



ANNUAL REPORT 2008

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Foreword



Abdalla Salem El-Badri — OPEC Secretary General

No other year since the Great Depression has shaken the foundations of the global economy as did 2008. Characterized by a massive credit crunch that almost brought the global economy to its knees, the extent of the crisis which hit the

world in the second half of the year can only be better appreciated when one looks at the huge financial implication of halting its total collapse. While the financial losses in assets are forecast to exceed US\$ 4 trillion, large rescue plans were

put in place and stimulus packages reached over \$2.2 tr, or around 3.5 per cent of global Gross Domestic Product.

As the months went by, so did the economy continue to get worse, with profound impact on the oil market, whose distinctive feature for most of the year was volatility. Oil prices, by the middle of the year, soared to heights that were not only unimagined but, as well, unsustainable. Prices were to later come under unprecedented downward pressure as the financial crisis continued to sweep the world causing a contraction in global oil demand for the first time since 1983.

No issue highlights the extent of the volatility better than the daily oil prices traded on the international exchanges. The year began with the OPEC Reference Basket (ORB) price at \$92 per barrel. It rose to above \$140/b in July and went down to below \$35/b by December. The extreme swings impacted producer confidence and dampened new investments in the sector, buttressing OPEC's long expressed concern on the need to avoid such extreme levels of volatility.

The increasing volatility prompted the Organization to hold two extraordinary, as well as a consultative meeting of the Conference in the last quarter of the year alone. These were in addition to the two regular conferences of March and September. At these meetings, the Ministers, as usual, reviewed the market situation and took far reaching decisions targeted at restoring balance in the market.

During the year too, non-OPEC supply was affected by project delays, heavier production declines, as well as outages and accidents, while OPEC production rose to 32.5 million barrels per day by July. In the second half of 2008, however, OPEC had to significantly adjust its production to stem the worsening imbalance in the oil market.

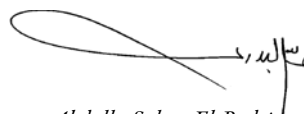
To underscore the importance OPEC places on cooperation as a necessary instrument for stabilizing the market, the Organization continued to engage in and strengthened on-going dialogues with major institutions and countries. In this regard, the third OPEC-Russia workshop under the auspices of the OPEC-Russia Dialogue took place in Moscow. As part of the EU-OPEC Energy Dialogue, the 5th Ministerial Meeting, a Workshop on Oil Refining and a Roundtable on CCS Cooperation were held and the Secretariat also took active part in the 11th International Energy Forum in Rome. It also participated in the Jeddah Energy Meeting, the London Energy Meeting, the 19th World Petroleum Congress in Madrid, the 9th International Oil Summit in Paris, the Offshore Technology Conference in Houston, the Chatham House Conference on Middle East Energy in London, the 16th Petroleum & Gas Conference in Doha, the Oil & Money Conference in London and the 13th Oil & Gas Conference in Tehran.

In line with its resolve to strengthen the Secretariat in order to meet the increasing challenges posed to the Organization and the oil industry, the Board of Governors approved the final phase of the restructuring proposals. In addition, an enhanced welfare package for staff was introduced. The year also witnessed increased activities towards moving the Secretariat to a new location along Wipplingerstasse and an amendment to the Host Agreement with Austria was signed. Thus, by the end of 2008, substantial construction work had taken place. With the extent of work done so far, I am optimistic that we will be able to meet the targeted movement deadline of November 2009.

Besides regular research publications — the Monthly Oil Market Report, the World Oil Outlook and the Annual Statistical Bulletin — the Secretariat also carried out a number of studies related mainly to the state of the oil market and the global economy in 2008, including the medium- to long-term outlook. These included: the assessment of the impact of the financial crisis on the world economy; impact of financial markets on the price of oil; oil and energy outlook to 2030 — OPEC World Energy Model scenarios report; modelling fuel demand in the Chinese transportation sector; outlook for oil downstream sector to 2030 — the World Oil Refining Logistics and Demand model approach; analysis of future non-OPEC crude slate quality; impact of oil prices on upstream petroleum contracts; non-OPEC funding, development and production costs among others.

Moreover, the OPEC Secretariat, besides preparing reports on the climate change negotiations, also attended and provided a coordination platform in various meetings of the United Nations Framework Convention on Climate Change.

As I look back on 2008, I do so with nostalgia because of the loss of one of our Member Countries, Indonesia, which suspended its membership. However, I am gladdened by the country's commitment to rejoining OPEC in the future.



Abdalla Salem El-Badri
Secretary General

OPEC in the world economy

After a record five per cent growth of the world economy in 2007, the outlook for 2008 looked solid with a growth level of 3.1 per cent predicted (**table 1**). However, detailed observation showed that while the yearly figure appeared solid, growth weakened in the second half and especially in the fourth quarter. Also, while the deterioration in growth was global, the decline was particularly evident in the developed countries.

The turning point in the growth level from low to negative could be traced back to the demise of Lehman Brothers in September 2008. This was when the financial

Table 1
World economic growth rates, 2007–08
(% change over previous period)

	2007	2008
OECD	2.6	0.9
Other Europe	6.2	5.8
Developing countries	6.6	5.1
Africa	6.2	5.4
Latin America and Caribbean	6.2	4.9
Asia and Oceania	6.9	5.1
Asia-Pacific	6.2	3.6
OPEC	6.1	5.9
China	13.0	9.0
FSU	8.6	5.7
Total world	5.0	3.1

Sources:

OPEC Secretariat estimates; OECD, Main Economic Indicators; OECD, Economic Outlook; International Monetary Fund (IMF), World Economic Outlook; IMF, International Financial Statistics.



crisis took a turn for the worse, heightening the erosion of confidence in the economy.

As a result, by the second half of 2008, the global economy had become characterized by a massive credit crunch. The impact hit the banking system most as it teetered on the verge of total collapse forcing banks to stop inter-bank lending and causing a significant drying up of liquidity in the financial markets and in the real economy. The volatility in various parts of the capital markets (like equities, bonds, foreign exchange markets, etc.) increased significantly to historical peaks.

US government intervention

The first broad initiative to tackle the problem in the financial sector was the issuance of a \$700bn rescue package in October by the government of the United States of America. This came about after intensive congressional debates on the package. The total cash support of the US Government for the financial system in 2008 — not only for the banking sector — finally reached an unprecedented level of \$2100bn, i.e. about 16 per cent of the US Gross Domestic Product (GDP). This government support involved not only huge cash injections but also guarantees for the balance sheets of the ailing institutions.

Beside this substantial liquidity supply to the US financial sector, some European governments took active measures to support their banks as well in order to avoid serious disruptions in their banking systems. The United Kingdom, Germany, Belgium, the Netherlands and even Switzerland all had to inject cash into their banks and/or guarantee their balance sheet assets. The banks were also at the root of the near-bankrupt state of some countries like Iceland and with this sovereign near-bankruptcy, the countries teetered on

the brink of collapse, causing the International Monetary Fund to take measures to support them.

Foreign exchange markets

On the foreign exchange market, the Euro, which peaked at 1.60 €/ \$ in the first half of the year, began to weaken by the second half and, despite the deep crisis in the US economy, lost around 20 per cent to close the year at around 1.30 \$/€.

The resilience of the US dollar during this period of a weakened economy was the result of decisive and fast actions by the US Federal Reserve (FED). Not only was the FED bringing down the interest rate level to almost zero per cent to stimulate the economy in the second half, but in the face of the mounting financial crisis, with credit to consumers and businesses tightening and inter-bank money markets paralyzed, monetary policies — not only in the US, but around the globe — eased considerably, leading to the adoption of both orthodox and unorthodox methods to provide liquidity to the banking sector and money markets. This included the expensive bailout packages for the financial sector. Beside the US, Japan's rates were near zero; in the Euro-zone, they had fallen to two per cent. In many developing countries, especially in Asia, policy rates were also cut.

The OECD region

In the OECD region, growth slowed down sharply to 0.9 per cent compared to 2.6 per cent in 2007. This was a consecutive growth rate decline from 2007. The negative growth trend was mainly back-end loaded with the major declines in growth happening in the third and the fourth

quarters. This slowdown was observed in all the OECD regions.

Developing countries

Growth in non-OECD countries declined as well, though in most of them the decline was not as sharp as in the OECD. Developing countries posted a growth rate of 5.1 per cent compared to 6.6 per cent in 2007. It was the first year of a declining growth rate after a sequence of four years of rapid growth. Just like in the OECD region, the deterioration in growth rates was mainly a phenomenon of the third and particularly fourth quarters. In China, despite the decline, the growth rate was still impressive at nine per cent compared to 13.0 per cent in 2007. India as well held up very well with a GDP growth rate of 5.8 per cent, compared to its growth rate of 6.3 per cent in 2007.

Events in the second half of 2008 put an end to the theory of developing countries being decoupled from the economies of the developed world. The credit crunch that became evident in this half of the year and the additional negative weight that it brought to bear on the “real economy” (after an already declining demand due to the sub-prime crisis) put those countries under unexpected pressure. Investment flows into these economies came to an abrupt halt and demand for their goods declined as well. Global GDP growth, therefore, was at a level of 3.1 per cent in 2008, a sharp decline from 2007 when a five per cent global growth rate was recorded.

North America, Japan and the Euro-zone

The slowdown of 2008 was visible in all three major economies of the OECD — namely the US, Japan and the Euro-zone. The US economy

showed weak growth of only 0.9 per cent in the first quarter of 2008, while in the second quarter, growth improved after the tax-reliefs that were implemented by the administration. Though the second quarter showed a growth of 2.8 per cent, the weakness of the economy became evident when growth came to a halt at a level of -0.5 per cent after a stunning decline of 6.2 per cent in the fourth quarter, bringing the full-year growth to a level of only 1.1 per cent.

The housing market which was at the core of the downturn remained in deep depression with no clear signs of recovery in sight. The sector had been a drag on the economy since 2006 as house prices continued to drop, subtracting from growth for twelve consecutive quarters. According to the Case-Shiller index, home prices in 20 metropolitan areas in the US fell for the 28th month in a row in December, when they stood at 25 per cent below their 2006 peak. The US economy was losing jobs at a very fast pace as well with losses in 2008 totalling 2.6 million, the biggest annual fall since 1945. Consequently, consumers held back, leading to a 0.1 per cent level decline in retail sales figures, the first drop in the Commerce Department’s records.

In Japan, the recession deepened in the last quarter of 2008 as industrial production and exports plunged and the credit crunch intensified. After positive growth of only 0.6 per cent in the first quarter, the last three quarters of 2008 remained negative and recorded the lowest level at -12.1 per cent in the fourth quarter. This quarterly pattern brought the full year growth rate to -0.7 per cent. Output recorded the fourth straight quarterly drop as it tumbled 11.9 per cent in the three months ending in December. Japan’s unemployment rate climbed to 4.4 per cent in December from 3.9 per cent in November, the steepest increase in

41 years as industrial production fell 9.6 per cent in December, the most in more than 50 years.

The Euro-zone economy also slid further into recession with sharp drops in both industrial production and new orders, as well as record low business and consumer confidence levels, further contractions in services and manufacturing, and rising unemployment. The Euro-zone economy grew by 0.8 per cent in 2008, though it also faced a declining trend in the fourth quarter, when it recorded its biggest quarterly decline of -5.9 per cent. The Euro-zone unemployment rate rose to eight per cent in December — a high level, but still lower than historical peaks (though it is expected to rise into the year of 2009).

Russia

Despite the government's efforts to avoid the consequences of the global financial crisis, the tumbling credit system in Russia backfired on the economy in the second half of 2008, with most of its sectors sharply deteriorating in the fourth quarter. Russia was hit hard by the combination of the global credit crunch, restricted access to external financing and the falling price of oil from September 2008. A one-third fall in the value of the Ruble since the summer crippled demand at home and caused an artificial shortage of credit. The growth rate of the Russian economy declined from 8.1 per cent in 2007 to 6.2 per cent in 2008.

Developing countries

Growth in developing countries came under severe pressure in 2008 as a result of the financial crisis which began in the OECD region. The developing countries were dragged into the crisis through the

financial and trade channels. These are expected to have further significant effects on those economies in 2009.

In Asia, China's outstanding economic performance cooled down as the country achieved a nine per cent growth rate in 2008 compared to 13 per cent in 2007. Already before the crisis, a slowdown of some kind had in fact originally been forecast, in consideration of the end of the Olympic Games and with expectations focused on the construction sector. But developments in the OECD area, especially in the US, had an additional effect as the crisis impacted exports, the main engine of growth in China and other Asian developing nations.

Annual economic growth slowed to 6.8 per cent in the fourth quarter of 2008, down from nine per cent in the third quarter and half of its 13 per cent pace in 2007. The second largest economy in the region, India, dropped 2.4 per cent from nine per cent to just 6.6 per cent.

It is apparent that India was one of the countries most affected by the global financial crisis. This was due to the exposure of the Indian economy to external factors (more than the Chinese economy) in terms of financial flows and its current account balance. Other regions suffered similar or worse fates in their growth rates.

The drying up of international finance, the reverse flow of money back to their origins and the severe turbulence in the stock markets led to a significant slowdown in economic activities in 2008. Latin America's growth rate declined by 1.3 per cent compared to the level achieved in 2007. The areas of the Middle East and North Africa were also affected in diverse ways as a result of the volatility in global oil and food prices which were at both extremes of the spectrum in 2008. The high price of oil on average in 2008

Table 2
Comparison: OPEC and non-OPEC developing countries, 2007–08

	2007		2008	
	OPEC	Non-OPEC	OPEC	Non-OPEC
Real GDP growth rate (%)	6.1	6.9	5.9	5.0
Petroleum export value (\$ bn)	730.4	218.5	980.0	295.2
Value of non-petroleum exports (\$ bn)	283.0	2,127.3	331.4	2,346.2
Oil exports as percentage of total exports	72.1	9.3	74.7	11.2
Value of imports (\$ bn)	580.0	2,494.5	730.9	2,949.7
Current account balance (\$ bn)	334.6	89.0	402.8	-81.5
Average Reference Basket price (\$/b)	69.1	–	94.5	–
Crude oil production (mb/d)	31.0	9.3	31.9	9.4
Reserves (\$ bn, excluding gold)	583.7	1,700.1	646.5	1,789.1

Note:

Figures are partly estimated.

Sources:

OPEC Secretariat estimates; OPEC database; IMF, International Financial Statistics; IMF, World Economic Outlook; IMF, Direction of Trade Statistics; Economist Intelligence Unit (EIU), country reports; World Bank Development Indicators.

Table 3
OPEC Member Countries' real GDP growth rates, 2007–08 (%)

	2007	2008
Algeria	4.6	3.8
Angola	21.1	14.0
Ecuador	2.5	2.8
IR Iran	6.4	5.2
Iraq	1.5	9.0
Kuwait	4.6	7.5
SP Libyan AJ	6.8	7.0
Nigeria	5.9	6.2
Qatar	15.9	12.0
Saudi Arabia	3.4	5.3
United Arab Emirates	7.4	7.7
Venezuela	8.4	4.9
Average OPEC	6.1	5.9

Sources:

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

supported the year's 5.7 per cent growth — up from 5.5 per cent in 2007.

OPEC Member Countries

Due to the exceptional period of high oil prices during the first half of 2008, OPEC Member Countries were able to maintain the high growth levels that were recorded in the previous three years though these declined marginally by 0.2 per cent from 6.1 per cent in 2007 to 5.9 per cent in 2008 (**table 3**).

As public spending supported by high oil revenues had enhanced both investment and domestic consumption, the momentum did not slow down during the second half of the year. Inflation became a central issue in OPEC Member Countries as most of them suffered from record increases. But the easing of international prices, especially of food, during the second half of the year eased the problem of inflation and gave space for monetary policy-makers to lower interest rates and advance with fiscal stimulus packages.



Oil market developments

OPEC production

OPEC production in 2008 averaged 32 mb/d, which was 1 mb/d higher than the average of 2007. This, of course, was according to secondary sources. As indicated in **table 4**, the quarterly distribution of OPEC production in 2008 was 32.07 mb/d, 32.09 mb/d, 32.35 mb/d and 31.16 mb/d, respectively.

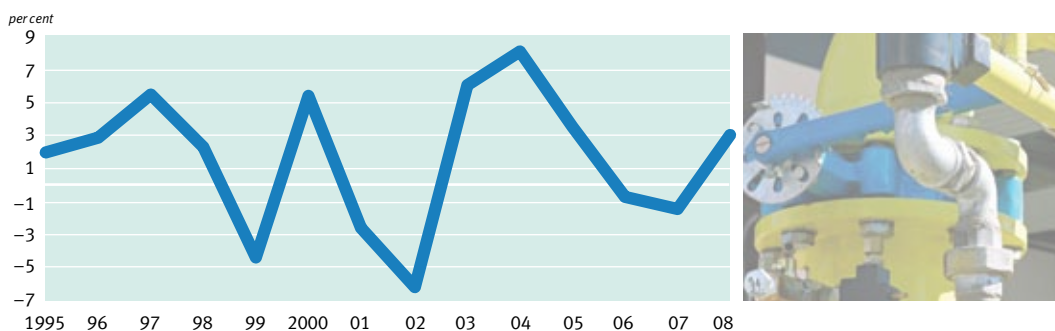
Figure 1 shows the year-on-year (y-o-y) percentage change in the average production for the period 1995–2008. **Figure 2** shows the increase in OPEC supply, the estimated increase in OPEC NGL's and the minor decline in non-OPEC supply. OPEC's share of the world oil supply indicated a minor increase reaching 37.2 per cent in 2008. **Figure 3** shows OPEC's and non-OPEC's shares of global oil supply.

Table 4
OPEC crude oil production, according to selected secondary sources, 2003–08 (1,000 b/d)

	2003	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	Average change 08/07
Algeria	1,134	1,228	1,349	1,365	1,360	1,396	1,401	1,401	1,362	1,390	30
Angola	900	1,019	1,241	1,385	1,660	1,873	1,897	1,845	1,870	1,871	211
Ecuador	416	527	532	536	507	508	502	503	501	503	-3
Indonesia	1,027	968	942	895	844	862	859	852	840	853	10
IR Iran	3,751	3,920	3,924	3,845	3,855	3,934	3,884	3,917	3,815	3,887	33
Iraq	1,321	2,015	1,830	1,932	2,089	2,031	2,387	2,329	2,336	2,338	249
Kuwait	2,166	2,344	2,504	2,520	2,464	2,535	2,582	2,600	2,500	2,554	90
SP Libyan AJ	1,422	1,537	1,642	1,702	1,710	1,751	1,730	1,683	1,697	1,715	5
Nigeria	2,136	2,322	2,412	2,235	2,125	2,044	1,857	1,955	1,931	1,947	-179
Qatar	734	771	792	821	807	839	851	859	815	841	34
Saudi Arabia	8,696	8,957	9,390	9,112	8,654	9,057	9,176	9,460	8,754	9,112	458
UAE	2,243	2,360	2,447	2,540	2,504	2,587	2,609	2,603	2,437	2,559	54
Venezuela	2,312	2,582	2,633	2,539	2,392	2,385	2,360	2,339	2,299	2,346	-46
Total OPEC	28,260	30,550	31,637	31,428	30,970	32,070	32,095	32,347	31,156	31,916	946

Note:
Totals may not add up due to independent rounding.
Source:
OPEC Secretariat assessments of selected secondary sources.

Figure 1: Year-on-year percentage change in OPEC production, 1995–2008



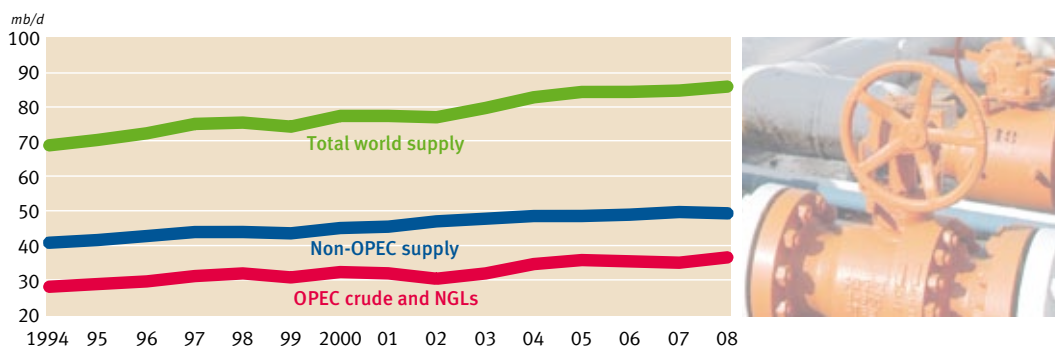
Non-OPEC supply

Non-OPEC supply averaged 49.29 mb/d in 2008, which was 0.2 mb/d lower than the average of 2007 (table 5). On a regional basis, total OECD oil supply averaged 19.6 mb/d in 2008, representing a decline of 0.5 mb/d from the 2007 level. North America’s production experienced a drop of 0.4 mb/d in 2008 compared to 2007 volumes of 14.3 mb/d, as production in Canada and Mexico decreased while the US supply recorded a minor increase. Mature field

declines and project start-up and ramp-up delays were behind the decline in Canada and Mexico, while the hurricanes in the Gulf of Mexico (GoM) reduced the US supply. The OECD Western Europe oil supply averaged 5.1 mb/d in 2008, a drop of around 0.2 mb/d from the 2007 level. Norway, UK and Denmark supplies experienced declines mainly on the back of mature field declines.

Developing countries’ oil supply witnessed an increase of 0.2 mb/d in 2008 over the 2007

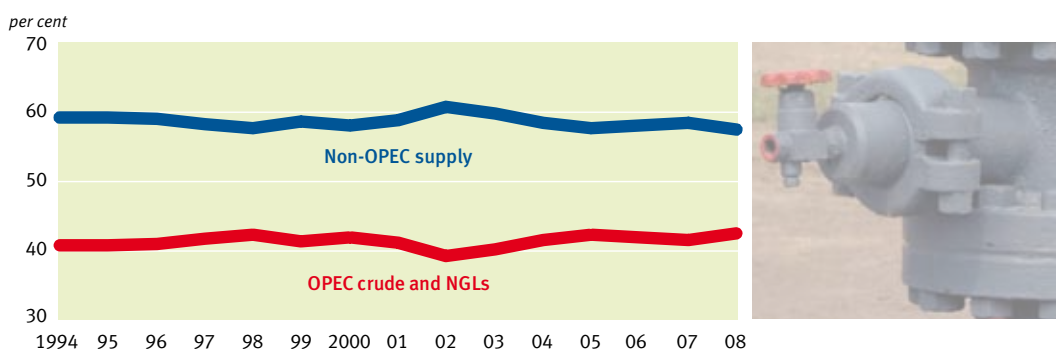
Figure 2: OPEC¹ and non-OPEC² supply, 1994–2008



Notes:

1. Including OPEC NGLs + non-conventional oils.
2. Including processing gains.

Figure 3: OPEC¹ and non-OPEC² market share, 1994–2008



Note:

1. Including OPEC NGLs + non-conventional oils.
2. Including processing gains.

level to average 11.2 mb/d. The increase was supported mainly by supply growth in Brazil and Colombia. Brazil added around 130,000 b/d in 2008 over its 2007 level supported by various projects.

Former Soviet Union

In the former Soviet Union, oil supply experienced a minor increase of 40,000 b/d in 2008 to average 12.56 mb/d. Russia’s oil supply indicated the first decline of 80,000 b/d since 1998. The supply increase from Kazakhstan and the minor increase from Azerbaijan both more than offset the decline in Russia.

Review of oil consumption in 2008

Undoubtedly 2008 was quite a rough year for world oil consumption, showing for the first time since 1983, a y-o-y decrease by –0.3 mb/d. A major distinction can be made between deteriorating OECD and increasing non-OECD oil consumption. Furthermore, the first half of the year showed posi-

tive y-o-y growth of 0.63 mb/d, which turned negative during the third and fourth quarters resulting from an increasing decline in OECD oil demand. This was more than enough to off-set the growth of oil demand elsewhere. Two major causes that negatively affected oil demand in 2008 were high oil prices and the global financial crisis. The first adversely affected oil demand in the first half of the year, and the latter hammered the world oil demand in the second half.

All OECD regions showed a growing consumption decline throughout the four quarters of the year, with the biggest drawbacks taking place in North America, and the USA in particular. The financial crisis led to significant drawbacks in oil consumption in North America of –1.2 mb/d in 2008. The bulk of the declines in North America are explained by consumption drawbacks in transport fuels, especially gasoline (–0.3 mb/d), distillate fuel oil (–0.3 mb/d) and jet fuel (–0.1 mb/d). As the financial crisis spread over to Europe and the Pacific, oil consumption experienced further reductions of a minus 0.7 mb/d during the second half of the year in

Table 5
World supply and demand balance, 2005–08

	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand (mb/d)								
OECD	49.84	49.58	49.17	48.90	47.24	46.62	47.48	47.55
North America	25.56	25.42	25.53	24.84	24.53	23.73	24.13	24.30
Western Europe	15.67	15.68	15.30	15.20	14.89	15.40	15.31	15.20
Pacific	8.61	8.48	8.35	8.87	7.82	7.50	8.04	8.05
DCs	22.58	23.33	24.22	24.79	25.14	25.09	25.00	25.01
FSU	3.86	3.92	3.98	3.97	3.89	4.22	4.39	4.12
Other Europe	0.89	0.91	0.93	1.03	0.96	0.92	0.91	0.96
China	6.71	7.16	7.59	7.97	8.17	8.10	7.67	7.98
(a) Total world demand	23.87	84.90	85.90	86.68	85.40	84.96	85.46	85.62
Non-OPEC supply (mb/d)								
OECD	20.45	20.17	20.14	19.99	19.71	19.08	19.66	19.61
North America	14.14	14.24	14.30	14.20	14.04	13.63	13.88	13.94
Western Europe	5.74	5.37	5.23	5.21	5.04	4.82	5.12	5.05
Pacific	0.58	0.56	0.60	0.58	0.63	0.63	0.66	0.63
DCs	10.82	10.95	10.98	11.15	11.15	11.21	11.26	11.19
FSU	11.55	12.02	12.52	12.62	12.67	12.46	12.49	12.56
Other Europe	0.16	0.15	0.15	0.13	0.13	0.13	0.12	0.13
China	3.64	3.69	3.77	3.82	3.88	3.85	3.85	3.85
Processing gains	1.86	1.90	1.92	1.95	1.95	1.95	1.95	1.95
Total non-OPEC supply	48.48	48.89	49.48	49.66	49.49	48.67	49.34	49.29
OPEC NGLs+NCF oil	4.07	4.07	4.21	4.44	4.60	4.64	4.75	4.61
(b) Total non-OPEC supply and OPEC NGLs + NCF oil (mb/d)	52.54	52.96	53.69	54.10	54.09	53.32	54.09	53.90
OPEC crude oil production¹	31.64	31.43	30.97	32.07	32.09	32.35	31.16	31.92
Total supply (mb/d)	84.18	84.38	84.66	86.17	86.19	85.66	85.25	85.82
Balance (stock change and misc.)	0.31	-0.52	-1.24	-0.50	0.80	0.70	-0.20	0.20
Opening stock level (outside FCPEs) (mb)								
OECD onland commercial stocks	2,585	2,666	2,569	2,573	2,603	2,657	2,703	2,703
OECD SPR	1,487	1,499	1,524	1,527	1,529	1,522	1,526	1,526
OECD total stocks	4,072	4,166	4,093	4,099	4,132	4,178	4,228	4,228
Oil on water	958	916	943	929	929	899	924	924
Days of forward consumption in OECD								
Commercial onland stocks	52	54	54	54	56	56	57	58
SPR	30	30	32	32	33	32	32	33
Total	82	85	86	87	89	88	89	91
Memo items (mb/d)								
FSU net exports	7.69	8.10	8.54	8.65	8.79	8.23	8.10	8.44
(a – b)	31.33	31.95	32.20	32.58	31.30	31.64	31.37	31.72

Notes:

1. Secondary sources.

NCF: non-conventional fuels.

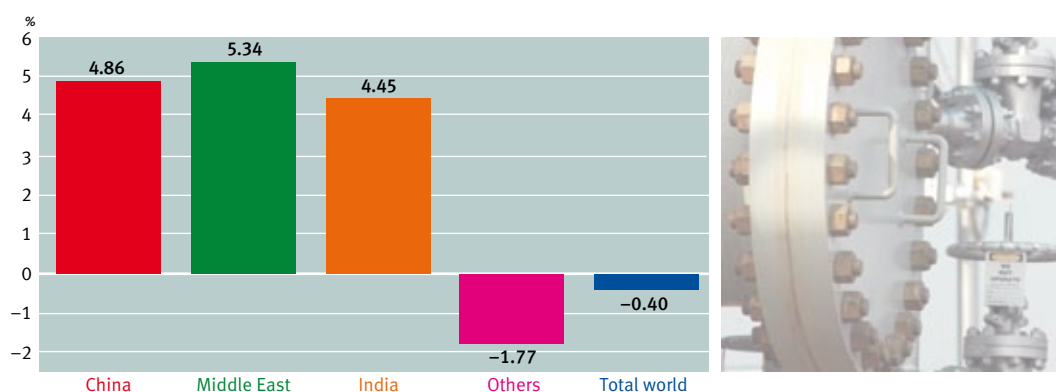
Totals may not add up due to independent rounding.

both regions, with transport and industrial fuels accounting for most of the reductions. Although it was cold in Europe (11 per cent colder than normal), which led to higher consumption of heating and residual fuel oil in the fourth quarter, this did not offset the decline in other products. In general, 2008 recorded one of the steepest declines in oil consumption in recent years in the OECD and

with the financial crisis still ahead, fears of even more decline is imminent.

The situation for non-OECD regions is a different one. Although oil consumption in some regions of developing countries such as Other Asia, Latin America and Africa, started showing weakening signals during the second half of the year, especially in the fourth quarter, consumption in

Figure 4: Oil demand growth in 2008 by region

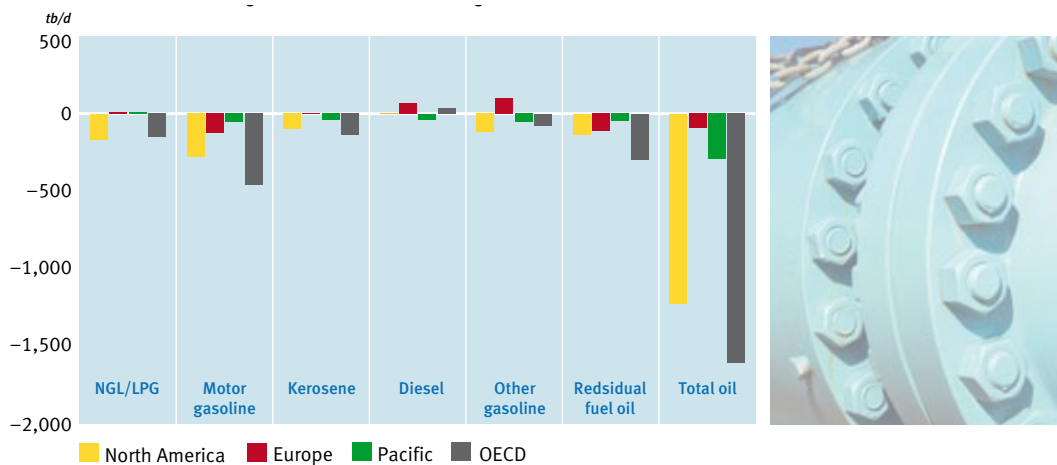


non-OECD countries showed a robust increase of 1.5 mb/d in the first three quarters of the year. Due to the spill-over of the financial crisis, non-OECD oil demand lost half of its growth and declined to only 0.8 mb/d in the fourth y-o-y decline. Particularly during the fourth quarter, a number of countries in Other Asia — mainly Taiwan, Thailand, Singapore, Malaysia and Indonesia — experienced reduced oil consumption, while at the same time, Indian oil consumption appeared to be weaker when compared to previous quarters of 2008. In the Latin America region, Brazil and Venezuela dominated the bulk of oil demand growth during

2008. Middle East oil consumption remained robust throughout the year with an average growth of 0.4 mb/d, with Saudi Arabia and Iran being the major contributors.

Although some signs of fading Chinese oil consumption were observed during the last two months of 2008, China consumed an additional 0.4 mb/d during 2008, as had been initially forecast, thereby remaining the biggest contributor to oil consumption growth. The country's net oil imports in 2008 averaged 4 mb/d, an excess of 0.34 mb/d or nine per cent from 2007. However, it did not reach the massive growth of 20 per cent that was recorded in 2006.

Figure 5: OECD oil demand growth, 2008



Balance of supply and demand

Table 6 shows that non-OPEC supply including OPEC NGL's and non-conventional oil increased by 0.2 mb/d over the 2007 level to average 53.9 mb/d. In contrast, world oil demand contracted by 0.3 mb/d to average 85.6 mb/d. This resulted in a decline of 0.5 mb/d in demand of OPEC crude to 31.7 mb/d. OPEC crude oil produc-

tion increased by about 0.95 mb/d in 2008 to average 31.9 mb/d resulting in a positive balance of 0.2 mb/d.

Stock movements

OECD total oil inventories, including commercial and government stocks increased by a massive 137 mb, or three per cent, in 2008 to end the

Figure 6: Oil demand growth, 2008

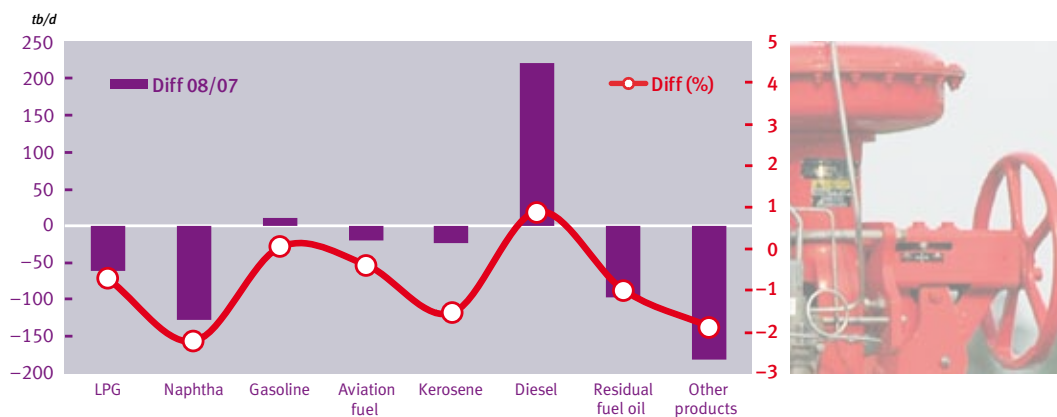
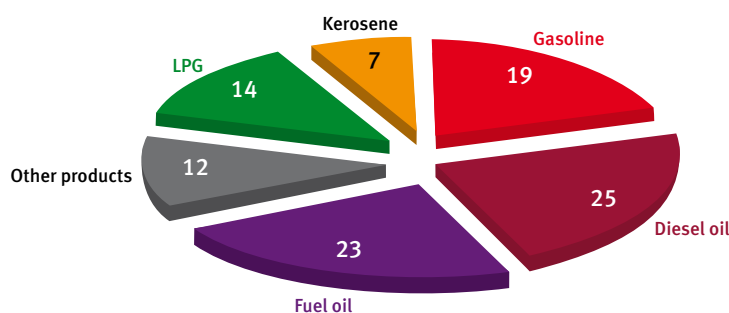


Figure 7: Middle East product share, 2008 (%)



year at 4,228 mb, the highest level since October 2006. In 2007, OECD total oil stocks witnessed a draw of 72 mb. This build which corresponds to 0.37 mb/d was attributed to commercial oil stocks which rose 134 mb with North America accounting for 74 mb or 55 per cent and Europe for 59 mb or 44 per cent while in the Pacific, commercial oil stocks remained unchanged. Government stocks or Strategic Petroleum Reserve (SPR) increased by a marginal 2 mb. However, the SPR had witnessed an upward trend since the end of 2007, before it dropped in the third quarter of 2008 following the release of stocks in the aftermath of the Hurricanes that hit the USA.

Additionally, former US President George W Bush's decision of May 2008 to suspend deliveries of crude oil into the SPR until the end of 2008 due to high prices at the time also contributed to the slowdown in the build of SPR. It is worth mentioning that OECD SPR reached its all-time high of 1,530 mb in mid-2008.

Almost 100 mb of the build of OECD commercial oil stocks took place in the second half, shared at 54 per cent by the third and 46 per cent by the fourth quarters. However, if the build of the third quarter was just higher than the seasonal build, the

fourth quarter witnessed a contra seasonal build of 50 mb compared to seasonal draw of 60 mb observed on average in the previous five years.

The significant build in OECD stocks came as a result of the imbalance between supply and demand, reflecting the huge oversupply which characterized the market, particularly in the fourth quarter as demand dropped significantly. The weakness in OECD demand resulted to a massive cut in refinery runs which left crude oil contributing with 76 mb or 58 per cent to the build of 134 mb and products with the remaining 58 mb.

Commercial crude oil increased 76 mb in 2008, the highest since early 1990s, to end the year at a very high level of 1,273 mb, which corresponds to more than 50 mb higher than the average of the previous five years (2003–07). Almost 80 per cent of the build took place in North America, particularly in the USA. Europe saw commercial crude oil inventories gain 15 mb in 2008 while in the OECD Pacific, stocks remained almost stable. Product stocks also ended the year at a very comfortable level of 1,430 mb, which implied a 40 mb above the average of the previous five-years. However, contrary to crude oil, Europe was the main contributor to the increase in OECD product commercial

stocks with 44 mb or 3/4 while North America accounted for the remaining 1/4.

Oil on water dropped 19 mb in 2008 to stand at 924 mb. Most of the drop took place in the fourth quarter due mainly to cuts in OPEC production.

Oversupply also led to stock increases in some other countries, particularly in China where the first phase of SPR consisting of 102 mb was completed and fully filled. Additionally, floating storage also increased sharply in the fourth quarter of 2008 and many vessels were booked.

Oil price movement

The market began the year on a speculative note that stoked fears of higher price forecasts despite looming recession in the US and a slowdown in the global economy. But it was strengthened by the FED interest rate cut and economic stimulus plan.

During the year also, Ecuador's Oriente crude with 23.8° API and 1.4 per cent wt sulphur content was added to the OPEC Reference Basket, (ORB), which shed its monthly average by a marginal 17¢/b.

Renewed geopolitical developments in the Middle East and South America, as well as tight supply from West Africa, kept the bulls intact, while a healthy build in US crude oil stocks and gasoline supply kept the market from rising further.

The continued weakening of the US dollar sparked investments in the energy market, strengthened the bulls and caused record-high prices, while concerns over the growth of the economy adversely affected oil demand and kept volatility in place. Also, further price developments were capped by unrest in Middle East geopolitics and weak economic indicators, which revived fears of a recession.

While lower refinery output and developments in the geopolitics of the Middle East, West Africa and Europe sustained the bullish momentum, the volatility of the US dollar, as well as a gloomy economic outlook and weak demand caused prices to fluctuate. Yet, healthy demand from China kept demand firm.

In May, the bullish momentum continued as the development in Middle East geopolitics, port workers' strikes in France and speculative forecasts for oil prices fed market place uncertainty.

Table 6
Summarised supply and demand balance, 2006–08 (mb/d)

	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	Growth 08/07
(a) World oil demand	84.90	85.90	86.68	85.40	84.96	85.46	85.62	-0.28
(b) Non-OPEC supply ¹	52.96	53.69	54.10	54.09	53.32	54.09	53.90	0.21
Difference (a–b)	31.95	32.20	32.58	31.30	31.64	31.37	31.72	-0.49
OPEC crude oil production ²	31.43	30.97	32.07	32.09	32.35	31.16	31.92	0.95
Balance (stock change and miscellaneous)	-0.52	-1.24	-0.50	0.80	0.70	-0.20	0.20	1.44

Notes:

1. Including OPEC NGLs.

2. Selected secondary sources.

Totals may not add up, due to independent rounding.

Also, the market remained volatile as a result of the continued fluctuation in the US dollar and supply disruptions from West Africa. Developments in Middle East geopolitics along with France' port workers' strike continued to disrupt petroleum shipments. This also fed the market's bullish momentum while fears over tight-end products and persistent low refinery run rate kept alertness in place.

Some bears were, however, kept in check by demand growth which was dented by forecasts of lower subsidies from Asian nations. Higher OPEC supply also brought calm to the market.

Market bullishness was again revived by the looming tropical storm in the Atlantic which heightened fears of potential infrastructure disruption. This was in the midst of depleting underground natural gas storages, a situation that saw its futures rise to its highest level since December 2005.

The fear premium was boosted by the threat of a conflict in the Middle East, which raised concerns of supply disruptions. Despite higher OPEC exports and a production boost by a Middle East major as producers and consumers met in Jeddah, Saudi Arabia, escalation in the Middle Eastern geopolitical situation and the continued fluctuation of the US dollar stoked market volatility. Also, a storm threat in the GoM revived worries of disruption to the petroleum infrastructure and raised

concerns of supply shortfall. As a result, the fear induced by speculation continued to weigh on higher exports.

Though geopolitical tensions in the Middle East continued to dominate market bullishness, this sentiment began to ease as concern over slower demand growth in the midst of the prevailing weak economic signals continued. This also kept the ORB deteriorating further.

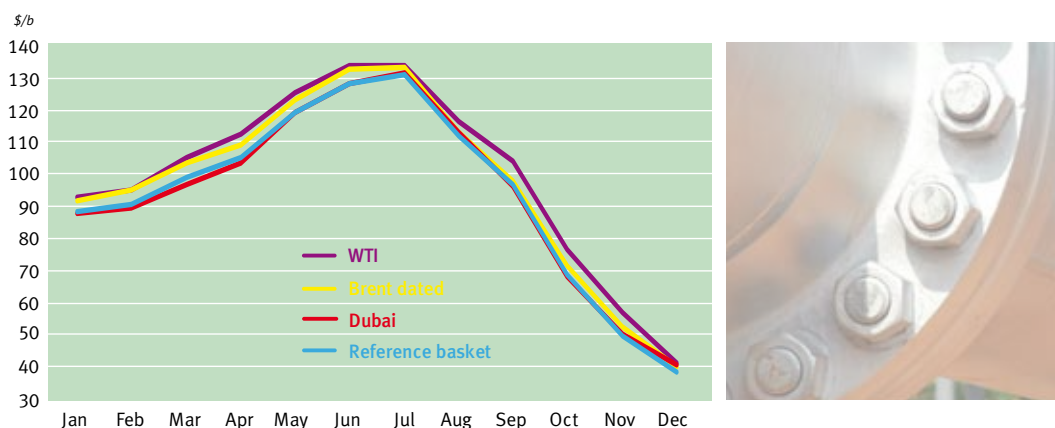
While higher OPEC export calmed market sentiment, China's lower imports raised concern about demand growth. However, geopolitical factors in the Middle East, the Caucasus and West Africa kept some bulls intact, while the Energy Information Administration's (EIA) speculation on OPEC production reduction heightened fears over crude oil tightness in the marketplace.

As unplanned refinery outages and depleting gasoline supply capped the bulls in August, a weak economic outlook, which dented demand growth, as well as the strengthening of the US dollar supported the bearishness in the marketplace. Also, a lower OPEC output policy at its September Ministerial meeting and tight supply from a Middle East major kept the market in balance. With the hurricanes sparing the petroleum infrastructure in the US Gulf Coast and the GoM, concerns over supply shortfall eased, but the tumbling of the financial market brought back

Table 7
Closing stock level (outside FCPEs) (mb/d)

	4Q07	1Q08	2Q08	3Q08	4Q08
OECD onland commercial	2,569	2,573	2,603	2,657	2,703
OECD SPR	1,524	1,527	1,529	1,522	1,526
OECD total	4,093	4,099	4,132	4,178	4,228
Oil-on-water	943	929	929	899	924

Figure 8: Monthly oil price movements, 2008



Notes:

1. Including OPEC NGLs + non-conventional oils.
2. Including processing gains.

fears of recession that had dominated the global market.

As the months rolled by and the financial crisis continued, petroleum demand growth was dented by the dominant bearish outlook. Also, uncertainty over the US bailout plans continued to stoke fears of a looming recession and the worldwide spread of the turmoil. Added to the fear were losses in the equity market despite attempts by central banks around the world to safeguard the financial system.

An early perception of OPEC output cuts boosted fears of tight supply, while the reduction of expenditure plans by a major multinational oil company caused a further loss of momentum in the equity market.

In October, the ORB average dropped by nearly 29 per cent, the largest one month drop recorded since August 2007. The announcement by some nations that they were in recession plunged the equity market to a five-year low, thereby fanning fears of further oil demand destruction. Despite the stimulus bailout plan which injected new capi-

tal and lower interest rates, a supply shortfall was foreseen as OPEC geared up to lower production. The bears at this point dominated.

The International Energy Agency (IEA) and the EIA forecasts were of lower petroleum demand growth in the midst of an already slowing procurement and refinery cut throughput on weak margins.

A rebound in the US dollar against major currencies also inspired the exit of investors in the futures market, while lower prices by major financial institutions prompted funds sell-offs for profit taking. Demand growth was dented by the weak economy and tight OPEC supply while a surprise production cut by major non-OPEC producers capped the downturn. However, mixed signals from the IEA and EIA on demand growth and supply caused a resurgence of volatility.

In the final days of the year, geopolitical concerns, arising from the Middle East conflict and Russia’s halting of natural gas supplies to Ukraine revived some level of bullishness. Nonetheless, the OPEC Reference basket averaged the year at

\$94.45/b after peaking in July when it averaged \$131.22/b.

Quarterly movement

In **January** 2008, the average OPEC Reference Basket price was \$1.31 or 1.5% higher at \$88.35/b amid revived geopolitical concerns. The Basket had been sharply volatile in January, reaching a record-high of \$93.78/b on 3 January before declining again to \$83.84/b on 22 January, the lowest level in about three months. This was a time when the market was shaken by fears of recession in the US and a slowdown in the global economy. But the FED interest rate cut along with an economic stimulus plan helped strengthen the market.

The ORB averaged a record \$90.64/b in **February**, a gain of \$2.29 or 2.59 per cent. It is worth noting that Ecuador's Oriente crude with API 23.8^o and 1.4 per cent wt sulphur content was added to the ORB, which shed its monthly average by a marginal 17¢/b. Revived geopolitical developments in the Middle East and South America, as well as the continued tight supply from West Africa, kept the bulls intact. While healthy build in US crude oil stocks and gasoline supply kept the market from further rise, the continued weakness of the US dollar inspired investments in the energy market, and in the process, lending support to the bullishness in the marketplace. In **March**, a weak US dollar exchange rate against major currencies inspired investment into commodities in general and petroleum in particular, setting record high prices. On the other hand, concern over the growth of the economy which dented oil demand kept volatility in place. Meanwhile, refining margins were not able to catch up with the pace. Geopolitical unrest in the Middle East added to market bullishness while

weak economic indicators revived fears over recession and capped further price development. The basket peaked at a record high of \$102.88 to average the month at \$99.03 for a surge of \$8.39, or over nine per cent, higher than February.

The ORB in **April** averaged a record \$105.20/b, up by \$6.13 or well over six per cent. Lower refinery output and geopolitical developments in the Middle East, West Africa and Europe sustained the bullish momentum. Volatility of the US dollar, gloomy economic outlook and weak demand also caused prices to fluctuate. Still, healthy demand from China kept demand firm.

In the first days of **May**, the bullish momentum continued as developments in Middle Eastern geopolitics, port workers' strikes in France and speculative forecasts for oil prices fed market place uncertainty, while fluctuation in the US dollar and supply disruption from West Africa caused the market to remain volatile. The situation in the Middle East and France also disrupted petroleum shipment. This also fed the market's bullish momentum while fears over tight-end products and persistent low refinery run rates kept alertness in place. Some bears, however, were kept in check by demand growth which was dented by forecasts of lower subsidies from Asian nations, while higher OPEC supply helped to ensure calm in the market.

The basket averaged a record \$119.39/b in **May** with a gain of \$14.23, or 13.5 per cent, though the bullishness was again revived by the looming tropical storm in the Atlantic which heightened fears of potential infrastructure disruptions. This was in the midst of depleting underground natural gas storages, a situation that saw its futures rise to its highest level since December 2005.

The fear premium was boosted by the threat of a conflict in the Middle East, creating concerns of supply disruptions. Despite higher OPEC exports and a

production boost by a Middle East major as producers and consumers met in Jeddah, Saudi Arabia, escalation in the Middle East's geopolitical situation and the continued fluctuation of the US dollar stoked market volatility. Also, a storm threat in the GoM revived worries of disruption to the petroleum infrastructure and raised concerns over supply shortfalls. As a result, the fear induced by speculation continued to weigh on the higher exports.

In **June**, the ORB averaged \$8.95 or 7.5 per cent higher to close at \$128.34/b, a record monthly average. In July, the ORB emerged from the first week with an average jump of \$6.71, or over five per cent, to settle at its highest weekly average ever at \$138.31/b, after peaking at \$140.73. Geopolitical tensions in the Middle East dominated market bullishness.

Nevertheless, the sentiment eased during the rest of the month with concern over slower demand growth in the midst of weak economic signals keeping the ORB on a downward trend at \$13.55 or almost ten per cent lower. Yet, the monthly average was \$2.88, or well over two per cent, settling at \$131.22/b, a record high.

In the midst of a weak economic outlook which dented demand, the basket eased in **August**. While higher OPEC export calmed market sentiment, China's lower imports raised concern over demand growth. However, geopolitical factors in the Middle East, the Caucasus and West Africa kept some bulls intact, while the EIA's speculation on OPEC production reduction heightened fears over crude oil tightness in the marketplace.

As unplanned refinery outages and depleting gasoline supplies capped the bulls in August, the ORB averaged \$18.81 or well over 14 per cent lower for the month, a departure from the record high reached in July. A forecast weak economic outlook which dented demand growth supported

the bearishness in the marketplace as a strengthening US dollar added to the bearish momentum.

Lower OPEC output policy at its Ministerial Meeting and tight supply from a Middle East major kept the market in balance. With the hurricanes greatly sparing the petroleum infrastructure in the US Gulf Coast and the GoM, concerns over supply shortfall eased but the tumbling of the financial market brought back fears of recession that had dominated the global market.

The Basket in **September** averaged \$15.56 lower, or nearly 14 per cent, to settle at \$96.85/b, the lowest in eight months. In October, the Basket dropped to \$55.90/b, the lowest level since March of the previous year.

As the financial crisis continued, petroleum demand growth was dented by the dominant bearish outlook. Also, uncertainty over the US bailout plans continued to stoke fears of looming recession and the worldwide spread of the turmoil. Adding to the fear were losses in the equity market despite attempts by central banks around the world to safeguard the financial system.

An early perception of OPEC output cut boosted fear over tight supply. However, the reduction of expenditure plans by a major multinational oil company caused a further loss of momentum in the equity market. Thus, the basket in October averaged \$69.16/b, a drop of \$27.69, or nearly 29 per cent, the largest recorded one-month drop since August 2007. The downward movement dominated by a bleak economy continued for the fifth consecutive month.

The announcement by some nations that they were in recession plunged the equity market to a five-year low, thereby fanning fears of further oil demand destruction. Despite the stimulus bailout plan which injected new capital and lower interest rates, there was an expected supply short-

fall as OPEC geared up to lower production. The bears at this point dominated.

A rebound in the US dollar against major currencies also inspired the exit of investors in the futures. The ORB in November averaged 28 per cent lower, or \$19.40, at \$49.76/b. The volatility continued with the US dollar fluctuation, while forecasts of lower prices by major financial institutions prompted funds sell-offs for profit taking. As the weak economy continued to dent demand growth, a plunge in the equity market lent support to the bearishness.

Tight OPEC supply and a surprise production cut by major non-OPEC producers capped the downturn. However, mixed signals from the IEA and EIA on demand growth and supply caused a resurgence of volatility.

In the final days of 2008, geopolitical concerns, arising from the Middle East conflict and Russia's halting of natural gas supply to Ukraine, revived some level of bullishness. Nonetheless, the ORB average in December was down by \$11.16, or 22.4 per cent lower, to settle at \$38.60/b, closing the month at \$35.58 to average the year at \$94.45/b after peaking in July when it averaged \$131.22/b.

The refinery industry

In 2008, the middle distillate market was strong compared to other components of the barrel's complex. Refiners also switched their operation mode in favour of middle distillates. However, in the later part of 2008, the deterioration of the world economy and its impact on demand had adverse effect on the demand for diesel. This exerted a downward pressure on middle distillate crack spread and refinery margins. Additionally, the increase in conversion capacity in 2008 by around 0.8 mb/d contributed to ease further tightness in distillates markets. At the end of 2008, the gasoline situation improved, but

with the lack of refineries' constraint, the gasoline market may lose its strength later and this could increase the downward pressure on refinery runs and, consequently, on crude fundamentals.

Refining margins dropped significantly across the world particularly in the US, with the exception of September 2008 when almost 3 mb/d of refinery capacity went off temporarily due to the damage caused by hurricanes Gustav and Ike. US refining margins for WTI crude on the US Gulf Coast fell to minus \$1/b in November, but recovered the following month in part because of the unusual weakness of WTI rather than improvement in the products fundamentals.

These circumstances forced American refiners in the last part of 2008 to run much lower than normal seasonal levels. Typically, US refiners increased throughputs up to 93 per cent, but amid lower demand and poor margins, crude runs hardly reached 87 per cent.

Bearish developments in the refining economics also forced refiners to cut capital expenditures, keeping products lean amid faltering demand. The slow margins and declining demand also led refiners to run at their lowest levels compared with the seasonal levels, especially in December 2008, when world crude runs went down close to 2 mb/d across the globe.

Tanker market

The global tanker market experienced a remarkable performance during the first half of 2008 before easing in the last five months of the year. Compared to 2007, all reported spot freight rates experienced remarkable increases with crude oil tankers freight rates increasing by 42 per cent on average and product tankers freight rates increasing by 13 per cent on average.

Given the financial and economic crisis in 2008, such annual gains are considered a remarkable performance for the tanker market. For comparison, freight rates in the bulk tanker market dropped by an average of ten per cent in the same period. Factors that contributed to this remarkable performance include:

Significant changes in import patterns which took place in 2008 for crude imports in countries like the USA, Japan and China. These changes supported long haul voyages against shorter ones and had considerable effect on tonnage availability in the market throughout the year.

Expansion in tanker fleet capacities were modest in 2008 compared to previous years. The very large crude carrier (VLCC) fleet expanded by less than one per cent, the Suezmax fleet shrunk by 1.5 per cent and the Aframax fleet increased by seven per cent, compared to 2007. The three fleets expanded in 2007, compared to 2006, by four per cent, six per cent and five per cent, respectively.

Floating storage capacity increased by over 20 per cent in 2008 compared to 2007. In addition to the semi-permanent storage at sea, floating storage increased significantly during the fourth quarter of the year in response to the contango structure in crude oil market. Estimates put the number of VLCCs tied-up in storage purposes in January 2009 at between 35 and 40 vessels. This constituted seven per cent to eight per cent of the global VLCC fleet.

Extra tonnage was also taken out of the market in 2008 due to the significant increase in port delays compared to 2007. Factors like cargo operations at ports, port strikes, political unrest, bad weather and hurricanes all contributed to the

longer port delays, from an average of 2.6 days for the VLCC sector in 2007 to 4.3 days in 2008. It is estimated that longer port delays in 2008 were the equivalent to removing 17 VLCCs and 20 Suezmaxes from the market.

Despite increases in bunker prices during the first eight months of the year, ship owners' margins more than doubled in 2008 compared to 2007. This was mainly due to higher freight rates during the year which translated into higher per barrel cost of transportation, offsetting adverse effects on margins of increases in bunker prices.

The VLCC sector was the most robust in 2008 with freight rates increasing by an average of 51 per cent compared to 2007. Within this sector, freight rates on the long haul Middle East to East route increased by 49 per cent. Freight rates on the Suezmax sector increased in 2008 by 44 per cent compared to 2007, while rates for the Aframax sector increased by 37 per cent over the same period.

In contrast to the crude oil tanker market, the product tanker market was firmer in the second half of 2008 compared to the first half, increasing by an average of eight per cent both to the East and West of Suez. For the entire 2008, freight rates for the product tanker market increased by a lower percentage compared to the crude tanker market. To the East of Suez, freight rates increased by an average of 24 per cent in 2008 compared to 2007 when rates increased by 37 per cent for the Middle East to East clean route. To the West of Suez, clean spot freight rates increased by an average of eight per cent compared to 2007, with the Caribbean to the US route indicating the highest increase of 16 per cent.

Table 8
Average monthly spot prices for selected crudes, 2008 (\$/b)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008
OPEC Basket	88.35	90.64	99.03	105.16	119.39	128.33	131.22	112.41	96.85	69.16	49.76	38.60	94.45
Arab Light	88.75	91.26	99.23	106.05	120.59	129.35	132.75	113.69	97.57	69.14	50.09	38.82	95.16
Basrah Light	85.21	88.80	97.19	103.28	116.35	124.46	127.00	109.16	94.84	67.99	49.11	37.27	92.08
BCF-17	80.59	80.36	89.12	94.10	106.20	116.16	124.51	110.48	96.17	65.86	40.37	31.65	86.73
Bonny Light	94.85	96.98	106.68	112.52	126.55	136.44	137.64	116.93	100.48	74.57	56.11	43.10	100.60
Es Sider	91.40	94.28	103.03	108.42	122.50	131.69	132.14	111.98	97.28	71.22	51.86	39.60	96.65
Girasol	88.68	92.13	101.46	107.38	121.76	130.89	131.35	110.26	96.68	70.63	51.76	40.30	95.64
Iran Heavy	86.36	88.51	96.68	102.23	116.47	124.66	126.75	108.10	93.04	66.33	47.55	36.88	91.49
Kuwait Export	85.63	87.77	95.58	101.25	115.79	124.37	127.57	108.84	93.15	65.88	47.13	36.47	91.16
Marine	88.35	90.12	97.67	104.30	119.27	129.25	132.73	113.53	97.78	68.94	50.58	41.24	94.86
Minas	95.33	95.55	104.62	109.02	126.50	136.49	139.76	119.07	101.63	76.80	56.48	41.80	100.65
Murban	92.04	94.25	102.15	109.44	124.84	134.56	137.94	119.50	101.32	71.52	53.05	43.15	99.03
Oriente	79.38	80.80	90.27	98.06	111.25	119.13	119.43	102.13	89.52	60.57	40.17	29.56	85.43
Saharan Blend	93.60	96.73	105.68	111.57	125.15	133.94	134.49	114.33	99.48	73.02	53.86	41.35	98.96
Other OPEC crudes													
Arab Heavy	82.85	84.96	92.67	97.66	112.00	120.62	124.09	105.47	89.92	63.48	44.94	34.38	88.12
Dubai	87.35	89.40	96.72	103.41	118.86	127.82	131.27	112.86	95.90	67.82	49.84	40.46	93.85
Dukhan	91.15	94.01	101.34	107.89	124.42	134.08	137.40	118.07	101.05	70.51	51.88	40.95	98.39
Forcados	93.89	97.23	106.03	113.29	127.87	137.85	138.16	116.85	103.30	76.83	57.14	45.22	101.42
Iran Light	89.21	91.76	99.35	105.92	119.39	127.89	128.19	110.95	97.56	70.81	51.72	40.03	94.66
Tia Juana Light	85.52	87.93	96.80	103.29	116.45	125.62	127.71	110.04	96.65	69.58	47.44	35.26	92.25
Zueitina	91.85	94.73	103.48	108.97	123.15	132.54	133.19	113.03	98.33	72.07	52.71	40.55	97.42
Other non-OPEC crudes													
Brend, dated	92.00	94.98	103.58	108.97	123.05	132.44	133.19	113.03	98.13	71.87	52.51	40.35	97.37
Isthmus	88.07	90.28	99.79	106.60	120.43	129.90	130.98	112.63	100.15	71.96	49.77	37.27	95.22
Oman	88.54	90.12	97.82	104.09	119.15	128.32	132.81	113.28	96.13	68.34	50.04	40.91	94.51
Suez Mix	86.38	88.49	95.81	102.44	115.40	124.58	126.68	109.32	94.76	67.57	48.86	36.66	91.68
Tapis	97.44	100.24	109.06	116.55	130.56	140.71	144.66	124.40	106.54	77.97	56.70	44.87	104.55
Urals	89.22	91.14	98.95	105.75	119.11	127.73	130.06	112.17	97.61	70.51	51.79	40.03	94.87
WT Intermediate	92.87	95.32	105.41	112.64	125.66	133.93	133.82	116.58	104.15	76.62	57.12	41.45	100.00
WT Sour	88.35	90.32	100.80	107.12	120.79	130.50	131.61	114.16	102.26	73.68	51.47	38.96	96.23
Differentials													
Bonny L–Arab H	12.00	12.02	14.01	14.86	14.55	15.82	13.55	11.46	10.56	11.09	11.17	8.72	12.48
Bonny L–Saharan B	1.25	0.25	1.00	0.95	1.40	2.50	3.15	2.60	1.00	1.55	2.25	1.75	1.64
Brent–WTI	-0.87	-0.34	-1.83	-3.67	-2.61	-1.49	-0.63	-3.55	-6.02	-4.75	-4.61	-1.10	-2.63
Brent–Dubai	4.65	5.58	6.86	5.56	4.19	4.62	1.92	0.17	2.23	4.05	2.67	-0.11	3.52

Sources:

OPEC Secretariat assessments; direct communications; Platts.



Activities of the Secretariat

Office of the Secretary General

For the first time since 2003, the year 2008 saw continuity in the leadership of the Secretariat as Abdalla Salem El-Badri entered the second year of his tenure as Secretary General.

As in previous years, the Secretary General's Office (OSG) carried out its functions which were geared towards satisfying the requirements of the Chief Executive in the execution of his duties.

In doing so, great attention was paid to the detailed preparation of documents for — and servicing meetings of— the Conference, the Ministerial Monitoring Sub-Committee (MMSC) and the Board of Governors (BoG), as well as a variety of other high-level meetings.

The OSG was also occupied with taking minutes of these meetings, writing *précis* of the discussions that took place and preparing summaries of the decisions taken, as well as preparing formal, edited minutes of the deliberations for distribution to Ministers, Governors and Management, as appropriate.

The Office of the Secretary General also coordinated the Secretariat's protocol and organized the many missions conducted by the Secretary General during the course of the year.

The Legal Office

As the legal arm of the Secretariat, the Legal Office (LO) contributed to the promotion of the rule of law within the Organization and in its relation with governments, organizations, enterprises and individuals. It monitored, maintained and defended the legal claims and interests of the Organization on internal and international legal issues.

On internal issues, the office provided legal advice to the Organization in matters pertaining to OPEC's governing bodies. It did so by providing legal opinions through the Secretary General on issues relating to and arising from the OPEC Conference and the BoG, and by providing ad hoc reports to the Secretary General and governing bodies as and when required.

The LO also analysed, advised on, recorded and followed up legal aspects of documents prepared for — and of decisions taken by — the governing bodies relating to the Organization's rules and procedures. It provided legal advice and expertise to the Secretary General and management on issues which included:

- Interpretation of staff regulations as they affected staff benefits and welfare;
- Drafting and review of contracts and agreements with external entities and individuals;
- International legal issues on which it reverted to the Secretary General and, through him, to the governing bodies from time to time;
- Relations between OPEC and the Republic of Austria regarding amendments to the Host Agreement;

The LO also undertook missions which dealt with international legal issues of significance to OPEC, submitting mission reports to the Secretary General about the implications of such internation-

al legal developments to the Organization and its Member Countries.

Furthermore, it organised workshops and attended a number of training programmes during the year. These included:

- workshop on OPEC and International Law: Issues, Challenges and Prospects;
- workshop on Economic Aspects of Upstream Petroleum Contracts;
- training on Specialized Arbitration and Advocacy Skills in International Oil and Gas Disputes;
- training on Employment Covenants and Confidential Information, Remedies for Torts and Breach of Contract, e-Commerce and Software Agreements Master Class
- the International Bar Association (IBA) Conference.

Furthermore, the LO contributed to the general work of the Secretariat through its membership in important committees like:

- a. Headquarters' premises project team;
- b. Committee on the Medium-term Programme.

Research Division

For the year 2008, the overall direction of the Research Division (RD), and its priorities in the output and activities, reflected the key areas of focus as identified in the Medium-Term Programme of the Secretariat (MTPS), which is primarily based on the Organization's Long-Term Strategy.

Core activities of the Research Division

Operating under the office of the Director of Research, and comprising the technical departments of Data Services, Energy Studies, Petroleum Market Analysis,¹ Multilateral Relations,² and

Library,³ the Division focused its core activities on:

- providing OPEC Ministerial Conferences, the BoG, the Economic Commission Board (ECB), technical committees (and through them, Member Countries) with essential data, analyses, forecasts and reports on key issues pertaining to developments in energy markets in general, and in oil markets in particular, in support of their decision-making processes;
- contributing to the enhancement of understanding of pertinent, technological advances such as new technologies that affect oil supply, renewable sources of energy and policies;
- improving modelling capabilities for forecasting demand, supply and price;
- supporting the enhancement of Member Countries' cooperation in strengthening relevant technological capabilities for the oil sector;
- following relevant debates and policy developments in the international fora and in multilateral negotiations, reporting thereon to Member Countries, and providing support services that assist Member Countries in drawing-up their positions in these international processes;
- analysing and reporting on global and multilateral issues pertaining to the international hydrocarbons industry (e.g., COP/ CMP, WTO, UNCSD);
- promoting dialogue with consumers, producers and relevant organizations at various platforms and levels of interaction, in close cooperation with the International Energy Forum (IEF).

¹ Renamed Petroleum Studies Department as of 1 October 2008.

² Created as of 1 October 2008.

³ Renamed Information Centre as of 1 October 2008.

With the unprecedented volatility in oil prices that made 2008 another challenging year, OPEC's efforts to support market stability were demonstrated in the decisions taken by the Conference, which met five times during the year. Four of the meetings took place in the second half.

During the year, the Monthly Oil Market Report was also further improved through enhanced analysis, broader coverage of oil trade and commodities, and in-depth reflection of topical and technical issues in its feature articles. These focused on the world financial crisis and economic downturn, oil price volatility, the refining sector, weakening oil market fundamentals and demand contraction, product specification changes, developments in independent oil storage and the strategic petroleum reserves in the USA, China and India, while analytical reports and presentations on the latest developments in the oil market were submitted to the ECB, the BoG, the MMSC and the Conference. These reports covered key aspects of the market, such as oil demand and supply, price differentials and formulae, economic and financial developments, the refining industry, developments in the tanker market, storage, stock movements and oil trade.

In addition, detailed analysis of current issues, such as the study on world economic imbalances and the growth outlook, which examined potential risks to the world economy, were provided in the form of complementary reports, inter alia, the assessment of the impact of the financial crisis on the world economy; the impact of financial markets on oil price and volatility; the impact of high oil prices on demand for crude oil (e.g., China and the OECD). Other studies carried out were:

1. Assessment of Risks to the World Economy

This study highlighted the risk of a prolonged

US recession as a result of weakening US domestic demand, primarily driven by the crisis in the banking and property sectors, as well as a declining appetite for debt and consumer retrenchment. The scenario results suggested that despite global GDP growth remaining robust at the start of 2008, there was significant risk of the world economy weakening and possibly tipping into recessionary conditions, with 2009 likely to be the low point of this global cycle. In that case, it was forecast that a recovery would probably not get underway before 2010, with a marked rebound in growth only emerging by 2011–12. Although the possibility of a sharp correction in China and across emerging markets was not at the time seen to be immediate, the study found that if such a slump were to materialize, it could have very serious implications globally but particularly for emerging markets.

2. The Impact of Financial Markets on Oil Price and Volatility

This was a research project that focused on themes such as the transformation of the financial market in oil; liquidity and price volatility; the role of speculators or hedgers in the futures market; traditional speculators and index funds; the emergence of paper-oil as an asset class and its linkages with the broader financial markets; strategic and tactical asset allocation and the effects of portfolio shifts; the impact of interest rates; and price bubbles.

Also, as part of the ongoing project aimed at enhancing the Secretariat's short-term oil-demand forecasting methodology, the monthly Vector Autoregressive Vector Error Correction model was extended by including more variables, such as open interest, and some dummy

variables representing the impact of special events.

Besides monitoring of developments in the oil and product markets in the short-term, ongoing research in energy studies, in modelling efforts, and in market-oriented and technology studies continued to be carried out. In-depth analysis and forecasts of developments in the energy industry continued — in such areas as the transportation sector, non-OPEC exploration, development and production costs, the downstream industry sector, oil companies' performance and strategies, fiscal policies and upstream petroleum contracts.

In the ongoing assessment of underlying drivers of future oil supply and demand, the OPEC World Energy Model (OWEM) was further developed and continued to provide the supporting analysis forming the basis for the *'Oil and Energy Outlook to 2030: OWEM Scenarios Report'*. One of the key areas of the model's application is in improving understanding of the downside risks to oil demand, and the corresponding threat to security of demand. With the need for such alternative growth paths to be continually assessed, it is important that relevant scenarios are developed and implications communicated. The model results are also used to examine the expected future path of non-OPEC supply, including non-conventional oil and biofuels, aimed at a better understanding of the likely requirements for OPEC oil volumes. In all of this, the bottom-up assessment of upstream investment activities was extended and consolidated, while the granularity of the treatment of all energy carriers was improved. The prospects for non-crude supply were tackled more explicitly within a broad concept of liquid supply.

The transportation sector continued to be

one of the priority research areas. A detailed study on *'Modelling Fuel Demand in the Chinese Transportation Sector'* was, therefore, undertaken and this looked into the sector's energy demand by fuel and mode of transportation. Additionally, other studies such as *'Petroleum Products Taxation in Major Consuming Countries'* and *'The Automotive Industry: What is it? Where is it Heading?'* were also prepared.

On the supply side, trends for future crude oil production in non-OPEC regions were evaluated in the study entitled *'Analysis of Future Non-OPEC Crude Slate Quality'*. The average crude quality of overall non-OPEC crude oil production is expected to improve. However, the impact of both the projected changes in the product mix and the tightening of quality specifications for refined products considerably outweighed any reasonably envisaged change in the crude slate.

Recent trends in upstream costs were addressed in the study *'Non-OPEC Finding, Development and Production Costs'*. Upstream costs remained robust during the period 2004–07, indicating a continuation of the upward trend observed in the previous report. The analysis revealed that there were both cyclical and structural reasons behind this increase. Increases in oil service and commodities costs, the weak dollar and a shortage of skilled labour for both construction and operations are all largely cyclical. Structural changes come from the continued move towards deeper water and deeper prospects, coupled with smaller discoveries and the exploitation of non-conventional resources. In the long term, upstream costs will be affected by competition between cost-reducing technologies and the cost-increasing effects of depletion.

A progress report on the *'Sustainability and Economics of Biofuels'* was also finalized in 2008. The report assessed the large expansion of the biofuel industry during the previous year and concluded that these have been critically dependent upon public sector support programmes. The economic viability of ethanol is subject to uncertainties stemming from possible changes in government policy, as well as energy and crop prices. In addition, other major sustainability issues surrounding biofuels were considered, such as their impact on water resources; negative impacts on biodiversity, soil erosion and nutrient leaching; as well as concerns over safety in the food chain resulting from the possible expansion of genetically modified crops and organisms. The most crucial subject in the debate about the sustainability of biofuels is the impact of large-scale use and trade of biomass for energy purposes on the food supply.

A related issue is the energy content of biofuels. The energy content of ethanol, on a volumetric basis, is only two-thirds that of conventional gasoline. Biodiesel also has a lower energy content than conventional diesel, although not as low as ethanol. These differences call for a detailed review of the relevant methodologies employed by the Secretariat – to ensure that the energy content of the various fuels is adequately accounted for – which was the objective underlying the report *'Accounting for the Biofuels Energy Content in Oil Supply and Demand Assessment'*, which covered both the short and medium-to-long-term horizons.

Recent developments in the downstream sector, projections for future requirements and the adequacy of downstream investments were explored in detail in the study entitled *'Outlook for the Oil Downstream Sector to 2030'* using a

down-stream optimization model (WORLD). The modelling results and associated analysis highlighted not only the potential for easing refining tightness in the coming years for most products, but also the protracted tightness expected in middle distillates, thus emphasizing the additional conversion capacity required. Similarly, tightening product specifications indicated the need for more investments in desulphurization, especially in Asia. Quantification of these requirements, broken down into major regions and refining processes, were also included in the study.

In order to analyze the influence of oil price changes to upstream petroleum fiscal policy, the study entitled '*Impact of Oil Prices on Upstream Petroleum Contracts*' was prepared. This study focused on several petroleum contract models between the host governments and the oil companies. The results of the economic simulations demonstrated that, under certain conditions, it is desirable to design a model contract flexible enough to accommodate changes in oil prices and to obtain the maximum benefit for the interest of the country. Related to this topic, the 2nd Workshop of Member Countries' Experts on the Economic Aspects of Upstream Petroleum Contracts was convened in Vienna in April 2008.

The year 2008 witnessed the second public release of the *World Oil Outlook* (WOO), which pre-sented the Secretariat's views on many medium-to-long term issues in an integrated manner, building upon the expertise and results gained from the above studies. The publication emphasised that the very high oil prices recorded in 2008 were the result of elements which went beyond supply and demand fundamentals, especially unlimited speculation. The reference case used a crude price assumption of \$70–90 per

barrel over the years to 2030, reflecting higher break-even prices than had previously been expected (although this was just an assumption, not a projection). The issue of security of demand was emphasized, with scenarios clearly demonstrating the downside risk to oil demand in the future. The associated uncertainties represent a major investment challenge for the industry.

Other challenges identified included the cost and availability of skilled labour, and the need to ensure that future energy growth is compatible with tackling the issue of climate change. In this regard, carbon capture and storage was identified as an important technology that can be applied to large stationary sources of CO₂, such as power, cement and steel plants. The WOO also looked closely at the downstream sector and its importance in contributing to oil market stability. One critical parameter in this sector is the contribution of non-crudes to supply, where it was noted that proposed biofuels mandates are increasing uncertainty regarding the volume of future refining investments required.

3. Technical cooperation among R&D institutions in Member Countries

The 3rd Annual Meeting of Officials of Petroleum Research and Development Institutions in Member Countries was convened in Vienna on 8–9 April 2008. In addition to reports from the Working Groups, the meeting dealt with a number of organizational issues. It discussed the proposed 'Guidelines for OPEC Member Country Collaboration in Research and Development'.

Involvement in multilateral fora

In 2008, the OPEC Secretariat presented several reports analyzing the status and evolution of the process, and the positions of the key players in

the context of the climate change negotiations. The Secretariat also attended, and provided a co-ordination platform, in various meetings of the UNFCCC that were held in Bangkok (Thailand), Bonn (Germany), Accra (Ghana) and Poznan (Poland). Some of the important reports prepared covered:

- The Kyoto Protocol's flexibility mechanism and the emerging carbon markets;
- An update on climate change negotiations;
- Carbon dioxide emissions: deriving implicit conversion factors;
- A run-up report to the Coordination meeting to the Third Session of the Ad Hoc Working Group on Long-Term Cooperative Action under the UNFCCC and Sixth Session of the AWG under the Kyoto Protocol;
- A run-up report to COP-14/CMP-4;
- Report of the Coordination Meeting in the Run-up to COP-14/CMP-4.

Furthermore, the Secretariat presented developments in environment-related issues through its *Quarterly Environmental Newsletter*.

Multilateral discussions on sustainable development, particularly how energy issues are handled, are important for OPEC Member Countries. The 16th Session of the United Nations Commission on Sustainable Development (UNCSD-16) was held at the United Nations headquarters in New York. This session marked the beginning of the current work cycle, which focuses on Agriculture, Rural Development, Land, Drought, Desertification and Africa. Being the first year of the work cycle, the sessions were dedicated to review progress in these areas toward meeting the eight United Nations Millennium Development Goals (MDGs). UNCSD policy recommendations arrived at in this multi-lateral setting are recognized as valid guidelines

for actions taken by all countries and all world-leading development institutions.

The OPEC Secretariat monitored the treatment of issues during these review sessions held from 5–16 May. The issue of biofuels was prominent in the discussions at the UN with many delegations stressing the unsustainability of placing agricultural products — that should be primarily dedicated to satisfying food security — in direct competition with fuel production. This was fully in line with OPEC's stance on the issue.

The Secretariat also continued its participation in the UNECE Ad Hoc Group of Experts on Harmonization of Energy Reserves and Resources Terminology during 2008. In this context, the Secretariat attended the Fourth Session of the Ad Hoc Group of Experts on the Harmonization of Energy Reserves and Resources Terminology, on 17–19 October 2008, in Geneva; the Workshop on the UNECE AHGE Mapping Task Force Report on 27–28 February 2008, in Geneva; and the Fifth Session of the Ad Hoc Group of Experts on 15–16 April 2008, also in Geneva. Moreover, the Secretariat organized a High-Level Expert Meeting on the Revised United Nations Framework Classification (UNFC) Terminology of Reserves and Resources, which was convened in Vienna in January 2008.

Dialogue

In 2008 as in previous years, the Research Division was actively involved in various on-going OPEC dialogues. These include the dialogue with the International Energy Forum (IEF), the OPEC-European Union Dialogue, and the OPEC-Russia and OPEC-China dialogues. On behalf of the Secretariat, the Division had close technical relations and cooperation with institutions such as the IMF, the World Bank and the International Energy Agency (IEA).

1. International Energy Forum

The positive developments in the consumer-producer dialogue are clearly reflected in the expanded activities of the IEF, an organization that has been strongly supported by OPEC since its inception. In 2008, that support continued with the preparation of:

- A background paper for the 11th IEF in Rome in April 2008;
- The participation of the RD in the Jeddah Energy Meeting (June) and the London Energy Meeting (December).

The producer-consumer dialogue has also been strengthened through the Joint Oil Data Initiative (JODI), whose main task is to achieve more transparency in oil statistics. It is well recognized that JODI contributes to stabilizing the international oil market. In this regard, the Secretariat, together with the other international agencies that make up JODI, continued its active participation in the JODI process, contributing to the process through the International Energy Statistics (InterEnerStat).

2. OPEC-EU

The EU-OPEC Energy Dialogue was further strengthened during the year. Discussions at the Fifth Ministerial Meeting, held in Brussels (Belgium) on 24 June 2008, on recent energy policies, oil market developments and the medium and long-term outlooks and scenarios brought about enhanced understanding of each side's views on areas of mutual interest. It is expected that these will lead to direct, long-term benefits for both parties. Some specific examples are:

- The joint EU-OPEC study on investment needs in the refining sector and the role of the oil refining industry in oil markets;

- The Workshop on Oil Refining;
- The Roundtable on Carbon Capture and Storage;
- The joint study on the impact of financial markets on oil prices.

Dialogue with non-OPEC producers has also been proactively encouraged, as called for in the Long-Term Strategy, through various international meetings and exchange of information, in particular through JODI and the International Energy Forum Secretariat (IEFS), and attendance of non-OPEC producers as Observers at OPEC Conferences, with efforts being made to encourage their more active support of OPEC's market-stabilization policies. The 8th annual informal meeting of high-level experts from OPEC and non-OPEC producing countries, which has become a recognized gathering among producers, was held in Vienna on 16 and 17 October.

3. OPEC-Russia

The importance of the OPEC-Russia Dialogue was highlighted at the highest level when Abdalla Salem El-Badri met with the President of the Russian Federation, Dmitry Medvedev, in Moscow, in October. The meeting was attended by Russia's Deputy Prime Minister, Igor Sechin, and Minister of Energy, Sergey Shmatko, as well as by high-level officials from OPEC. An OPEC-Russia Roundtable was held on 23 October in Moscow, to examine the current state of the world oil market and long-term perspectives.

OPEC continued its close technical relations and cooperation with other institutions throughout the year. In 2008, it participated in two meetings of the Executive Committee of the IEA Greenhouse Gas R&D Programme. Since its inception, this programme has

focused most of its efforts on carbon capture and storage (CCS), with the aim of reviewing and reporting on technologies being developed by others, facilitating technology R&D and looking for gaps in R&D efforts. OPEC also attended the regular biannual meetings (Spring and Fall) of the IMF/World Bank. The main discussion points were the world economy and associated risks, global imbalances, financial speculation and impacts on oil prices. The OPEC Secretariat also delivered a statement.

The Secretariat also played host to several high-level visitors. They included delegations from the Australian Parliament; Russia, headed by Igor Sechin, the Deputy Prime Minister; Korea, headed by Kwon Jong-Rak, the Vice Minister of Foreign Affairs and Trade; Sweden; and a group of US Senators (Robert Bennet of Utah, Thad Cochran of Mississippi and George Voinovich of Ohio). This was in line with the policy of promoting dialogue.

Database and communications

Data Services such as statistical database updates, application systems development, as well as maintenance, user support and services aimed at accommodating the needs of the Secretariat and the Member Countries continued to be rendered in 2008.

In this regard, emphasis was placed on the maintenance of IT infrastructure such as the periodic review and upgrade of the IT equipment. Further emphasis was also placed on systems administration and support for users, including assisting a Member Country in setting up its Video Communications System.

The OPEC Intranet serves as the medium for data communication, as well as collaboration between and among Member Countries. The Intranet

Document Archive System was, therefore, further developed and expanded in 2008.

Also, a new Intranet-based Integrated Business System was developed in-house. This included a Procurement System and Financial System. The Electronic Document and Records Management System was also implemented. The Division, in conjunction with the Public Relations and Information Department (PRID), worked to enhance the functionality of the OPEC website. The website is growing, and now includes many more pages and documents (currently 1,400+). An improved search feature was implemented on the website to ensure that information in different document types (html, PDF, PowerPoint, Excel, etc.) can be searched and found easily.

The quality and timeliness of data received from Member Countries was also improved. The expanded coverage of statistical data areas was utilized to enhance reports and analyses in the Secretariat.

The quality of data is assured through careful validation, consistency checking and analysis. Besides direct input data modules for the in-house models and customized data services, delivery of key and up-to-date information to end-users is prepared through regular dissemination of electronic reports, including publications such as the *Annual Statistical Bulletin*, the *Quarterly Energy and Oil Statistics* and the *Annual Report*. Activities to expand data exchange directly through electronic means and sources increased, for example, through electronic media such as the Intranet and Internet. Improvements were made to the Annual Statistical Bulletin and, in more general terms, to the collecting of direct data communication between the Secretariat and Member Countries, through official visits to Kuwait, the Islamic Republic of Iran, Qatar,

Venezuela and Ecuador. Officials involved in the completion of the Annual Questionnaire were met and consulted.

In addition, the 8th Working Party on the Flow of Oil Statistics was held at the Secretariat on 4 and 5 November 2008, with the aim of finding ways and means of encouraging Member Countries' timely response to the OPEC Annual Questionnaire and other direct data.

Others

The Summer Fellowship Programme/Internship programme was implemented. Also, the 8th Multi-Disciplinary Training Course (MDTC) was held from 14–18 April 2008 at the Secretariat. The RD also worked in collaboration with the Public Relations and Information Department, in the preparation of speeches delivered by the President of the Conference, Secretary General, Ministers, Director of Research Division and other officials of the Organization.

Some other important events in which the Division participated were: the 19th World Petroleum Congress (Madrid); the 3rd International Energy Week (Moscow); the Offshore Technology Conference (Houston); and the 9th International Oil Summit (Paris).

Public Relations & Information Department

The year 2008 was particularly challenging for the oil industry and, indeed, OPEC. The high volatility that characterized the oil market during the year, posed a serious PR challenge to the Organization.

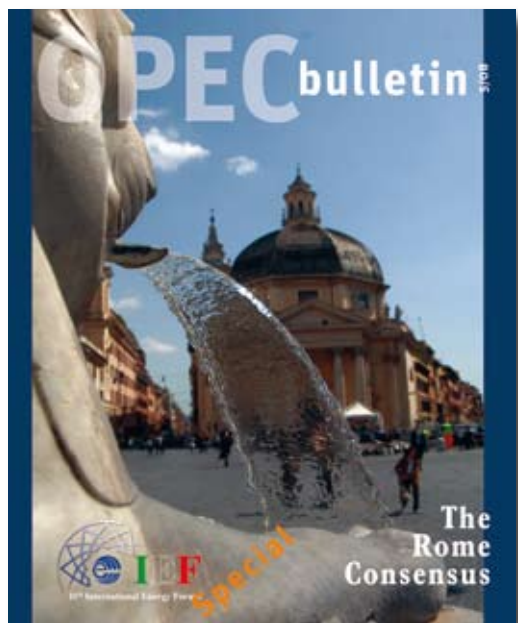
With oil prices on the rise in the first half of the year, at a time when the market was very well supplied, evidenced in the huge stock levels of OECD countries (above five year average), the Secretariat was faced with a consuming public eager to understand the reasons for the

very high level of oil prices. In this regard, 2008 proved to be another challenging year for the Public Relations and Information Department (PRID), which had the responsibility of explaining this to the public.

PRID's activities were deployed across the three sub-units of Editorial/Publications, Design/Production and Public Relations. The department used the Secretariat's publications, and other out-reach instruments to take the message of the Organization to the public. These included the multimedia, exhibitions, advertisements, speeches and presentations, etc. It also provided editorial, design and production support for the regular and special publications like the *Annual Statistical Bulletin* (ASB) and the *World Oil Outlook* (WOO), *Who gets What from Imported Oil?*.

OPEC Bulletin

In 2008, the scope of the Secretariat's flagship publication, the *OPEC Bulletin*, widened with the new ideas that were introduced to make it more



appealing to diverse audiences. The diversification included the Arts & Life column, which featured arts, leisure and sports stories from OPEC's host country, Austria, and Member Countries. Special mention must be made of the extensive coverage given to the European Soccer Championship, EURO 2008, co-hosted by Austria. Such coverage helped to enhance the goodwill of the Organization with the authorities of the Vienna City Council, as well as our host country as it showed OPEC's concern and interest in the activities and well-being of its host city and country.

The Bulletin continued to profile Member Countries, giving great attention to their oil and gas sectors, as well as to their social infrastructural development. This was with a view to bringing to the readers of the *OPEC Bulletin*, the impact of oil money on the welfare of the citizens of OPEC Member Countries. In 2008, the Bulletin extensively covered Algeria and reported on Ecuador.

It also continued its wide coverage of Ministerial Conferences, workshops (in and outside the Secretariat), in-house trainings like the MDTC, and the Rome IEF meeting, among others. And in line with the prevailing mood in 2008, extensive reports were done on the on-going volatility of the oil market.

The Bulletin also featured exclusive interviews with key stakeholders in the energy industry – such as Ministers and heads of International Organizations – and tracked developments in other areas like alternatives, climate change, carbon capture and storage. It also extensively followed the continuing dialogues of the Organization with other institutions and countries like the IEF, EU and Russia.

In 2008, the *OPEC Bulletin's* packaging was enhanced and its print-run continued to increase as demand rose. Access to its on-line edition was high and, together, both the hard and electronic copies received wide acceptance



in the more than 100 countries in which they circulated.

The Annual Statistical Bulletin

Involvement of PRID in the editing and production of the 2007 *Annual Statistical Bulletin* (ASB), which provides a comprehensive review of OPEC's historical data, including information on the Organization, its Member Countries and the oil industry as a whole, for the period up to the end of 2008 – once again, paid off with its timely launch in June. The new design, which uses colour to denote the year of publication, was consolidated. The strategy continued to deepen understanding and cooperation among all the departments involved in its production and the result was the timely media presentation of the ASB, as well as a continuation of a harmonious working relationship in the Secretariat.

The World Oil Outlook

For the year 2008, the input of the department in the *World Oil Outlook* (WOO) was enhanced. Though coordinated by the Energy Studies Department, PRID handled the editorial, design and production parts of the publication, and participated in the writing of some sections of the report. The department also organised and handled logistics for the printing and media presentation of both the ASB and the WOO.

The OPEC Energy Review

The quarterly academic journal, the *OPEC Energy Review* was successfully re-launched in 2008. Although there were some preliminary challenges, the Secretariat and the publishers, Wiley-Blackwell, worked hard to further enhance the standard of the journal. PRID, in conjunction with the General Academic Editor, sourced articles for publication in the journal, while the Chairman of the Editorial Board ensured the review of most of the submissions.

Secretaries General booklet

The department researched, compiled, edited, designed and produced a booklet entitled '*OPEC Secretaries General*'. The booklet is a compilation of all who have served the Organization as Secretary.

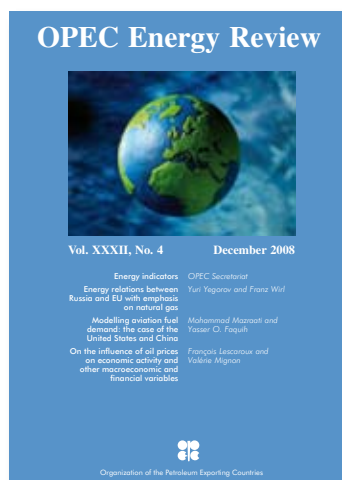
Special publications

PRID also edited, reviewed, designed, printed and reprinted several special OPEC publications, which included the 'OPEC in Vienna' flyer, the 'OPEC Statutes' and 'OPEC General Information' booklets, as well as the pamphlet 'Who Gets What from Imported Oil?'

Speech-writing

The demand for speeches for the Secretary General, the President and some Ministers and key officials

of the Organization in 2008 was heavy. The volatility of the oil market required constant highlighting of OPEC's role in trying to work towards market stability and providing the way forward for the industry. This message was delivered by officials of the Organization at different fora, including conferences, seminars and workshops. These events attracted top-level participants from all parts of the world and from all sectors of the energy industry, as well as associated areas of government,



academia and the media. Since most of the audiences were specialized groups, PRID worked hard to produce high-quality speeches, addressing topics that were challenging, varied and rich in scope. This involved working in close collaboration with the RD, often to very tight deadlines.

The events included those organised by OPEC – such as the two regular OPEC Conferences at the Secretariat in Vienna, and three extraordinary meetings in Vienna, (Austria), Cairo (Egypt) and Oran (Algeria) – as well as those organized jointly with other groups – such as the meetings with the EU, Russia and the IEF. OPEC also took part in the Jeddah Energy Meeting convened by the Kingdom

of Saudi Arabia in response to the rising oil prices, and also in the London follow-up meeting hosted by the government of the United Kingdom.

There were also many external gatherings at which OPEC speeches were delivered, such as the World Economic Forum (Davos, Switzerland); 11th International Energy Forum (Rome, Italy); UN Climate Change Conference in Poland; CERA, the World Petroleum Congress (Madrid, Spain); the 5th Vienna Economic Forum (Vienna, Austria), Oil and Money Conference (London, UK); the Offshore Technology Conference (Houston, USA); and the 3rd International Energy Week (Moscow, Russia).

Publications in external media

In 2008, PRID drafted a substantial number of articles and interviews for the Secretariat. These were used on request in external publications like the *Commonwealth Finance Ministers Reference Book*. In this regard, the Department worked closely with the Research Division to enhance the technical quality of the articles.

News monitoring

In 2008, PRID conducted a survey of its news monitoring activities through a questionnaire distribut-

ed, administered on recipients of its services within the Secretariat and Member Countries. Responses were very instructive and went a long way in assisting PRID to expand the scope and reach of its news monitoring functions, which covered international news, daily media commentary and analysis concerning OPEC and its Member Countries. PRID's news monitoring service also covers media reports about the oil industry and broader energy-related areas. PRID also subscribed to Meltwater, a news-aggregating instrument that covers the media not only of the consuming countries, but also of Member Countries, and introduced a new electronic alert news monitoring system — PRID-TV Monitoring Report — in association with Critical Mention, a global broadcast news monitoring service. Through the Daily News Summary, What the Papers Say and the PRID-TV Monitoring Report, PRID kept the Secretariat and Member Countries constantly informed about what has been reported about the Organization, its Member Countries, the oil sector and the energy industry in general, producing rejoinders where necessary.

Press relations

The department continued to provide support to



Senior Military Officers from the National Defence College of Nigeria on a visit to the OPEC Secretariat.

members of the press, attending to their enquiries, facilitating interviews, assisting with accreditation and acquisition of visas (where conferences were held outside Vienna) and producing background publications for the conferences. Several media briefings were also organized for the Secretary General.

Briefings

During the year 2008, 43 different groups, totaling over 2,500 persons, visited the Secretariat. These comprised high-level government officials, including Senators and Congressmen from the United States and Australia, senior military officers from the US, Nigeria and India, senior diplomats, civil servants, staff of international institutions and organizations, and high school and university students from across the world. Groups were received by the Secretary General, the Director of Research, the Head of the Public Relations and Information Department or staff of PRID, depending on their category. All the groups were given briefings about OPEC, highlighting the Organization's aims and objectives, and describing its overall structure. Some of the groups received technical briefings from the RD. All of the visitors left the Secretariat with various OPEC publications and audio-visual materials publicizing the activities of the Secretariat

Website

The OPEC website, a major public relations tool of the Secretariat, was maintained and updated regularly with the OPEC Basket Price data, speeches, press releases, publications, reports, news items, Member Countries' Facts and Figures, vacancies and various announcements related to the Organization and its activities. As of the period under review, the number of website pages rose to well above 1,800.

A survey of visitor satisfaction was conducted on both the *OPEC Bulletin* and the website and its content. The aim of the survey was to analyse the continued relevance of information that the Secretariat sends out and the mode of delivery of such information, with a view to consolidating and further improving on existing services and methods. The feedbacks were positive and the recommendations have been implemented. Also, the 'Web Trends Analysis Report' of the different sections of the website was monitored and the result was used to enhance the look and feel of the contents. The number of visits to the home page amounted to around 1,900,000 in 2008.

In addition, the process of re-designing the website in conjunction with the Data Services Department (DSD) reached a very advanced stage last year. PRID drafted and provided the site map which was used as part of the Terms of Reference. The process will be completed and the website re-launched in 2009 in readiness for the OPEC 50th Anniversary celebrations.

Several exclusive interviews were carried live and later posted as videos on demand on the OPEC website. These included interviews with OPEC Conference President, the Secretary General, several OPEC and non-OPEC Ministers, as well as Heads of International Organizations. Also carried live were the press conference for the official release of the ASB and the WOO, as well as pre-conference roundtables with journalists and analysts on the programme '*Oil Market Insight*'.

Audio visual

Ever conscious of the importance of audio-visual media in communicating the Secretariat's activities, a new Live Broadcasting System that transmits OPEC events to, and encourages news exchanges

with, the international media such as the European Broadcasting Union, the European News Exchange, Reuters TV, RTR Russian TV, APTN (and its Middle East Service), as well as all states of Western Europe, was introduced. The system also alerts them of upcoming OPEC events. This service will be expanded during the year 2009.

OPEC Conferences were also broadcast live by international TV-networks and stations such as Bloomberg (US, UK, Asia, North America), CNBC (US, UK, Asia, North America), CNN, Linx Production, Reuters TV, APTN, NHK, ORF, ARD, ZDF, NTV, Euronews, Rai Uno, China State TV and Russian State TV.

PRID also organised the provision of video and photographic coverage for all of the Organization's events and activities such as the Ministerial Conferences, meetings of the BoG and the ECB, as well as other important meetings, seminars, in-house workshops and courtesy visits by, and to, the Secretary General and the OPEC Secretariat. The edited video materials of some of these events were then archived as on-demand video on the OPEC website and distributed to Member Countries, as well as to the press. Photographic and video services were also provided for some Member Countries marking their National Days and, at various times, for the OPEC Fund for International Development. Notably, PRID gave video and photographic back-up to OFID during its Ministerial Council meeting held in June in Isfahan, IR Iran.

Full video coverage and live streaming of OPEC Conferences — including 110 live interviews conducted by PRID Staff with high-level visiting officials — were successfully transmitted from Vienna, Rome and Oran on the OPEC website. DVDs of such coverages were produced and distributed to all Member Countries, government and oil industry officials, and the international media.

The archiving of photographs which began in 2005 was completed in 2008 and the digital photographs were stored in the new Cumulus System. All relevant PRID staff received one-day training on the use of the photographic archiving system. Also, photo gallery CDs were produced for distribution to Member Countries and some of the pictures were used in OPEC publications, the OPEC calendar and also distributed electronically upon request.

Five short documentaries namely 'The Highlights of the 3rd Heads of the State Summit — Riyadh Declaration 2007'; '180 Seconds Conference Highlights'; 'Summary of the 11th International Energy Forum, Rome, Italy'; '5th OPEC-EU Ministerial Meeting in Brussels'; and the '8th MDTC' were produced on DVD and as videos on-demand for the website.

Podcasts

Twelve podcasts of the *Monthly Oil Market Report* (MOMR) were produced and aired during the year. Produced jointly with the Petroleum Market Analysis Department (PMAD),⁴ the podcasts highlighted the key messages of OPEC on the oil market for each month as stated in the MOMR.

Distribution

PRID also continued to maintain and update its mailing list, which includes journalists, analysts, news agencies, banks, investment companies, research institutions, universities, diplomatic institutions, etc. The lists were used on daily basis to distribute alerts on updates of the website, as well as for other announcements related to the

⁴ *Renamed Petroleum Studies Department as of 1 October 2008.*

Organization and its activities, and the distribution of the Secretariat's publications.

Corporate identity manual

PRID Work Programme 2008 identified the absence of a harmonized way of communication both within the Secretariat and between the Secretariat and the outside world as an obstacle to presenting OPEC in the most desirable perspective. To address this concern, it embarked on the production of a Corporate Identity Manual for the Organization. A draft of the manual was produced in 2008 and it is expected to be finalized in 2009, early enough for it to be used for the 50th Anniversary celebration in 2010.

4th OPEC International Seminar

While each biennial OPEC International Seminar is organized under the auspices of the Steering Committee, Technical Committee and the Organizing Committee, PRID has been the hub of most of the organizational issues – from relations with the press, to evaluating offers from event management consultants; from drafting letters of invitations and letters of appreciation, to the drafting of citations for the various award recipients. The Department was also responsible for identifying and procuring appropriate plaques and certificates for the awardees. By the end of the year, the Department had achieved most of its objectives for the 2009 Seminar, having held several meetings with the consultants hired to assist with organizing the event, and the audiovisual team to handle the stage and communication matters.

50th Anniversary

PRID, with the support of the RD, other departments and offices, produced a detailed pro-

gramme of activities to mark the 50th Anniversary of the Organization in 2010. The programme received the approval of the BoG.

New headquarter's premises

The department worked very closely with the new headquarters' project team and through various meetings, including with the contractors and technical consultants, ensured that the audio visual needs of the Secretariat in the new office building were adequately taken care of. The Department also took part in the partitioning plan of the PRID floor in the new building.

Missions and trainings

In 2008, the Department took part in several missions. It published the reports of these missions in the *OPEC Bulletin*. These included:

- Ecuador and Venezuela on the Secretary General's delegation;
- Rome for the 13th IEF meeting;
- Madrid for the World Petroleum Congress;
- Brussels for the OPEC-EU Dialogue and the workshop on CCS;
- Sleipner on-site visits to CCS project;
- Schwarze-Pumpe on-site visit to CCS plant;
- Salzburg for a seminar on Sovereign Wealth Funds;
- Algiers for a country profile in preparation for the special issue for the Oran Conference;
- Oran for the 151st (Extraordinary) Meeting of the Conference;
- Abuja to represent the Secretary General at the OFID workshop on Energy Poverty in Africa.

In addition, the Department participated in several trainings, including:

- Training on speech-writing, London;
- In-house PRID training on Communicating with Impact, Vienna, Austria;

- In-house training organised by the Finance and Human Resources Department⁵ on the use of the MS Office 2007 programme, Vienna Austria;
- The Typo Berlin 2008 training, Berlin, Germany;
- Writing for the Web, London, UK;
- Designing and Building Great Web Pages, London, UK;
- English for Cooperate Communication, Bath, UK.

Other areas

Just as it had done in previous years, the Department, during the year under review, continued to render all necessary assistance to the RD, and other departments and offices, in the pursuit of the Secretariat's objectives. In this regard, it assisted in the editing of the *'Daily Oil Market Report'* and the minutes of the BoGs' meetings. It also provided assistance to all meetings, workshops and training courses through effective accreditation of participants (including journalists and analysts), production and printing of Press Background Information for Conferences, the provision of badges the production of programmes of activities, as well as posters, logos, pop-up stands, name plates, CD covers, note pads and invitation cards, among others. It also prepared business cards for staff.

In all, PRID used its diverse expertise to support the Organization in its pursuit of the objective of achieving lasting order and stability in the global oil market.

Administration & Human Resources Department

The smooth running and provision of administrative and logistical support for the Secretariat and all its activities, as usual, constituted the bulk of the activities of the Administration & Human Resources Department (AHRD)⁶ in 2008.

The Department made the necessary arrangements for the meetings of the Conference, the Board of Governors, and the Economic Commission Board as well as for workshops and other gatherings that took place during the year. It also coordinated activities towards the preparations for the 4th OPEC International Seminar, as well as the New Premises Project, which involved regular meetings with the Austrian authorities, consultants and technical teams for the layout, interior design, security, IT and AV installations.

Following the approval given to the new Organizational Structure of the Secretariat by 146th (Extraordinary) Meeting of the Conference in Abu Dhabi in December 2007, and the ensuing recommendations to the 127th BoG meeting in February 2008, AHRD was fully involved in the implementation of the new structure which came into effect during the year. This included an improvement in the salary scale and update of most of the benefits for the Secretariat staff. This was designed to make the Secretariat more competitive among the International Organizations in Vienna.

The staffing element of the new structure was also approved and its implementation as of October was, in the main, carried out by AHRD. As

⁵ Until 1 October 2008 was part of AHRD.

⁶ As part of the restructuring exercise, the department was split into two — Administration and IT Services and Finance and Human Resources Departments as of 1 October 2008.

is customary in the implementation of any project of this scale, the Department was heavily involved in fine-tuning certain areas of the staffing element, the results of which will be presented to the BoG in 2009.

The Department also, oversaw the recruitment and welfare of Interns for the Secretariat. In 2008, five interns (two of whom were carried over from 2007) completed their time at the Secretariat.

Summer Fellowships

The 2008 Summer Fellowships took place over the period of 1 July to 30 September. During this period, the Secretariat hosted six participants from the following Member Countries: Algeria, Ecuador, IR Iran, Kuwait and the SP Libyan AJ.

Training, staff development and welfare

The Department organised five in-house trainings courses (interface and in-depth) for all staff members. The aim was to enhance their abilities in the use of the programmes of the MS Office 2007 when

migrating to the new software. It also took care of all the necessary logistics for 74 of the Secretariat's staff members to attend training courses in and outside Vienna. The Department continued to ensure that staff received appropriate insurance.

Personnel Committee meetings

The Department provided papers, reports and related documents, and distributed these to the members of the Personnel Committee during each of the seven meetings it held in 2008. It also ensured that the decisions of the Committee, as approved by the Secretary General, were implemented accordingly.

Recruitment

The Department continued to oversee the recruitment exercise of the Secretariat in 2008. In that regard, eight new staff were recruited. Also, ten staff members, in different categories, left the Organization due to end of service year, retirement or resignation.



Staff members of the OPEC Secretariat.



Press releases

147th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 1 February 2008

The 147th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held at the OPEC Headquarters in Vienna on 1 February 2008, under the Chairmanship of its President, Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, in order to review recent developments in world oil markets.

Prior to commencing the business of the day, the Conference extended a very warm welcome to Dr Galo Chiriboga Zambrano, Minister of Mines and Petroleum of Ecuador, who was attending a Meeting of the Conference as Head of his Country's Delegation for the first time.

The Conference extended its condolences to the Government and people of the Republic of Indonesia on the demise of His Excellency Muhammad Soeharto, former President of the Republic.

The Conference then reviewed oil market developments since its Meeting in Abu Dhabi in December 2007, as well as short-term prospects. It observed that OPEC production decisions had ensured that the market remained well supplied throughout 2007. It also noted that the first half of 2008 was likely to witness a crude inventory build, and supply/demand forecasts indicate that commercial oil stocks are in line with the seasonal trend and are expected to remain within their five-year average during the traditionally lower-demand season in 2008.

In view of the current situation, coupled with the projected economic slow-down, the Conference agreed that current OPEC production is sufficient to meet expected demand for the first quarter of the year. At the same time, however, the Conference noted that the significant uncertainties associated with the projected downturn in the global economy called for vigilant attention to their impact on key market fundamentals until its next Meeting on 5 March 2008. The Conference reiterated the Organization's determination to take every measure deemed necessary to keep the market stable.

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



Dr Chakib Khelil, President of the Conference, Minister of Energy & Mines, Algeria; Abdalla Salem El-Badri, OPEC Secretary General; and Dr Omar Farouk Ibrahim, Head, PR & Information Department.

148th Meeting of the OPEC Conference

Vienna, Austria, 5 March 2008

The 148th (Ordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 5 March 2008, under the Chairmanship of its President, Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, and its Alternate President, Desidério da Graça Veríssimo e Costa, Minister of Petroleum of Angola and Head of its Delegation.

The Conference warmly welcomed the Minister of Petroleum of the Arab Republic of Egypt, the Assistant Secretary of Energy of Mexico, the Deputy Minister of Oil and Gas of the Sultanate of Oman, the Deputy Minister of Industry and Energy of the Russian Federation, and the Minister of Energy and Mining of Sudan, attending the Meeting as Observers.

The Conference reviewed the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee – whose Members the Conference once again thanked for their longstanding efforts on OPEC's behalf – and various administrative matters.

In reviewing the prospects for the oil market, the Conference highlighted the economic slowdown in the USA, which, together with the deepening credit crisis in financial markets, is increasing the downside risks for world economic growth and, consequently, demand for crude oil.

The Conference observed that the market is well-supplied, with current commercial oil stocks standing above their five-year average. The Conference further noted, with concern, that the current price environment does not reflect market fundamentals, as crude oil prices are being strongly influenced by the weakness in the US dollar, rising inflation and significant flow of funds into the commodities market.

In spite of the seasonally low demand in the second quarter, the Conference decided to maintain OPEC production levels, emphasized that increased uncertainty and volatility call for continued market vigilance and reiterated the commitment of Member Countries to market stability and ensuring adequate supplies.

The Conference was briefed by the Head of Delegation of the Bolivarian Republic of Venezuela on the ongoing legal dispute between ExxonMobil Corporation, on the one hand, and the Bolivarian Republic of Venezuela and its national oil company, *Petróleos de Venezuela SA*, on the other.

The Conference expressed its support to the Bolivarian Republic of Venezuela and *Petróleos de Venezuela SA*, in the exercise of its sovereign rights over its natural resources, in accordance with international law, a right reiterated by the Algiers, Caracas and Riyadh Summit Declarations of OPEC Heads of State and Government.



Ali I Naimi, Minister of Petroleum & Mineral Resources of Saudi Arabia, being interviewed by the international media, during the opening session of the 148th OPEC Conference.

The Conference called for resolving any such disputes through good faith and amicable negotiations, and excluding ex parte pre-judgement measures which will make finding fair solutions more difficult.

The Conference welcomed the Yasuni-ITT Initiative presented by Ecuador and expressed its interest and support, considering that this proposal is consistent with the energy and environment-protection objectives established at the Third Summit of OPEC Heads of State and Government which took place in Riyadh, Kingdom of Saudi Arabia, on 17 and 18 November 2007.

The Conference passed Resolutions that will be published on 5 April 2008, after ratification by Member Countries.

The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on Tuesday, 9 September 2008.

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

OPEC Secretary General's visit to IEA

Paris, France, 25 March 2008

The International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) are strongly committed to their active dialogue on energy issues. This emerged from a meeting between the IEA Executive Director Nobuo Tanaka and the OPEC Secretary General Abdalla Salem El-Badri today in Paris.

"I am delighted to receive Secretary General El-Badri to the IEA", said Tanaka. "Oil-producing and consuming countries have many common interests and concerns. It is very useful to have the opportunity to exchange views." El-Badri added, "OPEC also welcomes this opportunity to share ideas and discuss various aspects of the energy scene with the IEA. In particular, such dialogue enables both the IEA and OPEC to gain an even broader understanding of the oil market from the consumer's and the producer's perspectives." Both emphasized their will to continue strengthening cooperation between the two organizations as an important element in improving the understanding of the issues of both parties.

The Secretary General El-Badri met with Executive Director Tanaka, IEA staff, as well as ambassadors and delegates from IEA Member Countries. Topics of discussion included oil market developments; the impact of financial markets; outlook and investment; energy efficiency; continued cooperation within the Joint Oil Data Initiative (JODI); preparations for the International Energy Forum Ministerial meeting on 20–22 April in Rome, in which both El-Badri and Tanaka will participate; and OPEC participation in the IEA energy technology collaboration network, including carbon capture and storage.

The meeting followed Tanaka's visit — soon after assuming his responsibilities as IEA Executive Director — to Secretary General El-Badri at OPEC's Vienna headquarters in September 2007. The IEA and OPEC share a common interest of supporting oil market stability and predictability and have already organized a series of workshops on various energy issues.

Statement by Abdalla Salem El-Badri, OPEC Secretary General

Vienna, Austria, 8 May 2008

In recent months, oil prices have become increasingly volatile, mainly driven by financial market developments and the increased flow of speculative funds into oil futures. The turmoil in some global equity markets and the considerable depreciation in the US dollar have encouraged investors to seek better returns in commodities, particularly in the crude oil futures market. This has driven prices higher. There is clearly no shortage of oil in the market. OECD commercial oil stocks remain above the five-year average, with days of forward cover at a comfortable level of more than 53 days. US crude inventories, meanwhile, rose by almost six million barrels last week, which is a further indication that oil supplies are plentiful. OPEC Member Countries continue to produce at more than 32 million barrels a day (mb/d). In addition, a number of new OPEC crude oil projects have started to come on-stream and OPEC spare capacity continues to increase, with the figure currently standing above 3 mb/d. At the same time, crude oil movements indicate that some Member Countries are unable to find buyers for their additional supply.

OPEC will continue to be proactive and monitor these developments closely. The Organization stands ready to act if the market shows a need for any further measures.

The Organization will continue to strive for a stable and balanced market, with prices that reflect fundamentals, and are favourable to both producers and consumers.

OPEC Secretary General's visit to Venezuela, Ecuador

Caracas, Venezuela, 21 May 2008

Abdalla Salem El-Badri, OPEC Secretary General, who is currently on a week long working visit to the two OPEC Member Countries in Latin America, the Bolivarian Republic of Venezuela and Republic of Ecuador, was on Tuesday granted audience by President Hugo Chavez Frias, in Caracas. The meeting covered a number of topics, including the current oil market situation, the positive relationship between Venezuela and the OPEC Secretariat, and a follow up on some of the issues contained in the three Declarations of OPEC Heads of State and Government which were adopted in Algiers (1975), Caracas, (2000) and Riyadh (2007).



Abdalla Salem El-Badri, OPEC Secretary General with officials at the INTEVEP PDVSA, Venezuela.

President Chavez Frias commended El-Badri for his contribution to the development of OPEC from his days as Libya’s Oil Minister to Secretary General. He reiterated the need for greater cooperation among OPEC Member countries in other areas like technology, industry and finance, emphasizing that “our Member Countries need to go beyond bilateral cooperation to a multilateral framework.” He assured El-Badri of the continuous support of Venezuela to OPEC.

Responding to the remarks of the President, El-Badri said that the crude oil market remains well supplied with OECD stocks increasing above their five year average. The Secretary General expressed concern about the volatility that has characterized the market in recent times, noting that non-fundamentals are now the major drivers of the market. While assuring that OPEC will continue to strive to bring stability to the oil market, he also called on other stakeholders in the industry – consumers, producers, investors – to cooperate to find a lasting solution to the volatility.

Earlier in the day, El-Badri and his team met with the Minister of Energy and Petroleum/President of PDVSA, Rafael Ramírez, and some of his top officials where they discussed the current oil market situation, data collection from Member Countries, and a number of other issues relating to the Organization. The two parties reiterated the commitment of OPEC to working for the stability of the international oil market, noting that the current high oil prices are not influenced by market fundamentals, as the market is well supplied. They stressed that OPEC will continue to monitor global oil markets regularly and is ready to act if and when necessary to ensure market stability and adequate supplies.

The Secretary General also visited INTEVEP PDVSA, the centre of research of PDVSA, as well as the Orinoco project. El-Badri will be visiting Ecuador from Wednesday 21 May to Sunday 25 May 2008.

Jeddah Energy Meeting

Joint Statement by the Kingdom of Saudi Arabia and the Secretariats of the International Energy Agency, the International Energy Forum and the Organization of the Petroleum Exporting Countries.

Jeddah, Saudi Arabia, 22 June 2008

Upon a timely and kind invitation from the Government of the Kingdom of Saudi Arabia and under the patronage of the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul-Aziz, Ministers and representatives from many producing and consuming countries, with the attendance of oil industry representatives as observers, met in Jeddah, Saudi Arabia, on 22 June 2008, to discuss the current oil market situation.

Participants noted with concern that oil prices have risen sharply and become more volatile, due to a host of factors. They sought to identify the causes and consequences of recent price behaviour and suggested areas of improvement for the efficient operation of the oil market. Participants also noted that current oil prices and their volatility are detrimental to the global economy and, in particular, the economies of least-developed countries.

Participants agreed that the situation requires concerted efforts from all parties — producing and consuming countries, the oil industry and all concerned parties — to bring stability to the international oil market for the benefit of all.

Taking into account their diverse national circumstances and priorities, as well as their shared interest in a stable global oil market and sustainable economic growth, the participants recognized the importance of the following:

- That the existence of spare capacity throughout the oil supply chain is important for the stability of the global oil market. Hence an appropriate increase in investment, both upstream and downstream, is necessary to ensure that the markets are supplied in a timely and adequate manner. Predictable energy and investment policies, as well as better access to technology, are necessary to this end.
- That the transparency and regulation of financial markets should be improved through measures to capture more data on index fund activity and to examine cross-exchange interactions in the crude market.
- That the quality, completeness and timeliness of oil data submitted through the monthly Joint Oil Data Initiative (JODI) should be enhanced. In order to further improve market transparency



Participants at the Jeddah Energy Meeting with King Abdullah bin Abdul Aziz Al Saud, Custodian of the Two Holy Mosques of Saudi Arabia.

and stability, the seven organizations involved in JODI (APEC, Eurostat, IEA, IEF, OLADE, OPEC and UNSD) are called upon to start work to cover annual data, that includes, among other things, upstream and downstream capacities and expansion plans.

- That there should be immediate collaboration between the IEA and OPEC Secretariats, together with the IEF Secretariat, on preparing shared analyses of oil market trends and outlook, as well as of the impact of financial markets on the level and volatility of oil prices, which can be used to better understand the market situation.
- That development assistance from the national, regional and international finance and aid institutions is intensified, to alleviate the consequences of higher oil prices on the least-developed countries.
- That cooperation is enhanced among international, national and service companies from all producing and consuming countries in investment, technology and human resource development.
- That energy efficiency is promoted in all sectors through passing on market price signals, technology transfer and the sharing of best practices in energy production and consumption.

The host and the parties to this statement will convene a working group to follow up the needed actions from the above, as appropriate. Participants welcomed the kind invitation from the UK government to hold a meeting on the progress made on the above issues in London before the end of the year.

EU-OPEC Energy Dialogue

Brussels, Belgium, 24 June 2008

The fifth ministerial-level meeting of the Energy Dialogue between the European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) took place in Brussels, today.

Representatives of the EU included Andrej Vizjak, President of the EU Energy Council, Minister of Economy of Slovenia; Jean-Louis Borloo, incoming President of the EU Energy Council, Ministre d'Etat, ministre de l'énergie, de l'écologie, du développement durable et de l'aménagement du territoire of France; and Andris Piebalgs, European Commissioner for Energy. Representatives of OPEC included Dr Chakib Khelil, President of the OPEC Conference, Minister of Energy and Mines of Algeria; Desidério da Graça Veríssimo e Costa, Alternate President of the OPEC Conference, Minister of Petroleum of Angola, and Abdalla Salem El-Badri, Secretary General of OPEC.

The EU and OPEC representatives welcomed the progress that had been made since the fourth meeting of the Energy Dialogue in Vienna, Austria, on 21 June 2007. This included: a joint study on oil refining, with a follow-up workshop, held in Brussels, in January 2008; the launch of a joint study on



L-r: Desidério de Graça Veríssimo e Costa, Alternate President of the OPEC Conference, Minister of Petroleum of Angola; Jean-Louis Borloo, incoming President of the EU Energy Council, French Minister of Ecology and Sustainable Development and Planning; Dr Chakib Khelil, OPEC Conference President and Algerian Energy and Mines Minister; Andrej Vizjak, President of the EU Energy Council, Minister of Economy of Slovenia; Abdalla Salem El-Badri, Secretary General of OPEC; Andris Piebalgs, European Commissioner for Energy.

the impacts of financial markets on oil price and volatility; discussions about the establishment of a joint energy technology centre; and other meetings and discussions on subjects of common interest. The representatives expressed their appreciation for the constructive exchanges of views in all these activities.

The participants underlined the importance of dialogue between producers and consumers, when prices are high or low. The recent Jeddah Energy Meeting is the latest instance of such dialogue. The participants reiterated their mutual interest in stable, transparent, and predictable oil markets, and recalled their recognition of the reciprocal nature of energy security, with security of supply and security of demand being two faces of the same coin. In this regard, they recognized the importance of secure future demand for crude and products in spurring timely investment both upstream and downstream, thus contributing to greater security of supply.

While acknowledging the continued importance of fossil fuels, and in particular oil, in responding to the future world energy needs, they also welcomed the growing diversity in the energy mix, including renewables. They further stressed the importance of sustainable development, with its three mutually supportive pillars of economic development, social progress and protection of the environment. They also recognized the needs of the poorest to access modern energy services, efforts towards avoiding waste of valuable resources, including through improved energy efficiency, as well as the need to develop and deploy cleaner fossil fuel technologies, in particular Carbon Capture and Storage (CCS). EU representatives outlined their recent policy proposals, which are currently being discussed in the European Parliament and Council, as well as developments in relation to the Energy and Climate Change package and the Internal Energy Market. For their part, OPEC representatives presented their analysis of the recent developments in the oil market, reiterating that it remains well supplied, with supply exceeding demand and with healthy commercial crude stocks. OPEC stressed the role of financial markets, as well as the declining value of the dollar in driving the current crude oil price and volatility, in particular through increased speculative activity.

Another session involved the presentation of the 2030 baseline demand scenario by the EU, and the latest World Oil Outlook prepared annually by OPEC. This exchange of views represents an essential contribution to deepen mutual understanding. The presentation provided the EU with an opportunity to confirm that its policy developments will not translate into a reduction in oil imports. OPEC, in its presentation, stressed the uncertainties related to the demand for its crude, stemming mainly from technology, alternative fuels, as well as consuming countries policies.

Finally, the meeting was presented with the main conclusions of the joint study on oil refining and the follow-up workshop, attended by Member Countries and industry representatives. The meeting also considered a progress report of the joint study on the impact of financial markets on oil price and volatility and a progress report on the EU-OPEC energy technology centre.

The meeting agreed on the following work programme, with report to the 6th Ministerial Meeting:

- to hold a round table on CCS, which will take place in Brussels, tentatively on 31 October 2008, followed by technical site visits;
- to finalise the joint study on the impacts of financial markets on oil price and volatility, to be followed by an international workshop in Vienna, early 2009;
- to undertake a feasibility study on the establishment of an EU-OPEC Energy Technology Centre, also addressing education and training;
- to prepare terms of reference for a joint study on the impacts of biofuels on oil refining.

The 6th EU-OPEC Ministerial Meeting is scheduled for June 2009 in Vienna.

OPEC's Annual Statistical Bulletin and World Oil Outlook for launch 10 July.

Launch of the Annual Statistical Bulletin and the World Oil Outlook

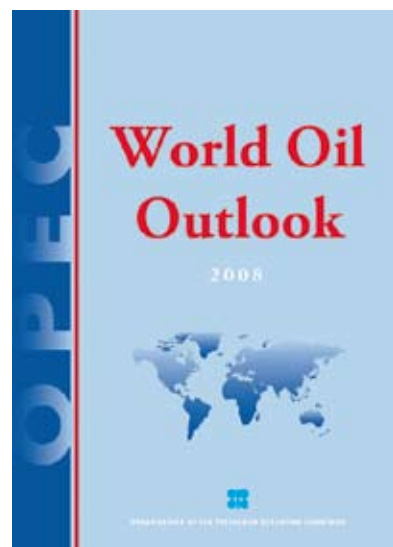
Vienna, Austria, 3 July 2008

The public presentation of OPEC's 2007 Annual Statistical Bulletin (ASB) and the World Oil Outlook (WOO) 2008 will take place at the OPEC Secretariat on 10 July 2008 at 1500 hours, Vienna time (GMT+2).

In preparation for the presentation which will be performed by the OPEC Secretary General, Abdalla Salem El-Badri, copies in PDF formats of both the ASB 2007 and the WOO 2008, will be made available by email to accredited members of the press and analysts on 8 July, to be embargoed until the official launch on 10 July at 1500 hrs. This is to enable journalists and analysts to familiarize themselves with the two publications before the event. El-Badri and some experts from the OPEC Research Division will be available to answer your questions.

All journalists and analysts wishing to attend the public presentation are advised to visit the OPEC website for accreditation.

The OPEC Annual Statistical Bulletin is a detailed statistical record of the oil and gas activities of OPEC's 13 Member Countries — Algeria, Angola, Ecuador, Indonesia, the Islamic Republic of Iran, Iraq, Kuwait, the Socialist People's Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. It also provides accurate and timely statistical data on the global petroleum industry as a whole.



On its part, the OPEC World Oil Outlook provides a platform from which to review, analyse and evaluate scenarios as to how the oil scene may develop. It is a further affirmation of OPEC's commitment to creating forums that encourage and hopefully, aid dialogue and cooperation amongst all stakeholders.

149th Meeting of the OPEC Conference

Vienna, Austria, 9–10 September 2008

The 149th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 9 and 10 September 2008, under the Chairmanship of its President, Dr Chakib Khelil, Minister of Energy & Mines of Algeria and Head of its Delegation, and its Alternate President, Desidério da Graça Veríssimo e Costa, Minister of Petroleum of Angola and Head of its Delegation.

The Conference congratulated Eng Mohammed Abdullah Al-Aleem on his appointment as Minister of Oil of the State of Kuwait and Head of its Delegation.

The Conference warmly welcomed the Minister of Petroleum of Egypt, the Deputy Prime Minister of the Russian Federation and the Minister of Energy & Mining of the Republic of Sudan, representatives of non-OPEC oil-producing countries with whom the Organization seeks concrete and constructive dialogue in the interests of maintaining order and stability in the oil market.

The Conference considered the Secretary General's report; the report of the Economic Commission Board; the report of the Ministerial Monitoring Sub-Committee (MMSC), chaired by Gholamhossein Nozari, Head of the Delegation of the Islamic Republic of Iran, whose Members the Conference again thanked for their continued efforts on the Organization's behalf; and various administrative matters. The Conference exchanged views on, inter alia, recent developments in environment-related multilateral discussions and the outcome of the 5th Ministerial Meeting of the EU-OPEC Energy Dialogue. Member Countries took this occasion to reiterate their abiding commitment to working with the international community towards achieving energy market stability and security, enhancing socio-economic development, alleviating poverty and protecting the environment, recognizing that energy is central to the achievement of the Millennium Development Goals.

The Conference reviewed current oil market conditions and future prospects and observed that production action taken by OPEC Member Countries has ensured that the oil market is well supplied and has enabled inventories to be built up to comfortable levels in terms of forward demand cover. It further noted that prices have dropped significantly in recent weeks, driven by a weakening world economy, in particular in major OECD countries, with its concomitant lower oil demand growth, coupled with higher crude supply, a strengthening of the US dollar and an easing of geopolitical tensions. All the foregoing indicate a shift in market sentiment causing downside risks to the global oil market outlook.



OPEC Ministers, delegates with the Conference President and the Secretary General during the 149th OPEC Conference.

Since the market is over-supplied, the Conference agreed to abide by the September 2007 production allocations (adjusted to include new Members Angola and Ecuador and excluding Indonesia and Iraq), totalling 28.8 mb/d, levels with which Member Countries committed to strictly comply.

Further, given the role played by oil market stability in the world economy, the Conference reaffirmed its commitment to ensuring sound supply fundamentals and an adequate level of spare capacity for the benefit of the world at large. Furthermore, the Conference recorded the readiness of Member Countries to swiftly respond to any developments which might place oil market stability and their interests at risk. Accordingly, in addition to maintaining a constant and vigilant watch over supply/demand fundamentals, the Conference agreed to reassess the market situation at its 150th (Extraordinary) Meeting, to be held in Oran, Algeria, on 17 December 2008.

The Conference regretfully accepted the wish of Indonesia to suspend its full Membership in the Organization and recorded its hope that the Country would be in a position to rejoin the Organization in the not too distant future.

The Conference elected Desidério da Graça Veríssimo e Costa, Minister of Petroleum of Angola and Head of its Delegation, as President of the Conference for one year, with effect from 1 January 2009, and Dr Galo Chiriboga Zambrano, Minister of Mines and Petroleum of Ecuador and Head of its Delegation, as Alternate President, for the same period.

The Conference appointed Siham A Razzouqi, Governor for Kuwait, as Chairman of the Board of Governors for the year 2009, and Dr Abdullah Ammar Ballut, Governor for the Socialist People's Libyan Arab Jamahiriya, as Alternate Chairman for the same period, with effect from 1 January 2009.

The Conference decided that its next Ordinary Meeting will convene in Vienna, Austria, on Sunday, 15 March 2009, shortly before the OPEC International Seminar on the theme “Petroleum: Future Stability and Sustainability”, which will take place at the Vienna Hofburg Palace on 18 and 19 March 2009.

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

Finally, the Conference passed Resolutions that will be published on 10 October 2008, after ratification by Member Countries.

150th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 24 October 2008

The 150th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened at OPEC Headquarters, Vienna, Austria, on 24 October 2008, under the Chairmanship of the President of the Conference, Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation.

The Conference extended a warm welcome to Eng José Maria Botelho de Vasconcelos, Minister of Petroleum of Angola, and Eng Derlis Palacios Guerrero, Minister of Mines and Petroleum of Ecuador, who were attending a Meeting of the Conference for the first time since their appointments, and they paid tribute to their predecessors in office, Desidério da Graça Veríssimo e Costa of Angola and Dr Galo Zambrano Chiriboga of Ecuador.

The Extraordinary Meeting having been convened in order to allow the Conference to discuss the current global financial crisis, the world economic situation and their impacts on the oil market, the Conference began by emphasizing that it shared the concern of the international community – of which OPEC Member Countries are an integral part – over ongoing developments in financial markets.

The Conference observed that the financial crisis is already having a noticeable impact on the world economy, dampening the demand for energy, in general, and oil in particular. This slowdown in oil demand is serving to exacerbate the situation in a market which has been over-supplied with crude for some time, an observation which the Organization has been making since earlier this year. Moreover, forecasts indicate that the fall in demand will deepen, despite the approach of winter in the northern hemisphere.

Similarly worryingly, the Conference noted that oil prices have witnessed a dramatic collapse – unprecedented in speed and magnitude – these falling to levels which may put at jeopardy many existing oil projects and lead to the cancellation or delay of others, possibly resulting in a medium-term supply shortage.

Given the foregoing, the Conference will continue to provide to the market crude oil volumes required by consumers. Accordingly, the Conference has decided to decrease the current OPEC-11 production ceiling of 28.808 million barrels a day by 1.5 mb/d, effective 1 November 2008, with Member Countries strongly emphasizing their firm commitment to ensuring that the volumes they supply to the market are reduced by the individually agreed amounts, as shown in the table below.

	Decrease (b/d)
Algeria	71,000
Angola	99,000
Ecuador	27,000
IR Iran	199,000
Kuwait	132,000
SP Libyan AJ	89,000
Nigeria	113,000
Qatar	43,000
Saudi Arabia	466,000
UAE	134,000
Venezuela	129,000
Total	1,500,000

This decision will be reviewed at the Extraordinary Meeting of the Conference scheduled to convene in Oran, Algeria, on 17 December 2008. In the interim, the Conference requested the Secretariat to continue to closely monitor the market.

The Heads of Delegation again stressed the Organization's proven commitment to providing adequate supplies of petroleum to consuming nations at all times, as well as to realizing its objective of maintaining crude oil prices at fair and equitable levels for the benefit of the world economy and the wellbeing of the market. At the same time, the Conference pointed out that OPEC cannot be expected to bear alone the burden of restoring equilibrium and it called on non-OPEC producers/exporters to contribute to efforts to restore prices to reasonable levels and eliminate harmful and unnecessary fluctuations.

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

OPEC-Russia Dialogue

Moscow, Russia, 24 October 2008

Dmitry Medvedev, President of the Russian Federation and Abdalla Salem El Badri, Secretary General of the Organisation of Petroleum Exporting Countries (OPEC) met on 22 October 2008, in Moscow. The meeting was attended by Russia's Deputy Prime Minister, Igor Sechin, Minister of Energy, Sergei Shmatko, as well as high-level officials.

The President of the Russian Federation recalled the role of OPEC Member Countries and Russia, as major energy and oil producers and exporters. He underlined the importance of the cooperation between OPEC and Russia and highlighted the Russian readiness for a continuous and comprehensive dialogue with OPEC, for the purpose of achieving stable and predictable oil markets. This is particularly important, given the development of turmoil in international financial markets and its adverse influence on the world economy and oil markets.

Abdalla El Badri stated that the dialogue with the Russian Federation is of key importance. He described the behaviour of oil markets since the middle of last year, stressing that they remained well supplied and that the observed high volatility was mainly caused by non-fundamentals, such as the value



Igor Sechin, Deputy Prime Minister (right) and Sergei Shmatko, Minister of Energy of the Russian Federation.

of the dollar and the speculation in futures markets and in non-regulated exchanges, where the daily volume of traded paper barrels by far exceeds the volume of physical barrels produced. He also noted the negative consequences of the current global financial crisis both on the world economy as a whole and on oil exporting countries. Having reviewed OPEC's recent assessment of market conditions and outlook, he stated that the situation called for increased vigilance and a proactive stance.

Both parties shared the concern that the current turmoil might have large negative impacts on the volume of investments in the oil sector, and might lead to cancellation of projects and freeze the launching of new oil and gas projects.

It was also agreed that the development of the dialogue and cooperation between OPEC and its Member Countries, and the Russian Federation is essential to overcome such a crisis and to ensure stability of the oil market, something which is crucial for producers and consumers alike, both in the short- and the long-term.

Abdalla El Badri also made a keynote presentation at the opening ceremony of the International Energy Week, addressing the current oil market situation, as well as the long-term challenges facing the oil industry. OPEC's delegation additionally held working meetings with high-level Russian officials.

During the Third OPEC-Russia workshop held on the 23 October, issues examined related to the current state of the world oil market and long-term perspectives, among them the oil and gas sectors in the Russian Federation, as well as global environmental and world trade matters.

The fourth workshop is planned to be held next year at the OPEC Headquarters in Vienna.

151st (Extraordinary) Meeting of the OPEC Conference

Oran, Algeria, 17 December 2008

The 151st (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Oran, Algeria, on 17 December 2008, under the Chairmanship of its President, Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, and its Alternate President, Eng José Maria Botelho de Vasconcelos, Minister of Petroleum of Angola and Head of its Delegation.

The Conference welcomed the Minister of Industry and Energy of the Republic of Azerbaijan, the Minister of Oil and Gas of the Sultanate of Oman, the Deputy Prime Minister of the Russian Federation, and the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic, attending the Meeting as Observers.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, whose Members the Conference once again thanked for their continuing and much-appreciated efforts on behalf of the Organization, as well as a submission from the Secretary General on oil market developments.



Press Conference following the 151st (Extraordinary) Conference in Oran, Algeria.

Having reviewed the oil market outlook, including overall demand/supply projections for the year 2009, in particular the first and second quarters, the Conference observed that crude volumes entering the market remain well in excess of actual demand: this is clearly demonstrated by the fact that crude stocks in OECD countries are well above their five-year average and are expected to continue to rise. Moreover, the impact of the grave global economic downturn has led to a destruction of demand, resulting in unprecedented downward pressure being exerted on prices, which have fallen by more than US\$90 a barrel since early July 2008. Indeed, the Conference noted that, if unchecked, prices could fall to levels which would place at jeopardy the investments required to guarantee adequate energy supplies in the medium-to-long term.

In light of the above, the Conference agreed to cut 4.2 million barrels a day from the actual September 2008 OPEC-11 production of 29.045 mb/d, with effect from 1 January 2009, with Member Countries strongly emphasizing their firm commitment to ensuring that their production is reduced by the individually agreed amounts.

In taking the above decision, Heads of Delegation reiterated the Organization's firm commitment to providing an economic and regular supply of petroleum to consuming nations, as well as to stabilizing

the market and realizing OPEC's objective of maintaining crude oil prices at fair and equitable levels, for the future well-being of the market and the good of producers and consumers alike. With this in mind, the Conference renewed its call on non-OPEC producers/exporters to cooperate with the Organization to support oil market stabilization.

The Conference confirmed that its next Ordinary Meeting will be held on Sunday, 15 March 2009, in Vienna, Austria, shortly before the OPEC International Seminar, which is to take place at the Hofburg Palace, Vienna, on 18 and 19 March 2009.

The Conference approved the Budget of the Organization for the year 2009.

The Conference expressed its sincere gratitude to His Excellency Abdelaziz Bouteflika, the President of the Republic, the Government and the People of Algeria for the warm hospitality extended to the Conference participants and for the excellent arrangements made for the Meeting. In addition, the Conference recorded its special thanks to Dr Khelil, Minister of Energy and Mines, and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference also expressed its thanks to the 2008 President of the Conference, Dr Khelil, for his excellent leadership, and welcomed the 2009 President, Eng Botelho de Vasconcelos.

Finally, the Conference passed Resolutions that will be published on 17 January 2009, after ratification by Member Countries.

Heads of Delegation

ALGERIA



HE Dr Chakib Khelil

ANGOLA



HE José Maria Botelho de Vasconcelos



HE Eng Desidério de Graça Veríssimo e Costa
(to 30 September)

ECUADOR



HE Eng Derlis Palacios Guerrero



HE Dr Galo Chiriboga Zambrano
(to 8 October)

INDONESIA



HE Dr Purnomo Yugiantoro

IR IRAN



HE Gholamhossein Nozari

IRAQ



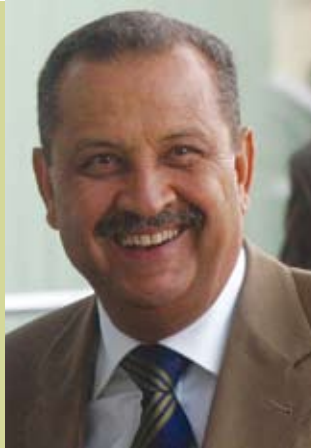
HE Dr Hussain Al-Shahristani

KUWAIT



HE Mohammed Abdullah Al-Aleem

SP LIBYAN AJ



HE Dr Shokri M Ghanem

NIGERIA



HE Dr Rilwanu Lukman



HE Odein Ajumogobia (SAN)
(to 28 December)

QATAR



HE Abdullah bin Hamad Al Attiyah

SAUDI ARABIA



HE Ali I Naimi

UAE



HE Mohamed Bin Dhaen Al Hamli

VENEZUELA



HE Rafael Ramirez

The Board of Governors



Members of the Board of Governors with the Secretary General at the 128th Meeting, held in Vienna, Austria, on 26–27 May 2008 (l-r): Dr Bernard Mommer, Venezuela; M A Khatibi Tabatai, IR Iran; Ali Obaid Al Yabhouni, UAE; Félix Manuel Ferreira, Angola; Dr Abdullah Ammar Ballut, SP Libyan AJ; Hamid Dahmani, Algeria; Dr Falah J Alamri, Iraq; Abdalla Salem El-Badri, OPEC Secretary General; Eng Sadiq M Mahmood, Nigeria; Siham Abdulrazzak Razzouqi, Kuwait; Dr Majid A Al-Moneef, Saudi Arabia; Diego Stacey Moreno, Ecuador; and Ali Mohammed Al-Hammadi, Qatar.

Other Governors



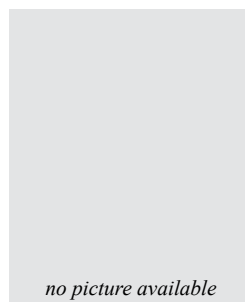
Dr Maizar Rahman
Indonesia



Dr Byron Morejon-Almeida
Ecuador
(to 31 July)



Hossein Kazempour Ardebili
IR Iran
(to 16 May)



Eng Mohammed K Amate
Nigeria
(ad hoc from 24 November)



Ivan Orellana
Venezuela
(to 24 August)

The Economic Commission Board



*National Representatives, Members of the Management and delegates to the 110th Meeting of the Economic Commission Board, held in Vienna, Austria, on 28–29 August 2008 (l-r): Dr Hassan M Qabazard, Director, Research Division, OPEC Secretariat; Fadel S Harib, delegate of the SP Libyan AJ; Sultan K Al-Binali, Qatar; Yasser M Mufti, Saudi Arabia; Dr Mahmud Mabruk Sadeg, SP Libyan AJ; Fernando Valera, Venezuela; Javad Yarjani, IR Iran; Eng Uthman Muhammed, Nigeria; Abdalla Salem El-Badri, OPEC Secretary General; M Mustapha Hanifi, Algeria; Adel K M Al-Tae, Iraq; Mohamed Hamel, Head, Energy Studies Department; Luis Neves, Angola; Mohammad Alipour-Jeddi, Head, Petroleum Studies Department; Fuad Al-Zayer, Head, Data Services Department.
(seated l-r): Tofof Al-Nasr, delegate of the UAE; Ali Obaid Al Yabhouni, UAE; Nawal Al-Fuzaia, Kuwait; Maria Elsa Viteri Acaiturri, Ecuador; Lubna Ali Moh Eldeeb, delegate of the SP Libyan AJ.*

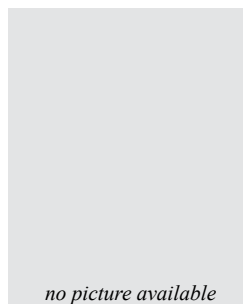
Other National Representatives



Novian M Thaib
Indonesia
(to 16 September)



Ahmed B El Geroushi
SP Libyan AJ
(to 10 February and from 18 November)



A Edy Hermantoro
Indonesia
(from 17 September)

Officials of the Secretariat



Pictured above are the Members of the Management. Seated: Abdalla Salem-El-Badri, Secretary General. L-r: Dr Hasan M Qabazard, Director, Research Division; Mohammad Alipour-Jeddi, Head Petroleum Studies Department; Mohamed Hamel, Head, Energy Studies Department; Dr Omar F Ibrahim, Head, PR & Information Department; Alejandro Rodriguez Rivas, Head, Administration & Human Resources Department; Abdullah Al-Shameri, Head, Office of the Secretary General; Fuad Al-Zayer, Head, Data Services Department; and Dr Ibibia L Worika, General Legal Counsel.

Secretary General

Abdalla Salem El-Badri

Head, Office of the Secretary General

Abdullah Al-Shameri

Director, Research Division

Dr Hasan M Qabazard

General Legal Counsel

Dr Ibibia L Worika

Officer

Ali Nasir

Head, Data Services Department

Fuad Al-Zayer

Officers

Ayodeji Adeosun¹
Puguh Irawan
Omar Al-Dukair
Ramadan Janan
Nabeel Almojil (joined in May 2008)

Head, Energy Studies Department

Mohamed Hamel

Officers

Ramiro Ramirez Contreras²
Dr Fuad M Siala
Dr Nimat B Abu Al-Soof
Mohammad Khesali
Dr Mohammad Mazraati
Benny Lubiantara
Dr Taher M Najah (joined in January 2008)

Head, Petroleum Studies Department

Mohammad Alipour-Jeddi

Officers

Fayez Al-Nassar

Safar A Keramati
Brahim Aklil
Dr Mohamed El-Shahati
Dr Mehdi Asali
Dr Odalis Lopez-Gonzalez
Esam Al-Khalifa
Osam F Abdul Aziz
Haidar Khadadeh

Head, Administration and Human Resources Department

Alejandro Rodriguez Rivas

Officers³

Endro Guritno
Layla Abdul-Hadi

Head, Public Relations and Information Department

Dr Omar F Ibrahim

Officers

Ulunma Angela Agoawike
Zoreli Figueroa (joined in January 2008)

¹ As of 1 October 2008 he was moved to the newly created Administration and IT Services Department.

² As of October 2008 he was moved to the newly created Multilateral Relations Department.

³ As of 1 October 2008 they were moved to the newly created Finance and Human Resources Department.

Secretary General's diary

16–17 January Nicosia Chamber of Commerce and Industry Annual Business Event, Nicosia, Cyprus

4–6 February Chatham House Conference on Middle East Energy, followed by a meeting with HE Malcolm Wicks, Minister of Energy of the UK and Officials from the UK Department for Business, Enterprise and Regulatory Reform, The Foreign and Commonwealth Office, HM Treasury and The Department for Environment, Food and Rural Affairs, London, UK

25 March Visit to Executive Director, International Energy Agency (IEA), Paris, France

31 March–
7 April Member Countries' visit to the State of Qatar and the Islamic Republic of Iran, Tehran, IR Iran and Doha, Qatar

19–23 April 11th International Energy Forum, Rome, Italy

18–25 May Member Countries' visit to the Bolivarian Republic of Venezuela and the Republic of Ecuador, Caracas, Venezuela and Quito, Ecuador

10–11 June Reuters Energy Summit, London, UK

20–22 June	Jeddah Energy Summit, Jeddah, Saudi Arabia
24 June	5th Ministerial Meeting of the EU-OPEC Energy Dialogue, Brussels, Belgium
1–4 July	19th World Petroleum Congress, Madrid, Spain
22–24 October	3rd International Energy Week and 8th Russian Oil and Gas Week, Moscow, Russia
27–29 October	Annual Oil and Money Conference and Dow Jones Energy Series, London, UK
17–20 November	Member Country visit to the State of Kuwait, Kuwait
30 November– 1 December	13th Institute for International Energy Studies International Oil and Gas Conference, Tehran, IR Iran
19 December	London Energy Meeting, London, UK

Calendar 2008

15 January	OPEC-EU Workshop on the Oil Refining Sector incl. the Implications of Biofuels, Brussels, Belgium
22–23 January	Workshop on OPEC Member Countries' Capacity Expansion Plans, Vienna, Austria
24 January	High Level Expert Meeting on Revised United Nations Framework Classification Terminology of Reserves and Resources, Vienna, Austria
1 February	147th (Extraordinary) Meeting of the Conference, Vienna, Austria
19–20 February	127th Meeting of the Board of Governors (BoG), Vienna, Austria
28–29 February	109th Meeting of the Economic Commission Board (ECB), Vienna, Austria
4 March	Meeting of the OPEC Legal Defence Team, Vienna, Austria
4 March	65th Meeting of the Ministerial Monitoring Sub-Committee (MMSC), Vienna, Austria
5 March	148th Meeting of the Conference, Vienna, Austria
1–2 April 2008	2nd Workshop on Upstream Petroleum Contracts (economic aspects), Vienna, Austria
7 April 2008	Meeting of the Steering Committee for the Annual Meeting of the Officials of the Petroleum R&D Institutions in Member Countries, Vienna, Austria
8–9 April 2008	3rd Annual Meeting of the Officials of the Petroleum R&D Institutions in Member Countries, Vienna, Austria

14–18 April	8th Multi-Disciplinary Training Course, Vienna, Austria
5–8 May	Offshore Technology Conference (OTC 2008), Houston, USA
Early May	Coordination Meeting on Run-up to UNCSD-16, New York, USA
5–16 May	UNCSD-16, New York, USA
5–6 June	8th Special Meeting of the ECB, Vienna, Austria
9 June	1st Meeting of the 2009 OPEC Award Selection Panel, Vienna, Austria
10 July	5th Ministerial Meeting of the EU-OPEC Energy Dialogue, Brussels, Belgium
24 June	World Oil Outlook Press Conference, Vienna, Austria
19 August	Meeting of OPEC Experts in Run-up to Meeting of Ad Hoc Working Group on Further Commitments for Annex I Parties Under the Kyoto Protocol (AWG-KP), Accra, Ghana
26–27 August	128th Meeting of the BoG, Vienna, Austria
28–29 August	110th Meeting of the ECB, Vienna, Austria
8 September	66th Meeting of the MMSC, Vienna, Austria
9 September	149th Meeting of the Conference, Vienna, Austria
15 October	1st Meeting of the 2009 OPEC Award for Journalism Selection Panel, Vienna, Austria

16–17 October	8th OPEC-Non-OPEC Experts Meeting, Vienna, Austria
22–24 October	3rd International Energy Week, Moscow, Russia
23 October	OPEC-Russia Roundtable, Moscow, Russia
23 October	Legal Office Workshop on OPEC and International Energy Law, Vienna, Austria
24 October	150th (Extraordinary) Meeting of the Conference, Vienna, Austria
28 October	2nd Meeting of the Steering Committee for the Annual Meeting of the OPEC R&D Officials, Vienna, Austria
31 October	OPEC-EU Roundtable on CCS Cooperation, Brussels, Belgium
4–5 November	8th Meeting of the Working Party on the Flow of Statistics, Vienna, Austria
12 November	Coordination Meeting on Run-up to COP-14/CMP-4, Vienna, Austria
24 November	2nd Meeting of the 2009 OPEC Award Selection Panel, Vienna, Austria
25 November	129th Meeting of the BoG, Vienna, Austria
29 November	Consultative Meeting of the Conference, Cairo, Egypt
1–12 December	COP-14 and CMP-4, Poznan, Poland Vienna, Austria
16 December	67th Meeting of the MMSC, Oran, Algeria
17 December	151st (Extraordinary) Meeting of the Conference, Oran, Algeria



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