<b>-</b>	<b>147</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> End June 2010 and September 2010 forward demand figures are IEA Secretariat forecasts.

<sup>4</sup> US figures exclude US territories. Total includes US territories.

<sup>5</sup> Data not available for Iceland.

<sup>6</sup> Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions (see [www.iea.org/netimports.asp](http://www.iea.org/netimports.asp)). Net exporting IEA countries are excluded.

## TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government <sup>1</sup> controlled <i>Millions of Barrels</i>	Industry	Total	Government <sup>1</sup> controlled <i>Days of Fwd. Demand<sup>2</sup></i>	Industry
3Q2007	4166	1520	2646	83	30	53
4Q2007	4096	1524	2572	84	31	53
1Q2008	4101	1529	2572	87	32	54
2Q2008	4128	1526	2602	89	33	56
3Q2008	4186	1522	2664	89	32	56
4Q2008	4224	1527	2697	91	33	58
1Q2009	4297	1547	2750	97	35	62
2Q2009	4319	1561	2758	96	35	61
3Q2009	4342	1564	2778	95	34	61
4Q2009	4228	1564	2664	92	34	58
1Q2010	4246	1567	2679	94	35	59
2Q2010	4325	1563	2762	93	34	59
3Q2010	4305	1555	2750	94	34	60

<sup>1</sup> Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

<sup>2</sup> Days of forward demand calculated using actual demand except in 2Q2010 and 3Q2010 (when latest forecasts are used).

**Table 6**  
**IEA MEMBER COUNTRY DESTINATIONS OF SELECTED CRUDE STREAMS<sup>1</sup>**

(million barrels per day)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun 10	Jul 10	Aug 10	Year Earlier Aug 09	change
<b>Saudi Light &amp; Extra Light</b>												
North America	0.73	0.70	0.52	0.44	0.53	0.71	0.69	0.64	0.65	0.85	0.36	0.48
Europe	0.70	0.70	0.59	0.57	0.61	0.55	0.64	0.63	0.72	0.75	0.43	0.31
Pacific	1.19	1.22	1.28	1.23	1.32	1.25	1.17	1.08	1.20	1.14	1.20	-0.06
<b>Saudi Medium</b>												
North America	0.56	0.64	0.40	0.41	0.34	0.38	0.36	0.36	0.30	0.31	0.34	-0.03
Europe	0.05	0.05	0.02	0.01	0.02	-	0.00	-	-	-	-	-
Pacific	0.34	0.39	0.34	0.35	0.33	0.33	0.37	0.40	0.30	0.33	0.30	0.03
<b>Saudi Heavy</b>												
North America	0.09	0.07	0.03	0.02	0.03	0.02	0.02	0.02	0.04	0.02	0.02	0.00
Europe	0.11	0.09	0.02	0.01	0.01	0.00	0.00	-	-	-	0.01	-
Pacific	0.20	0.24	0.15	0.12	0.12	0.23	0.19	0.19	0.21	0.24	0.12	0.11
<b>Iraqi Basrah Light<sup>2</sup></b>												
North America	0.50	0.60	0.40	0.45	0.40	0.42	0.43	0.54	0.34	0.27	0.56	-0.29
Europe	0.30	0.21	0.12	0.19	0.06	0.06	0.09	0.15	0.13	0.23	0.30	-0.07
Pacific	0.17	0.15	0.24	0.24	0.27	0.35	0.19	0.17	0.19	0.25	0.31	-0.06
<b>Iraqi Kirkuk</b>												
North America	-	0.08	0.06	0.11	0.04	0.01	0.03	-	0.05	0.05	0.07	-0.02
Europe	0.11	0.23	0.31	0.34	0.29	0.33	0.27	0.29	0.27	0.18	0.24	-0.06
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
<b>Iranian Light</b>												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.27	0.23	0.15	0.13	0.16	0.20	0.24	0.27	0.40	0.41	0.17	0.24
Pacific	0.09	0.08	0.07	0.06	0.06	0.06	0.07	0.06	0.04	0.02	0.06	-0.03
<b>Iranian Heavy<sup>3</sup></b>												
North America	-	-	-	-	-	-	-	-	-	-	-	-
Europe	0.56	0.49	0.40	0.48	0.37	0.35	0.47	0.63	0.80	0.64	0.48	0.17
Pacific	0.64	0.61	0.57	0.57	0.56	0.61	0.44	0.45	0.63	0.38	0.57	-0.19
<b>Venezuelan Light &amp; Medium</b>												
North America	0.76	0.62	0.39	0.33	0.09	0.11	0.21	0.27	0.13	0.02	0.40	-0.38
Europe	0.08	0.06	0.07	0.04	0.02	0.01	0.02	0.01	0.03	0.09	0.01	0.08
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-
<b>Venezuelan 22 API and heavier</b>												
North America	0.68	0.65	0.75	0.87	0.75	0.89	0.83	0.73	0.99	1.07	0.88	0.19
Europe	0.07	0.07	0.07	0.06	0.08	0.07	0.06	0.04	0.07	0.05	0.08	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
<b>Mexican Maya</b>												
North America	1.22	1.02	0.93	0.87	0.82	0.82	0.96	0.87	0.90	1.18	0.92	0.26
Europe	0.14	0.14	0.10	0.09	0.12	0.12	0.11	0.11	0.08	0.14	0.08	0.07
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
<b>Mexican Isthmus</b>												
North America	0.01	0.01	0.01	0.01	0.00	0.03	0.02	0.01	0.01	0.01	0.01	0.00
Europe	0.02	0.01	0.01	0.02	-	-	0.02	0.01	-	-	0.03	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-
<b>Russian Urals</b>												
North America	0.06	0.05	0.15	0.17	0.06	0.08	0.13	0.15	-	0.22	0.12	0.10
Europe	1.86	1.81	1.72	1.76	1.80	1.76	1.86	1.83	1.88	1.79	1.60	0.19
Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
<b>Nigerian Light<sup>4</sup></b>												
North America	0.88	0.68	0.54	0.63	0.67	0.55	0.64	0.74	0.61	0.69	0.65	0.04
Europe	0.24	0.29	0.32	0.30	0.34	0.26	0.29	0.26	0.26	0.35	0.33	0.02
Pacific	0.01	-	0.00	-	0.01	-	-	-	-	-	-	-
<b>Nigerian Medium</b>												
North America	0.23	0.27	0.21	0.19	0.21	0.24	0.29	0.29	0.23	0.26	0.13	0.14
Europe	0.07	0.14	0.13	0.12	0.15	0.07	0.09	0.10	0.11	0.11	0.07	0.04
Pacific	0.01	-	-	-	-	-	-	-	-	-	-	-

<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. The Slovak Republic and Poland is excluded through December 2007 but included thereafter.

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)

	2007	2008	2009	3Q09	4Q09	1Q10	2Q10	Jun-10	Jul-10	Aug-10	Year Earlier	
											Aug-09	% change
Crude Oil												
North America	8214	8046	7327	7316	6717	7057	7902	8145	7969	7516	6794	11%
Europe	9691	9776	8910	8850	8676	8562	9157	9769	9616	9812	8574	14%
Pacific	6718	6605	6082	5961	6102	6445	5899	5559	6061	6182	6067	2%
Total OECD	24622	24427	22319	22127	21495	22063	22958	23473	23645	23510	21735	8%
LPG												
North America	28	31	13	9	5	12	7	10	7	7	22	-67%
Europe	278	268	249	232	261	286	269	231	216	229	222	3%
Pacific	557	589	529	566	529	534	600	684	516	579	544	6%
Total OECD	863	887	792	806	795	832	876	925	739	816	789	3%
Naphtha												
North America	40	56	22	18	12	23	28	36	65	61	16	284%
Europe	283	298	312	294	388	444	393	379	419	294	284	4%
Pacific	794	776	841	907	896	953	899	877	918	798	927	-14%
Total OECD	1116	1130	1176	1219	1296	1421	1320	1292	1403	1153	1227	-6%
Gasoline <sup>3</sup>												
North America	1128	1077	878	843	785	697	841	869	1041	988	814	21%
Europe	179	215	193	231	62	163	196	156	228	190	179	6%
Pacific	73	90	96	95	99	70	73	56	43	49	66	-26%
Total OECD	1380	1382	1166	1170	946	931	1110	1081	1311	1227	1060	16%
Jet & Kerosene												
North America	183	64	61	67	55	69	59	63	75	88	62	40%
Europe	373	401	451	439	444	439	358	356	403	510	379	34%
Pacific	43	34	53	37	48	46	37	28	32	26	36	-29%
Total OECD	599	500	566	542	546	553	454	447	510	623	478	30%
Gasoi/Diesel												
North America	132	74	56	36	44	114	43	58	31	36	17	117%
Europe	783	871	1033	891	1038	1132	885	774	953	831	875	-5%
Pacific	91	119	87	73	114	88	121	135	106	65	45	46%
Total OECD	1005	1064	1177	999	1196	1333	1048	967	1090	933	937	0%
Heavy Fuel Oil												
North America	323	288	270	205	226	277	293	202	297	232	174	33%
Europe	436	458	534	550	544	564	545	545	437	488	562	-13%
Pacific	95	125	113	103	79	136	104	59	118	136	116	17%
Total OECD	854	871	918	858	848	978	941	807	852	856	852	0%
Other Products												
North America	1050	1078	870	896	756	676	782	710	864	898	787	14%
Europe	771	734	718	763	696	622	605	638	686	729	797	-9%
Pacific	254	298	325	337	356	330	276	327	374	373	298	25%
Total OECD	2074	2110	1913	1996	1809	1628	1664	1676	1923	1999	1881	6%
Total Products												
North America	2883	2667	2171	2073	1882	1868	2053	1948	2380	2310	1893	22%
Europe	3102	3245	3491	3400	3432	3650	3252	3080	3342	3271	3299	-1%
Pacific	1906	2032	2045	2117	2121	2157	2110	2167	2106	2026	2032	0%
Total OECD	7891	7944	7707	7591	7436	7675	7414	7194	7828	7607	7223	5%
Total Oil												
North America	11097	10713	9497	9390	8600	8924	9955	10093	10349	9826	8987	9%
Europe	12793	13022	12401	12250	12109	12211	12408	12848	12957	13083	11872	10%
Pacific	8623	8637	8127	8078	8223	8602	8008	7725	8167	8208	8099	1%
Total OECD	32513	32371	30026	29718	28931	29738	30372	30667	31473	31117	28958	7%

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

<sup>2</sup> Excludes intra-regional trade.

<sup>3</sup> Includes additives.

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