OPEC bulletin

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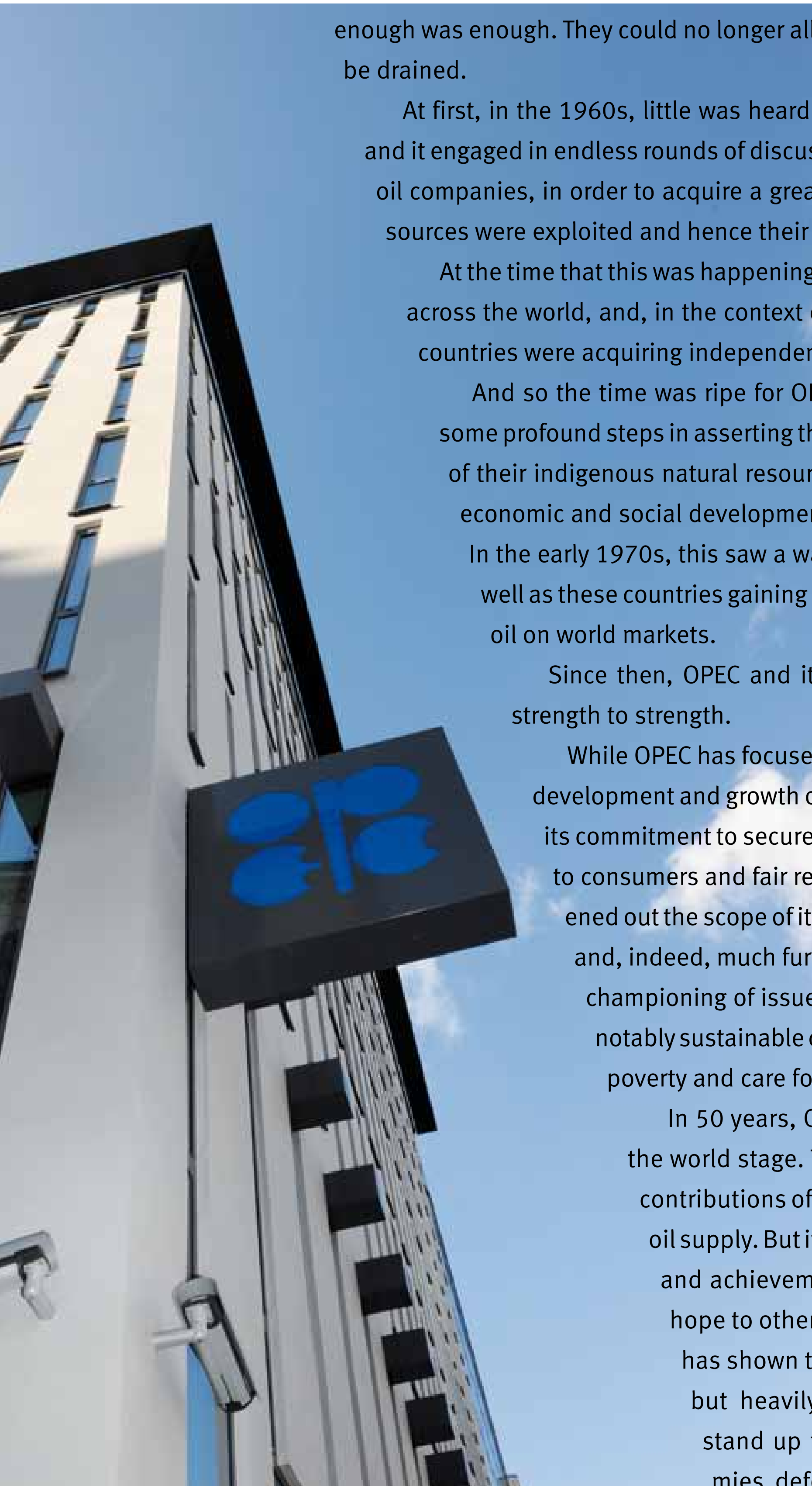
Opening message to the special 50th Anniversary issue of the OPEC Bulletin by ***Abdalla Salem El-Badri****, OPEC Secretary General*

The Fourteenth of September 2010 is a very special day for OPEC. This sees the Organization celebrate its 50th anniversary.

Few would have believed half a century ago that the Organization would have risen to the heights it has today in the global energy arena. This is because OPEC's birth in Baghdad was a low-key event involving just its five Founder Members in a very different world to that of today.

The oil industry was dominated by the major oil companies and this was reflected in its structure and its behaviour. The industry's prime purpose in the previous 15 years had been to fuel the post-Second World War reconstruction of the developed countries in the then-colonial world with all its inherent injustices — and then to maintain the momentum of this unjust situation without due regard to the interests of the poor developing countries from which most of the essential crude oil was coming.

In the context of that time, it was therefore a heroic act by the Founder Members to come together in the Iraqi capital 50 years ago and decide that



enough was enough. They could no longer allow the lifeblood of their economies to be drained.

At first, in the 1960s, little was heard about OPEC, as its Membership grew and it engaged in endless rounds of discussions with the dominant international oil companies, in order to acquire a greater say in how their indigenous oil resources were exploited and hence their national destinies mapped out.

At the time that this was happening, fundamental changes were occurring across the world, and, in the context of OPEC's evolution, many developing countries were acquiring independence.

And so the time was ripe for OPEC and its Member Countries to take some profound steps in asserting their sovereign rights to the exploitation of their indigenous natural resources, in the interests of their domestic economic and social development and for the benefit of their peoples. In the early 1970s, this saw a wave of oil industry nationalizations, as well as these countries gaining a major say in the pricing of their crude oil on world markets.

Since then, OPEC and its Member Countries have gone from strength to strength.

While OPEC has focused much of its attention on the welfare, development and growth of the oil industry itself — together with its commitment to secure, steady supply with reasonable prices to consumers and fair returns to investors — it has also broadened out the scope of its activities to the energy sector at large and, indeed, much further afield than that. Here, I refer to its championing of issues affecting mankind as a whole, most notably sustainable development, the eradication of energy poverty and care for the environment.

In 50 years, OPEC has become a notable player on the world stage. This has not just been because of the contributions of its Member Countries to international oil supply. But it has also been due to OPEC's progress and achievements being envisaged as a beacon of hope to other developing countries. In short, OPEC has shown that it is possible for well-intentioned, but heavily exploited developing countries to stand up for themselves, develop their economies, defend their sovereign interests and make a significant contribution to the global community in a constructive and meaningful way.

Of course, the world today is a much more integrated, interconnected and interdependent globalized arena than it was 50 years ago.

But OPEC's establishment, growth, assertiveness and expanding outreach have served a purpose in demonstrating to other developing countries just what can be achieved through perseverance and steadfastness, when the cause is a just one.

Therefore, as OPEC celebrates its 50th anniversary, it does so with a feeling of achievement and satisfaction, together with the firm intention of remaining true to its principles well into the future, to the benefit of its own Member Countries' national development, international oil supply, world economic growth, poverty eradication and the global community at large.

Finally, no occasion like this would be complete without a full appreciation of the efforts of all those who have worked so hard over the past 50 years to make OPEC the success it has become. These include generations of Heads of State and Government, Ministers, Governors and other high-level experts from outside the Secretariat and, from within the Secretariat, Secretary Generals, Management and Staff of every relevant discipline, enriched by their broad multicultural spread. Inherent qualities have included courage, vision, enterprise, ambition, commitment, perseverance and sacrifice, to cope with the many ups and downs experienced by the Organization and its Member Countries, as these much-valued individuals have sought, day in, day out, to pursue OPEC's noble objectives.

I am sure that I am speaking on behalf of all my distinguished predecessors as Secretary General when I express a profound and heartfelt "thank you" to all those who have contributed to OPEC's success during this time and have utilized all these qualities to the full in the interests of the growth and development of the Organization.

This gratitude extends to the Republic of Austria and the City of Vienna, which have been warm and generous hosts to the Secretariat since we moved to this grand, historic city in 1965. Our new purpose-built premises provide the ideal base from which to meet the many challenges we shall face as we enter our second 50 years in a confident and determined manner.

Let us all now keep our sights fixed firmly on the future.

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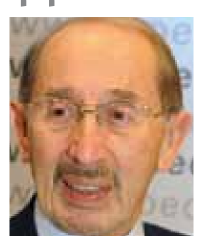

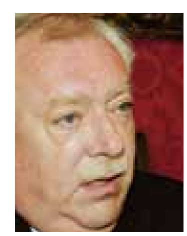

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Cover
This month's cover shows the design used by the Austrian Postal Authority for the stamp its philatelic section is issuing to mark OPEC's 50th Anniversary. Design: Elfi Plakolm.

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OPEC Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization comprises 12 Members: Qatar joined in 1961; SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007). Ecuador joined OPEC in 1973, suspended its Membership in 1992, and rejoined in 2007. Gabon joined in 1975 and left in 1995. Indonesia joined in 1962 and suspended its Membership on December 31, 2008.

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The OPEC Bulletin welcomes original contributions on the technical, financial and environmental aspects of all stages of the energy industry, research reports and project descriptions with supporting illustrations and photographs.

Editorial policy

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Getting to know OPEC after 50 years

OPEC celebrates its 50^{th} anniversary on September 14, 2010.

This year has already witnessed a series of special activities to mark the occasion, and more are planned for the coming weeks.

The anniversary has provided the Organization with a chance to reflect upon its past achievements and to be proud of the fact that, from humble beginnings in very difficult circumstances, it has become an influential member of the global energy community.

At the same time, the actions of OPEC and its Members have demonstrated the potential for developing countries to assert their basic sovereign rights within the global economic and political arena, to develop as independent, self-determining states, and to play a growing role in the development and growth of the world economy, which was traditionally the preserve of the established industrialized powers.

OPEC's achievements have also highlighted the link between secure energy supply and sustained economic development, both for its own Members and, through their various bilateral and multilateral aid institutions, for other developing countries.

Indeed, OPEC has championed the broader-based cause of sustainable development, as epitomized by the World Summit of 2002 in Johannesburg. In particular, it has stressed the need to eradicate energy poverty.

OPEC's three guiding themes for Member Countries' 'economic, energy and environmental endeavours', as spelt out in its Third Solemn Declaration of 2007, have become a definitive expression of the Organization's multilayered mandate for the future: stability for global energy markets; energy for sustainable development; and energy and environment.

This feature therefore seeks to capture the essence of OPEC's true character, its objectives and underlying philosophy, the challenges it has faced, its achievements and its evolution as an intergovernmental, multicultural Organization over the years.

It is hoped that readers will come to recognise OPEC's integrity and time-honoured commitment to order and stability in the oil market, balancing the diverse interests of producers and consumers in today's complex, fast-moving business world.

This feature has been prepared by ***Keith Aylward-Marchant****, with additional material from* ***James Griffin****.*

How it all began

The first move towards the establishment of OPEC can be traced back to 1949, when Venezuela approached four other oil-producing developing countries — Iran, Iraq, Kuwait and Saudi Arabia — to suggest that they explore avenues for regular and closer cooperation on oil matters.

However, the main catalyst for OPEC's birth came a decade later, in 1959, when the powerful 'Seven Sisters' multinational oil companies — Exxon, Texaco, Royal Dutch/Shell, Mobil, Gulf, British Petroleum and Standard Oil of California — unilaterally reduced the posted price for Venezuelan crude by 5¢/barrel and 25¢/b, leaving it at \$2.80/b, and those for the Middle East by 18¢/b, leaving 34° API Arabian light at \$1.90/b.

At that time, the multinational companies were the overwhelmingly dominant actors in the international oil market, playing the key role and deriving the greatest benefit from all stages of the business process, from exploration to final distribution. They had created 'states-within-states' in the oil-producing countries, controlling the quantity of oil extracted and sold, to whom it was sold and at what price. On these matters of vital importance to the livelihood of the oil-producing countries, the host Governments were never consulted. They were paid small royalties, while the oil companies made large profits selling large quantities of crude at very low prices, in order to fuel the reconstruction effort after the Second World War and maintain its impetus into the 1950s and 1960s.

But things were about to change. The multinationals' unilateral action in 1959 prompted the First Arab Petroleum Congress, held in Cairo, Egypt, in April, to adopt a resolution calling on oil companies to consult with the Governments of the producing countries before taking future decisions on oil prices unilaterally.

However, this request was ignored and the oil companies again reduced Middle East posted prices without consultation, by between 1¢/b and 14¢/b in August 1960 (leaving Arabian light, for example, at \$1.80/b).

As a result, high-level delegations from the above-mentioned five oil-producing countries met in Baghdad on September 10, 1960 to discuss the price reductions. Four days later, on September 14, OPEC was established as a permanent intergovernmental Organization.

Pictured above are the five Founding Fathers of OPEC.

A brief history

the 60s

OPEC's formation by five oil-producing developing countries in Baghdad in September 1960 occurred at a time of transition in the international economic and political landscape, with extensive decolonisation and the birth of many new independent states in the developing world. The international oil market was dominated by the 'Seven Sisters' multinational oil companies. OPEC developed its collective vision, set up its objectives and established its Secretariat, first in Geneva and then, in 1965, in Vienna. It adopted a 'Declaratory Statement of Petroleum Policy in Member Countries' in 1968, which emphasised the inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development. Membership grew to ten by 1969.

the 70s

OPEC rose to international prominence during this decade, as its Member Countries took control of their domestic petroleum industries and acquired a major say in the pricing of crude oil on world markets. On two occasions, oil prices rose steeply in a volatile market, triggered by the Arab oil embargo in 1973 and the outbreak of the Iranian Islamic Revolution in 1979. OPEC broadened its mandate with the First Summit of Heads of State and Government in Algiers in 1975, which addressed the plight of the poorer nations and called for a new era of cooperation in international relations, in the interests of world economic development and stability. This led to the establishment of the OPEC Fund for International Development in 1976. Member Countries embarked on ambitious socioeconomic development schemes. Membership grew to 13 by 1975.

the 80s

After reaching record levels early in the decade, crude oil prices began to weaken, before crashing in 1986, responding to a big oil glut. OPEC's share of the oil market fell heavily and its total petroleum revenue dropped below a third of earlier peaks, causing severe economic hardship for many Member Countries. Prices rallied in the final part of the decade, but to around half the levels of the early part, and OPEC's share of newly growing world output began to recover slowly. This was supported by OPEC introducing a group production ceiling distributed among Member Countries and a Reference Basket for pricing. Significant progress was made with OPEC/non-OPEC dialogue and cooperation, seen as essential for market stability. Environmental issues emerged on the international energy agenda.

the 90s

Prices moved less dramatically than in the 1970s and 1980s, and timely OPEC action reduced the market impact of Middle East events in 1990–91. But excessive volatility and general price weakness dominated the decade, and the South-East Asian economic downturn and mild northern hemisphere winter of 1998–99 saw prices back at 1986 levels. However, a solid recovery followed in a more integrated oil market, which was adjusting to the post-Soviet world, greater regionalism, globalization, the communications revolution and other high-tech developments. Breakthroughs in producer-consumer dialogue matched continued advances in OPEC/non-OPEC relations. The United Nations-sponsored climate change negotiations gathered momentum after the Earth Summit of 1992, with active OPEC involvement. One country left OPEC, while another suspended its Membership.

the 2000s

An innovative OPEC oil price band mechanism helped stabilize crude prices in the opening years. But a combination of market forces, speculation and other factors pushed up prices and increased volatility in a well-supplied crude market from 2004. Oil was used increasingly as a financial asset class. Prices soared to record levels in mid-2008, before collapsing in the emerging global financial turmoil and economic recession. OPEC played a big role in stabilizing the oil market and strengthening prices to widely acceptable levels. OPEC's Second and Third Summits in Caracas and Riyadh in 2000 and 2007, among other things, established stable energy markets, sustainable development and the environment as three guiding themes, with a big stress on eradicating energy poverty. OPEC adopted a comprehensive Long-Term Strategy in 2005. One country joined OPEC, another reactivated its Membership and a third suspended it.


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THE OPEC CONFERENCE
NOV. 21 - 23, 1994
CHAIRMAN
PRESIDENT


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OPEC timeline ... *depicting key events in the history of OPEC*

1949	Venezuela approaches Iran, Iraq, Kuwait and Saudi Arabia about forming closer cooperation
1960	Establishment of OPEC in Baghdad on September 14 — five Founder Members: Iran, Iraq, Kuwait, Saudi Arabia and Venezuela
1961	OPEC adopts original text of OPEC Statute
1961	Qatar becomes Full Member
1961	Secretariat set up in Geneva, at 35 Ave de Budé
1962	Indonesia and Libya become Full Members
1965	Secretariat moves to Vienna, settling at Möllwaldplatz 5
1967	Abu Dhabi becomes Full Member
1967	Secretariat moves to Dr Karl Lueger-Ring 10, Vienna
1968	OPEC adopts Declaratory Statement of Petroleum Policy in Member Countries
1969	Algeria becomes Full Member
1971	Nigeria becomes Full Member
1973	Ecuador becomes Full Member
1974	Abu Dhabi Full Membership transferred to the United Arab Emirates
1975	Gabon becomes Full Member
1975	Conference of Sovereigns and Heads of State of OPEC Member Countries ('First OPEC Summit'), Algiers. First Solemn Declaration
1976	Establishment of OPEC Special Fund
1977	Secretariat moves to Obere Donaustrasse 93, Vienna


1961


1975


1979

— an overview of how the Organization has evolved over the years.

1980	OPEC Special Fund converted into OPEC Fund for International Development
1982	OPEC production ceiling introduced
1987	OPEC Basket introduced, based on average price of seven representative crudes, as yardstick for OPEC reference price
1991	OPEC plays major role in initiating first meeting, in Paris, of producer-consumer dialogue, which eventually becomes International Energy Forum
1992	Ecuador suspends its Full Membership
1995	Gabon terminates its Full Membership
2000	Second Summit of Heads of State and Government of OPEC Member Countries ('Second OPEC Summit'), Caracas. Second Solemn Declaration
2005	OPEC Basket reconstituted, based on average price of 11 representative Member Country crudes
2005	Ministerial-level energy dialogues set up with European Union, China and Russia
2005	OPEC adopts Long-Term Strategy
2007	Angola becomes Full Member and Ecuador reactivates its Full Membership
2007	Third Summit of Heads of State and Government of OPEC Member Countries ('Third OPEC Summit'), Riyadh. Third Solemn Declaration
2008	Indonesia suspends its Full Membership
2009	Secretariat moves to Helferstorferstrasse 17, Vienna
2010	OPEC celebrates its 50th Anniversary

2000


2008


2010

OPEC's objectives

OPEC's objectives have evolved over the years and have been defined in a series of landmark resolutions and declarations, summarized briefly below. Collectively, they construct an image of the underlying philosophy of the Organization. In addition, there have been the many decisions taken by the OPEC Conference and other authoritative bodies since 1960, which have themselves guided the actions of the Organization and its Member Countries over more specific matters, particularly with regard to the international oil market.

The OPEC Statute, whose original text was approved by the OPEC Conference in 1961, declares the following. OPEC's principal aims are the coordination and unification of petroleum policies of Member Countries and the determination of the best means for safeguarding their interests, individually and collectively. The Organization also seeks to devise ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations, due regard being given at all times to the interests of the producing nations and to the necessity of securing: a steady income for them; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on their capital to those investing in the petroleum industry.

A Declaratory Statement of Petroleum Policy in Member Countries, adopted by the OPEC Conference in June 1968, referred to the inalienable right, as expressed by the United Nations, of all countries to exercise permanent sovereignty over their natural resources in the interests of their national development. Accordingly, it claimed that the exploitation of OPEC's indigenous, exhaustible resources should be aimed at securing the greatest possible benefit for its Member Countries. This could best be achieved if these countries themselves directly undertook the exploitation of these resources. It also added that operators should be required to conduct their operations in accordance with the best conservation practices, bearing in mind the long-term interests of the country.

Solemn Declarations

The First Solemn Declaration, adopted by the First Conference of Sovereigns and Heads of State of OPEC Member Countries in March 1975, in Algiers, added new policy guidelines in the light of the changing pattern of the relationship between producer and consumer nations. It indicated that OPEC should seek, in consultation and cooperation with the other countries of the world, the establishment of a new international economic order based on justice, mutual understanding and a genuine concern for the well-being of all peoples. A direct consequence of this was the establishment of the OPEC Fund

for International Development, which, since its formation in 1976, has made substantial financial commitments to other developing countries.

The Second Solemn Declaration, adopted by the Second Summit of OPEC Heads of State and Government in Caracas, in September 2000, reaffirmed Member Countries' commitment to the guiding principles of the Organization. It examined oil's enhanced role in future world energy demand, emphasized the strong link between security of supply and security and transparency of oil demand and stressed the need for improved dialogue and cooperation among all parties in the industry. And it revisited the issue of oil's service to mankind generally and of the need to tie in energy supply with economic development and environmental harmony, so as to help reduce hardship and poverty in developing nations and stimulate their economies.

A comprehensive Long-Term Strategy, adopted by the OPEC Conference in September 2005, provided a coherent and consistent vision and framework for the Organization's future. It recognised the important role of oil in the world economy at large and for the socioeconomic development of Member Countries. It defined specific objectives, identified the key challenges that the Organization faced now and in the future and explored scenarios for the energy scene. And it set objectives in relation to the long-term petroleum revenue of Member Countries, fair and stable prices, future energy demand, world oil market stability, and security of supply and demand. It also related to safeguarding the legitimate interests of Member Countries in multilateral negotiations.

The Third Solemn Declaration, adopted by the Third Summit of OPEC Heads of State and Government in Riyadh, in November 2007, agreed to the principle of three guiding themes for the future economic, energy and environmental endeavours of OPEC and its Member Countries: stability of global energy markets; energy for sustainable development; and energy and environment. It emphasized that eradicating poverty should be the first and overriding global priority guiding local, regional and international efforts in sustainable development. And it introduced the idea of eradicating energy poverty in developing countries, which has since received widespread recognition in international circles.

OPEC's achievements

Since OPEC was formed in September 1960, much has changed in the oil industry and the world at large. It has been a challenging time for an evolving Organization like OPEC, but one also of significant achievement. To celebrate the 50th Anniversary, five achievements have been highlighted. These help provide an understanding of where the Organization has come from, how it has developed and how these achievements can be built on in the future.

1. Secure and steady supply of oil

Since its formation in 1960, OPEC has attached great importance to the responsibilities it attributes to the provision of a frontline energy source, namely working to ensure a stable, secure, well-managed oil sector. The very first resolution of the Organization aims to achieve stable oil prices, "with a view to eliminating harmful and unnecessary fluctuations"; a steady income for producing nations; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on their capital to investors. These principles are enshrined in the OPEC Statute, which was first adopted shortly after, in January 1961, and has provided the statutory beacon for the Organization's actions in the market ever since.

Various landmark declarations and statements have subsequently reaffirmed OPEC's commitment to these original objectives. These include the Solemn Declarations from the three OPEC Summits that took place in Algiers, Algeria, in 1975, Caracas, Venezuela, in 2000 and Riyadh, Saudi Arabia, in 2007, as well as OPEC's Long-Term Strategy that was adopted in 2005.

OPEC has demonstrated repeatedly its commitment to market order and stability, even though, in practice, this can sometimes be hard to achieve. This can be viewed in the experiences of the past few years, with the growing size of the paper market and the expanding role of speculation.

However, over the past 50 years, the oil market has remained adequately supplied, and OPEC has responded, as and when necessary, to market developments and unforeseen happenings. For example, when capacity from Iraq and Kuwait was withdrawn from the market in 1990, other OPEC Members increased exports to help meet the shortfall. And from 2003 to 2006, OPEC responded swiftly to a demand surge and supply disruptions in the market by increasing its production by more than five million barrels/day.

The most recent of the Solemn Declarations, the 'Riyadh Declaration', which concluded the Third OPEC Summit in Saudi Arabia, also underlines how the Organization's objectives have remained in line with those from 1960. The Declaration states that the OPEC Heads of State and Government "have agreed on the following principles to guide our Organization and Member Countries' economic, energy and environmental endeavours, within the following three themes: stability for global energy markets; energy for sustainable development; (and) energy and environment."

Looking ahead, OPEC remains committed to ensuring stable, secure, reasonably priced supplies of crude oil to the market at all times. And, in the medium term, there are significant Member Country investments committed, for both the upstream and the downstream.

It is clear, however, that with such big, costly and lengthy undertakings in mind, security of supply needs to go hand-in-hand with security of demand, and reasonable prices need to prevail. The overall goal is for all stakeholders to focus on improving inclusiveness, cooperation and transparency, so as to provide a stable setting in which investments flourish, economies witness stable growth and where better access to modern energy services help make energy poverty a thing of the past.

2. Supporting Members over sovereign rights

Fifty years after OPEC was set up in Baghdad, in 1960, the initial group of five developing countries has evolved into a group of 12 that is respected far and wide as an established part of the international energy community.

It has not been an easy task to advance such influence and standing, particularly given the nature of its establishment. The main catalyst for its birth came when a group of multinational oil companies — the so-called 'Seven Sisters' — who, at that time, were the dominant force in the oil market, unilaterally reduced the posted prices of the crude they supplied. These firms effectively controlled the quantity of oil extracted and decided how much was sold, to whom and at what price. In reality, it was a time when the international petroleum industry, outside of the former Soviet Union, was under the control of the established industrialized powers.

So, in 1960, five oil-producing countries — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — joined together around the premise of cooperation, with a commitment to safeguard their legitimate national interests and to ensure order and stability in the international oil market. There was no fanfare, no glare of major publicity from the international media, just five developing nations setting about the business of defending their legitimate interests.

The odds were stacked against them, in a world previously dominated by the established industrialized powers. Yet, little by little, OPEC began to make its mark. In this light, the formation of OPEC was a brave act, a pioneering act, an act that demonstrated that even developing countries had rights. Their indigenous resources were more than just a convenience for others; a concept that every nation around the world can appreciate.

Since its humble beginnings, the Organization has had its share of ups and downs, but it is evident that it has grown in stature and achieved an astonishing degree of success. It has provided Member Countries with the support and the confidence to assert their interests in the petroleum industry, particularly in terms of what the United Nations Charter says is the inalienable right of any country to exercise permanent sovereignty over its natural resources.

This saw many Member Countries setting up their own national oil companies in the early 1970s and these have since continued to grow and diversify. OPEC also acquired a major influence over the pricing of their oil on world markets in the same period.

OPEC has also: helped maintain stable and regular supplies of oil to the market; expanded its role on the global stage; helped enhance and build better cooperation and dialogue among producers and consumers, and created a financial institution — the OPEC Fund for International Development (OFID) — for channelling aid to developing nations.

That is not to say that the Organization can sit back and rest on its successes and achievements. It recognizes that the global oil market is an ever evolving entity, one that requires constant monitoring and pro-active measures. The past 50 years have been important, but it is the next 50 years that the Organization is now focusing on.

3. Sustainable development

Since its very early beginnings, OPEC, whose Membership comes from the developing world, has placed a high priority on easing the plight of impoverished nations, in particular by helping them pursue the goals of sustainable development. At the First OPEC Summit in Algiers, in 1975, the Sovereigns and Heads of State of our Member Countries, in a Solemn Declaration, reaffirmed "the natural solidarity which unites their countries with the other developing countries in their struggle to overcome under-development."

This has also entailed the establishment of many effective bilateral and multilateral aid institutions, including the OPEC Special Fund, now OFID, which was a direct result of the First Summit. The Fund was inaugurated the following year to promote South-South solidarity through cooperation between OPEC Member

Countries and other developing countries, primarily by helping provide the financial resources those countries need to realize their economic and social development goals.

From the outset, OFID has directed its resources to where they have the greatest impact on the lives of the poor, such as primary healthcare, basic education, water supply and sanitation, transport and agriculture, and rural development, while allowing the key decisions to be made by the beneficiary governments and the people themselves. It constantly strives to work ever more closely with its recipient countries, fellow development agencies and other partners, to ensure that its assistance continues to be well targeted, effective and timely.

Its methods of funding include: public sector loans for development projects and programmes; balance of payments support and debt relief under the Heavily Indebted Poor Countries Initiative; trade financing; support to private enterprises; grants for technical assistance, food aid, research and humanitarian relief work; and contributing to the resources of other development organizations, such as the International Monetary Fund for its Poverty Reduction Strategy Trust Fund, the International Fund for Agricultural Development and the Common Fund for Commodities, whose activities benefit developing countries.

By the end of January 2010, over 120 countries from the developing world — Africa, Asia, Latin America, the Caribbean, the Middle East and Europe — had benefited from OFID's assistance, with the level of cumulative development assistance extended by OFID standing at $12.2 billion.

OFID, moreover, is just one of many multilateral and bilateral institutions that are supported by OPEC Member Countries as a means of providing aid to developing countries. It is all part of OPEC's continuing commitment to help meet the pressing needs of other developing countries.

In fact, relative to their per capita income, OPEC Member Countries have done a lot more to alleviate poverty in poorer developing countries than the richer nations of the world. For example, Saudi Arabia has consistently earmarked a near four per cent of its annual budget for the purpose of aid, which it makes through bilateral and multilateral channels.

OPEC, OFID and their Member Countries continue to advocate a coordinated, balanced and holistic approach to sustainable development through its three mutually supportive pillars, as defined by the United Nations: economic development, social progress and environmental protection.

4. OPEC and the environment

The oil industry, through human ingenuity and technological development, has a long history of successfully improving the environmental credentials of oil, in both production and use. And OPEC Member Countries — both individually and collectively — have themselves been at the forefront of many important environmental-focused developments.

This includes investing billions of dollars over the past decades in flared-gas recovery projects. This represents a significant contribution to the reduction — by more than half since the early 1970s — of the amount of gas that has been flared per barrel of oil produced. OPEC has also held and participated in a number in workshops on this issue, and is an active participant in the Global Gas Flaring Reduction Partnership sponsored by the World Bank.

In the Gulf region, where many OPEC Member Countries are located, the very busy sea lanes are highly vulnerable to pollution, with the unregulated dumping of waste materials a common problem. However, the countries in the region have been exceptionally proactive in rising to these challenges, in line with international and regional conventions and agreements.

The Organization also recognizes the realities of global climate change and supports comprehensive, fair and realistic efforts to reduce the environmental impacts of global energy use. OPEC and its Member Countries have been active participants in the longstanding UN-sponsored negotiations on climate change, since they began formally in 1992.

OPEC has also participated in countless other conferences and seminars on this subject, as well as organizing some of its own, and undertaken extensive studies on climate change and the energy sector. The issue is an important feature of the energy dialogues OPEC established with the European Union (EU), China and Russia, as well as in its involvement with other groups in the industry, such as through the International Energy Agency's Greenhouse Gas Research and Development Programme.

The Third OPEC Summit, held in Riyadh, Saudi Arabia, in November 2007, had as one of its three core themes: energy and environment. It highlighted the importance of promoting collaboration in research and development in the petroleum field among OPEC science and technology centres, as well as collaboration with other international centres and the industry. This was underscored by several Member Countries announcing at the Summit the creation of a special $750 million fund to invest in clean technology ventures.

In the years ahead, with the world requiring its energy to be even cleaner, safer and environmentally benign, and with fossil fuels continuing to be the leading energy source, OPEC recognizes the importance of continuing to promote the development and deployment of cleaner fossil fuel technologies. In this regard, OPEC supports the existing technology of carbon capture and storage (CCS), which has the potential to contribute up to 40 per cent of emission reductions by the middle of the century. One CCS project in an OPEC Member Country already exists: In Salah in Algeria. Industrialized countries, however, having the financial and technological capabilities, should take the lead in developing and deploying these types of technology.

In looking at the environmental conundrum, it should be remembered that, for developing countries, poverty alleviation, economic development and social progress are the overriding priorities, and it is clear that people in such nations will need more energy, not less, to meet their needs. Climate change is, in fact, providing these countries with yet more challenges and additional vulnerabilities, although they have contributed little to the current situation. It means that the UN-defined principle of "common, but differentiated responsibilities and respective capabilities" and of "equity" needs to be to the fore.

5. Encouraging dialogue and cooperation

OPEC was formed in September 1960 around the premise of cooperation, with a commitment to safeguard the interests of its Member Countries and to ensure order and stability in the international oil market. This has been reaffirmed repeatedly in its declarations, statements, decisions and actions since.

This cooperation has grown stronger as the Organization has become an established and respected member of the global energy community. Other oil-producing developing nations have joined, extending the Organization's reach to North Africa, West and Southwest Africa, and the Organization has reached out to other industry stakeholders to help achieve its longstanding objectives focused on market order and stability.

A major advance in bringing more industry stakeholders closer occurred in the late 1980s. This followed the 1986 oil price collapse and the realization among non-OPEC producers — from both the developing and developed worlds — that market stabilization measures were urgently needed and that OPEC required support in providing these.

This process expanded further in subsequent years with major advances in the producer-consumer dialogue in the 1990s, particularly the formation of the International Energy Forum (IEF), whose specific purpose was to provide the informal setting for such dialogue.

OPEC, together with other stakeholders, played a key role in the establishment and development of the IEF. And today, the Organization and its Member Countries are also active participants in the Joint Oil Data Initiative, set up to help enhance the transparency, quality, timeliness and comprehensiveness of oil market data and which is hosted at the IEF Secretariat in Riyadh.

OPEC has also put much effort into expanding dialogues on a variety of issues between it and other industry stakeholders. In recent years this has included the International Energy Agency, the EU, China, Russia, and a number of other non-OPEC producers. Interaction with international organizations is expected to increase further as OPEC becomes more directly involved in oil- and energy-related issues that are being addressed at high-level policy platforms, such as the G20.

Today, the importance of cooperation between producers and consumers has never been greater. The reason is that globalization is bringing us all closer together and there is no getting away from the fact that we live in an increasingly interdependent world. It is one in which we are continually seeing advancement in international trade, an explosion of instant mass communication, rapidly advancing technology and greater mobility. But at the same time, it is one in which energy poverty continues to blight the lives of billions of people.

The Organization and its Member Countries recognize that genuine, committed, multilateral, well-targeted and constructive dialogue is essential, if the many, diverse challenges facing the industry are to be met efficiently and effectively in the future. Inclusiveness is the key: thinking and planning ahead to look at the needs and responsibilities of oil producers and consumers, oil exporters and importers, and developed and developing nations.

OPEC Membership

	Year of accession	
Founder Members	1960	Islamic Republic of Iran Iraq Kuwait Saudi Arabia Venezuela
Full Members	1961	Qatar
	1962	Socialist People's Libyan Arab Jamahiriya
	1967	United Arab Emirates[1]
	1969	Algeria
	1971	Nigeria
	1973	Ecuador[2]
	2007	Angola

1. *Abu Dhabi joined OPEC in 1967 and, at its own request, its Membership was transferred to the UAE in January 1974.*
2. *Ecuador suspended its Membership in December 1992 and reactivated it in October 2007.*

Gabon, which became an Associate Member in 1973 and a Full Member in 1975, terminated its Membership with effect from January 1, 1995.

Indonesia, which became a Full Member in 1962, suspended its Membership in December 2008.

OPEC Secretariat addresses

November 30, 2009 to date	Helferstorferstrasse 17	1010 Vienna	Austria
March 1977– November 29, 2009	Obere Donaustrasse 93	1020 Vienna	Austria
February 1, 1967– February 1977	Dr Karl Lueger-Ring 10	1010 Vienna	Austria
(from at least December 6, 1965)–January 31, 1967	Möllwaldplatz 5	1040 Vienna	Austria
September 1, 1965– (very brief period)	Hotel Intercontinental/ Room 1143	1030 Vienna	Austria
Early 1961–August 31, 1965	35 Avenue de Budé	Geneva	Switzerland

Early 1961–August 31, 1965
35 Avenue de Budé, Geneva, Switzerland

From at least December 6, 1965–January 31, 1967
Möllwaldplatz 5, 1040 Vienna, Austria

February 1, 1967–February 1977
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November 30, 2009 to date
Helferstorferstrasse 17, 1010 Vienna, Austria

El-Badri confident about OPEC's future "for decades to come"

Abdalla Salem El-Badri's *involvement with OPEC stretches back two decades to when he was appointed Secretary of the People's Committee for Petroleum for the SP Libyan AJ and continued into his appointment as Secretary General on January 1, 2007. Accordingly, he has acquired deep insights into the way OPEC functions, its objectives, its decisions, its actions and its structure. As OPEC celebrates its 50th anniversary, he shares these insights with readers of the OPEC Bulletin in a special interview with the journal, which concludes with an optimistic message about the future.*

This year represents a landmark year for OPEC in celebrating 50 years of existence. What do you feel the Organization has achieved in this half century and how relevant do you think the Organization has been — and still is — to the world at large?

My first reaction to this question is that OPEC has achieved a lot over the past half century, and this has occurred in several different fields and not just the oil sector.

To understand OPEC's true achievement, you have to go back to September 1960 and try and imagine the world as it was then. Outside the centrally planned economies, the world was heavily dominated by the established industrialized powers, and this was reflected in the oil industry at that time.

The industry, in turn, was dominated by the 'Seven Sisters' multinational oil companies, which controlled every stage of the supply chain in the oil-producing developing countries, among them the five OPEC Founder Members, with only minimal returns for these countries which, remember, had the all-important oil reserves located within their borders.

And so our five Founder Members — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — took a very courageous action when they said that enough was enough and they set up OPEC to defend their legitimate interests. In the context of the times, which were very different to those of today, this in itself was a major achievement.

When we contrast that early situation with the way OPEC stands today, as an established member of the international energy community, consulted widely on key issues affecting the oil market and industry and expected to act when the market is facing a crisis, we see another major achievement of the Organization.

Then there is the matter of the OPEC Statute, with its commitment to secure a steady income for producers, regular supply to consumers and fair returns to investors. This dates from the earliest days of the Organization, and I believe it is the first time that such a clear expression of principle regarding oil market order and stability had been formalized in this way by any organization anywhere.

"To understand OPEC's true achievement, you have to go back to September 1960 and try and imagine the world as it was then."

If we now turn to the period ten years after OPEC was created, we arrive at a landmark period in OPEC's history, when our Member Countries asserted their sovereign rights to the exploitation of their own indigenous natural resources. Many of them set up the national oil companies that are so familiar to us today and which have expanded enormously in their size and scope since then.

At the same time in the early 1970s, OPEC acquired a major influence in the pricing of its oil on world markets, removing some fundamental injustices of the past. This achievement remains with us today, even though the conditions in the oil market are very different to what they were four decades ago.

As I mentioned earlier, OPEC's achievements extend beyond the oil sector. The oil revenue that has been earned over the years has helped Member Countries develop their own domestic economies. And it has gone even further than this, with the aid they have given to other developing countries through bilateral and multilateral financial

"... OPEC is an Organization which is courageous, visionary, credible, caring, responsible and consistent in its decisions and actions ..."

institutions, the most notable of which is our sister Organization, the OPEC Fund for International Development, whose commitments to date exceed $12 billion. Indeed, more than 120 developing countries have benefited from OFID's assistance.

To broaden out this issue even more, we need to look at OPEC's Third Solemn Declaration, which was signed by our Member Countries' Heads of State and Government in Riyadh three years ago. This important document identifies three guiding themes for our future decisions and actions: stability of global energy markets; energy for sustainable development; and energy and environment.

In particular, our Organization has emphasized the importance of the eradication of energy poverty, to such an effect that the Ministers at the 12th International Energy Forum in Cancun in March this year stated that this issue should be added as a ninth Millennium Development Goal.

Taken together, the above achievements tell us that OPEC is an Organization which is courageous, visionary, credible, caring, responsible and consistent in its decisions and actions, even across a period of history which has witnessed a radical transformation in the world's economic, political and social make-up, as has been the case over the past half-century.

OPEC is as relevant to the world today as it was 50 years ago, even though the initial oil-specific issues have broadened out considerably in the meantime to embrace such human concerns as sustainable development and poverty eradication.

From its inception, OPEC has had to overcome numerous challenges that frequently led to reports of its ultimate demise. However, 50 years on, the Organization stands today as a unified, influential and respected global entity that many would say is stronger than ever. Just how has OPEC managed to stand the test of time?

If you stand the test of time, it means that your fundamentals are sound. And I outlined these fundamentals in my answer to the first question, relating to order and stability in the oil market. No sensible, rational, responsible person, who desires sustained economic growth in a fairer and more balanced world, can dispute the fact that OPEC's underlying objectives are sound and tied into the steady development of mankind, benefiting peoples from all nations.

But more than this is required. You also need to be flexible and adaptive and ready to respond rapidly to changing conditions in the market, in the industry, across the energy world generally and in the broader-based related areas, such as sustainable development and the environment. The world has changed a lot since OPEC was founded, and I think that OPEC has been very successful in recognizing the emerging trends, assessing them and accommodating them, where necessary, in its general framework of concerns and activities.

For example, in the oil market, there have been three substantive trends so far this century. The decade began with a period of relatively high stability. Then there was the big change in market conditions in 2004, with persistent upward pressure on prices amid greater volatility. And finally, in 2008, prices soared to new heights, before collapsing at the end of the year during a period of unprecedented volatility. Each development required a different set of responses from OPEC and its Member Countries. Sometimes, of course, OPEC responded in one way to one type of problem and, at a later date, in the opposite way to another type of problem. But the important point to note here is the flexibility that has been required of OPEC and its Member Countries and their readiness to adapt to any situation in the market. OPEC has been very successful with this over the years.

In addition to this is the visionary element and OPEC's recognition of the need to always stay one step ahead, with regard to future developments in the market and further afield. The Secretariat devotes a lot of time to scenario-building and forecasting future trends, to help our Ministers with their decision-making at OPEC Conferences and to assist our Member Countries with responding to new challenges as they arise. Indeed, the time-horizons can extend decades into the future, or instead we might just be reviewing the outlook for the next six to 12 months.

And there is another important factor here too, with regard to OPEC standing the test of time, and that is the big part the Organization plays in encouraging dialogue among the key players in the industry and becoming an active participant in it. This has been essential in an increasingly interdependent, globalized world with steadily rising energy demand and ever-tighter regulations. OPEC recognized a long time ago that no party can afford to go-it-alone in the industry, if they wish to develop and grow in an orderly manner. By participating readily in dialogue and cooperation, as OPEC and its Member Countries have done, you can more easily reconcile outstanding differences and become part of the established international energy community — and yet, at the same time, retain your status as independent, self-determining sovereign states and safeguard the interests of your Member Countries and their populations.

With your extensive experience of the international oil sector and as a former Energy Minister of Libya, how do you perceive OPEC today, especially in connection with the welfare of the global economy?

OPEC is a key player in the energy sector and much else besides, such as the attention it pays to pressing multilateral issues, for example, eradicating poverty, the climate change talks and world trade. This is a position it has worked hard to reach over the past 50 years, and, together with its Member Countries, it has suffered many ups and downs on the way. And so it has done well to overcome these and develop as an Organization.

Also, OPEC's actions of the past half-century, especially in standing up to the established industrialized interests that dominated the oil sector in its early years, have made it into a standard-bearer for other developing countries. I think this is a good thing, because there have been too many longstanding injustices in the world between rich and poor states, some of them stretching back centuries, and these must be addressed sooner or later.

Of course, the situation today is very different to that of the 1960s, with much more of a blurred line now between developed and developing countries, particularly with the rise of increasingly powerful emerging economies, such as China, India and Brazil. There has also been the dissolution of the Soviet Union and the impact of this on the global energy balance.

At the same time, however, we must not forget that there is still an enormous — and growing — gap between the rich and the poor countries, and the poorest states need all the help they can get in breaking out of the poverty trap and developing their economies. These countries have a much more basic need for material assistance — grants, loans and so on.

"OPEC's actions of the past half-century ... have made it into a standard-bearer for other developing countries."

What are the main challenges facing the Organization as it moves forward? You attended the climate change talks in Copenhagen last year — do you consider that responding to the environmental challenge will be OPEC's top priority, as well as meeting security of supply?

The environmental challenge is a very important challenge for OPEC and its Member Countries and involves, of course, local pollution, as well as climate change. Nevertheless, I do not wish to play down the importance of the ongoing climate change negotiations, which will resume in Cancun in November. Like everyone else, our Member Countries wish to see a cleaner, safer world for both us and our future generations and these UN-sponsored talks are centred around this objective. Therefore, we participate in them to the fullest possible extent — both as an Organization and as individual Member Countries — to ensure that our interests are properly represented in the long-running negotiating process.

However, the environment constitutes just one aspect of OPEC's challenges. It is necessary to look at the broader picture, and this takes me back to OPEC's three guiding themes: stability of global energy markets; energy for sustainable development; and energy and environment. The Riyadh Declaration does not prioritize these guiding themes, and neither shall I! They all form part of a collective approach by OPEC and its Member Countries to handling the challenges that face us, both today and in the future.

Many of these challenges will be tough ones and require the concentration of all the resources at our disposal to handle them. Part of our self-imposed mandate is to ensure that we can do this, and the work we carry out at the Secretariat is undertaken with this in mind.

Let us now look at some of the specific challenges facing us at the present time. But, before doing this, it might be helpful to familiarize ourselves with some of the opportunities that lie before us. After all, an essential challenge for any organization is to ensure that you exploit your opportunities to the full.

"... before committing massive sums of capital to an industry with long lead-times and payback periods, we require transparent, predictable, steady demand and a big reduction in uncertainty about the outlook ..."

Our research shows a healthy future for both oil and gas. Economic growth, expanding populations and higher standards of living mean that world energy demand is set to rise in the future. We expect energy use to increase by more than 40 per cent by 2030, according to the OPEC World Oil Outlook's reference case. Fossil fuels — in particular, oil and natural gas — will continue to meet most of the world's energy needs. And the world has plenty of oil to support this, from both conventional and non-conventional sources.

This will provide tremendous opportunities for our Member Countries to expand their operations in the energy sector. They are well-placed for this, with around 80 per cent of the world's proven crude oil reserves and 50 per cent of its natural gas. They also have well-established infrastructure and vast experience stretching back decades to support this.

Also, as the global economic recovery continues, new opportunities are arising for the nearer term. Oil demand is growing again at just over a million barrels a day for 2010, after falling in the previous two years. Prices are at levels that are comfortable for both producers and consumers at this time. Shelved projects are being restarted. And there has been a noticeable rise in activity.

Furthermore, today's opportunities lead to further new opportunities tomorrow. Some of the revenue from oil sales can be invested in new capacity to meet future rising levels of demand. It can also provide a cushion of spare capacity at all times, to cover seasonal fluctuations and emergencies. This will, among other things, support future price stability.

Importantly too, the revenue from oil sales creates opportunities at home. Petroleum accounts for around three-quarters of OPEC's total export revenue. This enables us to develop our economic and social infrastructure and lessen our dependence on oil and gas.

And one final thought here. Almost 80 per cent of the net growth in world oil demand by 2030 will be in developing Asia, including China. This obviously provides the potential for a big expansion in trade generally between OPEC's Member Countries and that vast region.

Let us now look at the challenges.

To begin with, we must find a stable base from which to operate. The price volatility of recent years has been damaging to all parties. It has harmed everything, from day-to-day activities to long-term investment. OPEC has done everything it can to stabilize the market through its agreements, dialogue, market surveys and so on. But other measures are needed, and we are eager to see the success of the reforms of the financial sector that are being implemented in the developed world.

There is another important challenge relating to oil prices. These must be at levels that can support investment in the industry. Costs have risen considerably in the industry this century, and prices must also be at levels that can cover these.

This brings me onto perhaps the central challenge facing the industry — timely and sufficient investment along the entire supply chain. This is to meet the rising levels of demand forecast for the years and decades ahead.

OPEC has the means and the desire to do this. But, before committing massive sums of capital to an industry with long lead-times and payback periods, we require transparent, predictable, steady demand and a big reduction in uncertainty about the outlook.

Scenarios from our *World Oil Outlook* suggest that demand for OPEC crude in 2020 could be as low as 29 million barrels/day or as high as 37m b/d. This translates into a huge uncertainty gap of more than $250bn for upstream investment in our Member Countries.

Admittedly, some types of uncertainty are difficult to address, such as the sustainability of the world economic recovery. But concrete action can be taken to reduce uncertainty when it comes to policy-making. Here I refer to consumer country policies geared towards reducing oil demand, subsidising alternatives and taxing oil use heavily. Unrealistic policy targets send confusing signals to investors. Frequently changing legislation over biofuels is an example. This is why OPEC repeatedly asks consumer governments to recognize, in their policy-making, the reasonable needs of oil producers.

Another area of uncertainty revolves around technology. History has shown that advances in technology have helped expand production, improved recovery rates and led to continued increases in global estimates of ultimately recoverable reserves. The US Geological Survey has seen almost a doubling of such estimates since the early 1980s. Indeed, they are still rising, providing new opportunities and challenges to be mastered by our Member Countries.

Also, in today's more carbon-constrained world, there is a need for the development and deployment of cleaner technologies to meet the wave of new regulations hitting the industry, and a good example of this is carbon capture and storage.

Then there is the issue of sustainable development. Technology has a major role to play in improving access to modern energy services for the world's poor. At the moment, 1.5bn people have no access at all. Furthermore, 2.5bn people use solid fuels for cooking and heating, with the severe health problems this causes. The oil industry has an important role to play in meeting this global challenge and helping to eradicate poverty.

And finally, the industry must make sure it is well-equipped to handle such challenges. This includes manpower. The industry must make sure that it is attractive enough to bring in new, high-calibre recruits and keep them. It must invest heavily in their training and career development. They represent the future.

Many have in the past accused OPEC of promoting policies purely out of self-interest. Do you consider this to be the case, or is the Organization actually working to help the consumers and the global economy in general.

No, this is certainly not the case. And, over the years, there have been many examples of OPEC measures which cannot be described in this way.

"Technology has a major role to play in improving access to modern energy services for the world's poor. At the moment, 1.5 billion people have no access at all."

"When people accuse OPEC of acting purely out of self-interest, they have to understand that our Member Countries' best interests are served by order and stability in the oil market."

Let us, for example, look at our current agreement, which we entered into in December 2008, to reduce our output ceiling by 4.2m b/d from the actual level of output in September 2008, 29.045m b/d, for the 11 Member Countries that are party to our agreements. We made this agreement to restore balance to a highly volatile oil market, which had seen crude oil prices reach a record level in July before collapsing later in the year. Everyone was suffering from the fallout from this volatility and it was causing enormous damage to the industry.

For OPEC to reduce output at any time is a serious thing to do for our Member Countries, which rely heavily on oil revenue to finance their economic and social development. Across the Organization as a whole, petroleum revenue accounts for about 75 per cent of total export revenue. For some Member Countries, the proportions are above 90 per cent. And so, to make a production cut of 15 per cent just after prices have collapsed in a highly volatile market is a big gamble for them and potentially a major sacrifice. They could, after all, have adopted other courses which may not have had such a severe, immediate impact on them or left the onus on non-OPEC producers or even consumers to act.

However, we acted in this way, because, after carefully monitoring the situation in the oil market, we believed that this was the best course of action to take to restore some stability to the market. We felt that this would be in the best interests of all parties, OPEC and non-OPEC producers, consumers and the industry in general.

We were proved right. Prices have since strengthened and stabilised at levels that balance the interests of both producers and consumers. What is more, this has happened at a precarious time for the global economy at large, when there is still a lot of uncertainty about the sustainability of the economic recovery.

Our December 2008 agreement has been welcomed by the industry at large and has helped re-establish a base from which it can start investing in future production capacity again.

All in all, when people accuse OPEC of acting purely out of self-interest, they have to understand that our Member Countries' best interests are served by order and stability in the oil market. This goes back to their heavy dependence on oil revenue for their economic growth and development and the future wellbeing of their citizens. Why rock the boat? A stable market means stable revenue and stable development. It is as simple as that.

Put another way, Member Countries are in business to sell oil. They want to keep their customers happy, so that they buy their oil from them. And so they need a stable market. And they want to keep their customers happy for a long time too. So we do everything we can — as OPEC and as individual Member Countries — to make sure that the market operates well in the future, years and even decades ahead.

With oil set to be the main energy resource for the foreseeable future, where do you see OPEC in the next 50 years? Do you feel the same aims and objectives that have carried the Organization over the last half century will still apply in the years ahead, or will it have to modify its approach?

When you see how far OPEC has advanced over the past 50 years, then you would have to be a very brave person to stake your reputation on how far OPEC will develop in the next 50 years!

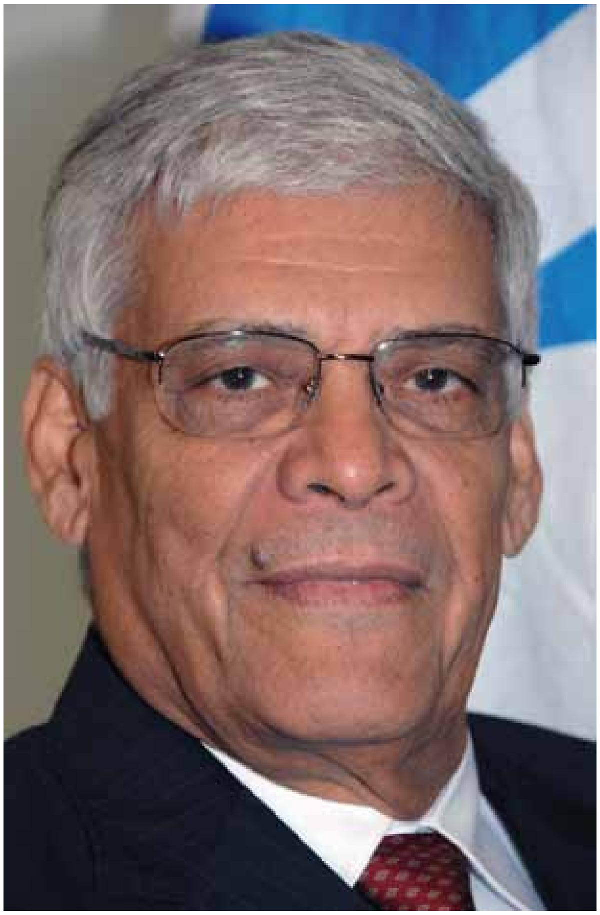
I do believe, however, that our original objectives, as spelt out in the OPEC Statute, will remain valid, because they address fundamental truths about the industry and the market. This should also be true for the more recent additions to these objectives, covering such important issues as sustainable development and the environment.

Our forecasting horizons normally extend two or three decades into the future and, as has already been established in this interview, there will still be a healthy level of demand for OPEC oil throughout this period, with fossil fuels expected to meet most of the world's energy needs by 2030. In every likelihood, these broad trends will continue well past our forecasting horizons.

I also think that OPEC's Membership will remain more or less intact, in the same way that it has for the past 40 years. The benefits from Membership have been clear and substantial for our existing Members, when you view the situation in the overall context of the industry's evolution and of the global economic and political balance. If something is working well, then why change it?

Yes, there will be a need to modify OPEC's approach in the coming decades, and OPEC has proven time and again that it can be both flexible and adaptable to accommodate new challenges facing the industry. There is no reason why this should ever change.

All in all, I am very confident about OPEC's future and believe that it still has a big contribution to make to the energy industry and to mankind generally for decades to come.



"There will be a need to modify OPEC's approach in the coming decades, and OPEC has proven time and again that it can be both flexible and adaptable to accommodate new challenges facing the industry."

Five Founding Members were responsible for bringing OPEC into being on September 14, 1960. The signatories to the agreement effectively setting up the Organization were from Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. As part of this Golden Jubilee issue, the Oil and Energy Ministers of Iraq, Kuwait, Saudi Arabia and Venezuela responded to the same set of seven questions put by the OPEC Bulletin. Their responses, although varied, have one common message — that the birth of OPEC was a unique and significant event, representing a defining moment for the international oil industry, which the Organization has helped shape over the past 50 years.

OPEC's role in the oil age will remain decisive

Iraq has the distinction of convening the very first Ministerial Conference of OPEC, on September 10–14, 1960, when the Organization, with very little aplomb, entered the global oil and economic arena. Today, 50 years on, the country still has great pride over that event and knows that its capital city, Baghdad, will always hold special memories within the Organization. ***Dr Hussain Al-Shahristani****, the country's Oil Minister since 2006, stresses the importance of his country to OPEC, which he feels is here to stay for a long time to come.*

Dr Hussain Al-Shahristani

In 1960, the five Founding Members of OPEC (of which your country was one) had a vision. Fifty years on, how well do you feel this vision has been realized?

OPEC's vision, when it was founded 50 years ago, was to protect the interests of the Founding Members, through the establishment of an organization that was aimed at coordinating their efforts at countering the effects of declining crude oil prices on their budget financing and to try and increase their income from royalties and profits from the international oil companies (IOCs). Later on, with the changing nature of the relationship between the Organization and the IOCs, as well as the expansion of its Membership, OPEC became more involved in trying to bring about a fair price for a barrel of crude in the international oil market through coordinating and regulating production policies among its Member Countries.

Despite the different challenges that have prevailed over the years, OPEC has achieved its objectives gradually and has grown to become a centre of attraction for other important oil producers, several of whom subsequently joined the Organization. This provided proof of OPEC's success and its emergence as the main world oil supplier and energy player.

Looking at its history, how do you feel OPEC has evolved as an Organization and how is it viewed on the world stage today?

OPEC has evolved as one of the most enduring and dynamic organizations in the world that has defended the interests of the developing oil-producing countries. It has maintained its unity, despite the varying economic and financial needs of each individual Member Country, which had the potential to conflict with others. However, the minimum level of protection of all parties' interests has always been seen as a basis and a denominator in OPEC policies over the last five decades. Due to its success at being a coherent group and a regulator of oil supplies in the world, OPEC has always been viewed as a strategic global energy supplier and has thus proved to play an important role in the world economy.

Regarding the future, how do you see OPEC's role in the years ahead?

Despite the declining percentage share of oil in the overall global energy mix and the reduced OPEC share in world oil supply, compared with what it was a few decades ago, OPEC's role in the international oil sector will remain decisive as long as the oil age persists. This reality is due to the fact that the vast majority of the world's crude oil reserves lie within the borders of OPEC Member Countries. Alternative energy sources, especially those designed to support the transportation sector, are still not that viable, competitive, or easily accessed by the consumers.

What have been the benefits of OPEC Membership to your country specifically?

The main benefit has been in obtaining a fair market price for the crude oil Iraq has exported. Another benefit involves OPEC's implementation of rational oil production policies for its Member Countries, in addition to utilizing Members' experiences in developing their respective oil sectors and oil policies.

Would you say that OPEC has benefited from your country's membership?

Of course, that would have to be the fact that Iraq took the initiative to invite other major oil producers in the developing world to its capital, Baghdad, 50 years ago to establish OPEC. Ever since then, Iraq has been a very active Member of the Organization and one of the five Founding Members.

And do you have any personal reflections/anecdotes on your involvement with OPEC?

I have represented the new Iraq, which came after Saddam Hussein, since May 2006. In this time, OPEC has been functioning very coherently and the decisions that are reached by its Member Countries are always made unanimously, and without much difficulty.

Finally, how do you feel when your Country is referred to as a Founder Member of this very important Organization?

Surely, I feel proud that Iraq is a Founder Member of OPEC, which has succeeded greatly in benefiting Member Countries. The Organization has helped them obtain fair financial reward for their exhaustible resources, through the implementation of rational, practical and professional oil policies and production decisions that are fair and wise and guarantee the best interests of the producers and consumers alike. In addition to being a Founder Member, Iraq will shoulder additional responsibility within OPEC as it increases its production capacity several fold over the coming few years.

Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah *may only have been Kuwait's Minister of Oil since February 2009, but he knows full well the importance of OPEC, not only to its Member Countries, but to the world at large. Al-Sabah, who also holds the titles of Minister of Information and Chairman of the Board of Directors of the Kuwait Petroleum Corporation(KPC), describes in this Anniversary interview just what OPEC means to the welfare of the global economy and his own country.*

OPEC earns respect as key player in supplying world's energy needs

In 1960, the five Founding Members of OPEC (of which your country was one) had a vision. Fifty years on, how well do you feel this vision has been realized?

OPEC has indeed met the Organization's core values of stable oil markets, reasonable prices, steady revenues, secure supply and fair returns for investors. This all means that OPEC has realized its vision over the years and proceeded gradually and maturely.

Looking at its history, how do you feel OPEC has evolved as an Organization and how is it viewed on the world stage today?

OPEC has evolved over the years to gain better recognition worldwide, as a mature, responsible and respectful Organization looking after world energy needs. OPEC has gone a long way towards meeting its objectives and still remains committed to supporting market order and

Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah

stability, as it has been in the first 50 years of its existence. As you know, the world nowadays is different than the one OPEC encountered 50 years ago. Advances in technology have virtually transformed everything that touches us in our day-to-day lives, bringing with it a substantial rise in global energy consumption. Today, current spare capacity in OPEC Member Countries already exceeds six million barrels/day. This represents a huge level of investment and clearly demonstrates the seriousness OPEC attaches to the need for adequate production capacity to be in place, not only to meet the demand for its oil, but also to offer sufficient spare capacity. This largely answers the security of supply concerns of consuming countries and reflects the fact that OPEC considers the interests of all stakeholders in the energy industry to be important. Today, OPEC is recognized as a key player on the international scene and is actively engaged in fruitful and meaningful dialogue with consumers, as well as with economic and energy organizations.

Regarding the future, how do you see OPEC's role in the years ahead?

I believe that OPEC's role will remain crucial to global economic prosperity and oil market stability in the future. In today's global environment, it is more important than ever that oil supplies remain secure and the market stable. For the foreseeable future, oil will maintain its leading position in supplying the world's growing energy needs. While there is an understandable call to develop renewable energy sources, the fact remains that the technology for these applications is still in its infancy. In the meantime, oil has a big role to play in helping to satisfy the energy needs of mankind and to support sustainable development. OPEC will, of course, need to expand its oil production capacity to meet this extra demand in the future.

What have been the benefits of OPEC Membership to your country specifically?

OPEC's commitment towards the economic and political welfare of its Member Countries is undeniable. OPEC has helped in regaining sovereignty over its Members' national oil resources and in establishing strong national oil companies. OPEC was successful in ensuring fair value and higher revenues for its Members from their natural resources.

Would you say that OPEC has benefited from your country's membership?

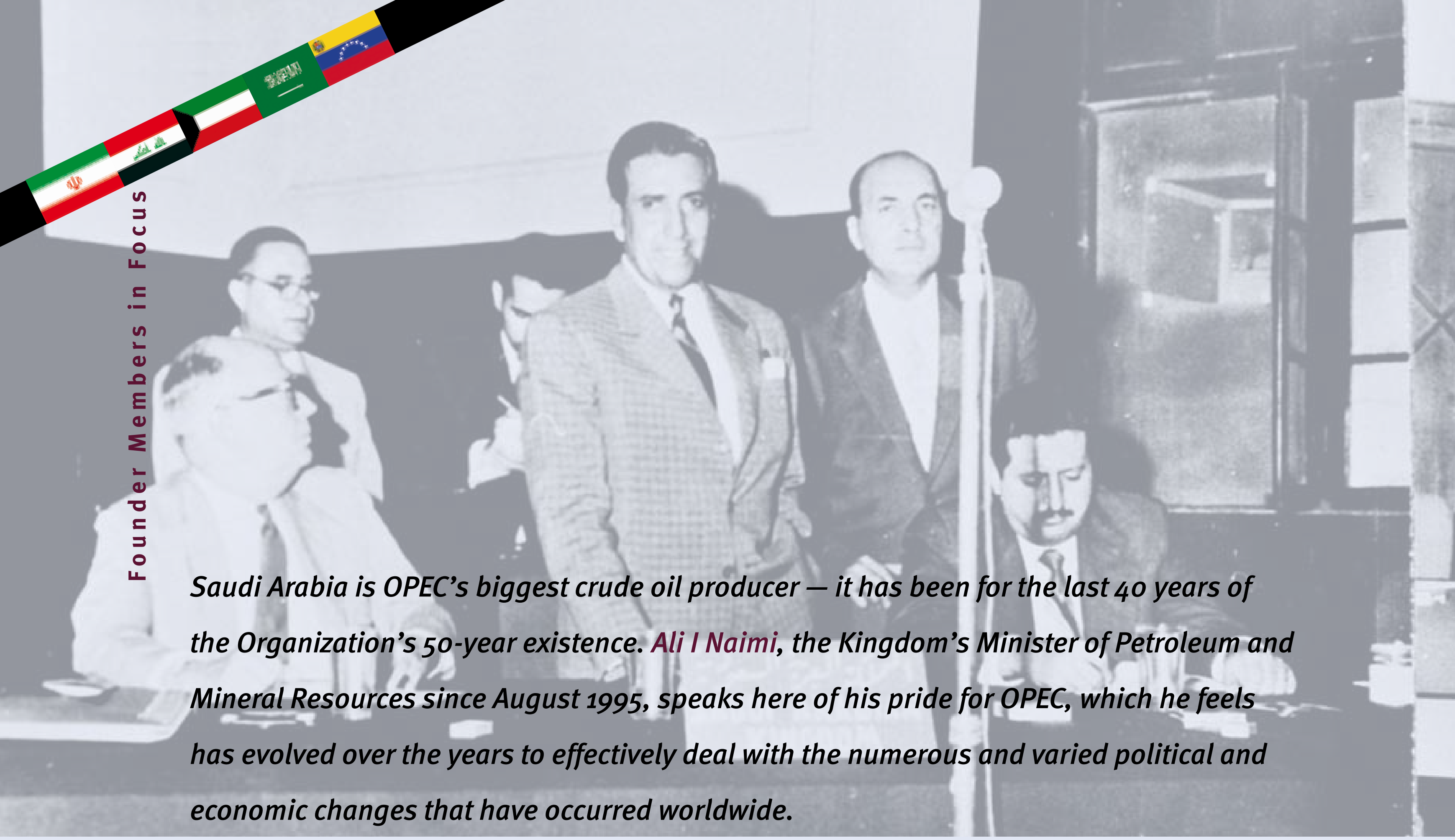
I believe that OPEC has benefited from all its Member Countries which have shown great responsibility towards the Organization throughout the past 50 years. Speaking of my country, I think that the State of Kuwait has made a valuable contribution to OPEC. As a Founding Member and a major reserves owner, the country has played an active and constructive role in forming OPEC policies and strategies, as well as in participating in its various activities and initiatives. The State of Kuwait has respected and implemented all OPEC decisions that supported stable prices and markets. It has been a moderate voice within OPEC. Furthermore, it has been playing a valuable role within the Ministerial Monitoring Sub-Committee (MMSC). The State of Kuwait remains fully committed to OPEC and its objectives.

And do you have any personal reflections/anecdotes on your involvement with OPEC?

As you know, I joined OPEC as Kuwait's Minister of Oil during the worst global financial and economic crisis for decades. The impact of excessive oil market speculation has been felt throughout the whole industry. More importantly, confidence has been shaken, the future blurred with uncertainties, and the necessity for dialogue and cooperation has never been more apparent. I believe that OPEC has done an outstanding job at promoting global economic stability, working with the International Energy Agency (IEA) and the International Energy Forum (IEF) for reaching a better understanding of the factors underlying market instability and taking appropriate actions to ensure that oil price volatility and uncertainty do not return to the same extent in the future.

Finally, how do you feel when your Country is referred to as a Founder Member of this very important Organization?

Looking at OPEC's success record and its achievements on many levels, whether towards its Members, the world or the environment, it really gives me a great feeling of pride that my country is one of the Founder Members of this great Organization.



Saudi Arabia is OPEC's biggest crude oil producer — it has been for the last 40 years of the Organization's 50-year existence. Ali I Naimi, the Kingdom's Minister of Petroleum and Mineral Resources since August 1995, speaks here of his pride for OPEC, which he feels has evolved over the years to effectively deal with the numerous and varied political and economic changes that have occurred worldwide.

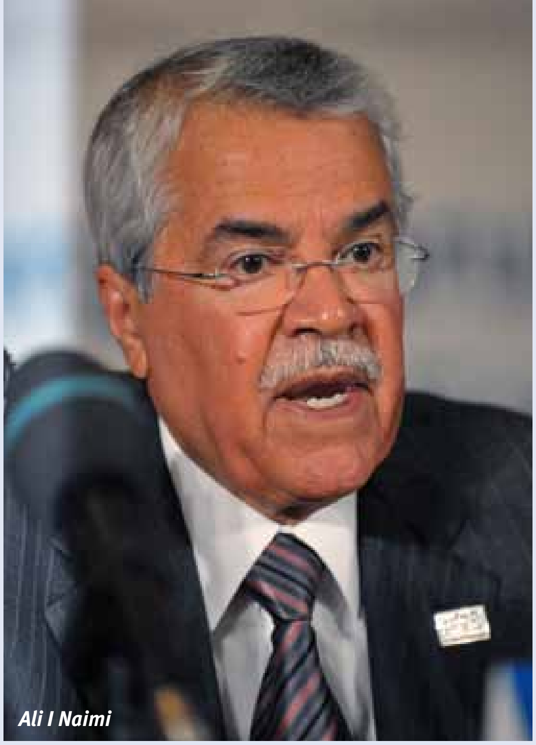
OPEC: making a difference to the petroleum market

In 1960, the five Founding Members of OPEC (of which your country was one) had a vision. Fifty years on, how well do you feel this vision has been realized?

The vision then and which is still valid now was to determine the best ways and means for safeguarding the interests of Member Countries, both individually and collectively; market stability and the security of a steady income for the producing countries; an efficient, economic and regular supply of petroleum to consuming countries; and a fair return on investment in the industry. Such a vision was enshrined in the Statute of the Organization. Despite the changes in the world political, economic and energy landscape in the past 50 years, such objectives are still as valid today as they were when the Organization was formed. The main reasons for this resilience are the role of oil then and now in the world energy mix, its role in the global economy in general and the economies of the producers, in particular, and the necessity of ensuring market stability for this strategic commodity for the world's prosperity. Looking at each of the above mentioned objectives and the course OPEC had followed in realizing them, one can find another reason for the Organization's endurance and effectiveness throughout the years.

Looking at its history, how do you feel OPEC has evolved as an Organization and how is it viewed on the world stage today?

OPEC has evolved throughout the years and weathered the political and economic changes worldwide and in its Member Countries. During the cold war, it distanced itself from the East-West divide and pursued its objectives. In the pursuit of its objectives, it also adapted to the continued changes in the global oil market. When oil prices and production were determined by the major international oil companies, OPEC sought to realize for its Member Countries a fair return from the exploitation of their petroleum resources. When it found itself charged with setting oil prices under the fixed oil price regime, it endeavoured to have such prices at reasonable levels. When the posted oil price system gave way to market determined prices, OPEC continued to work, through its production decisions, towards the attainment of moderate prices in the marketplace. When global environmental concerns topped the global agenda, the Organization and its Member Countries allied themselves to the overall objective of sustainable development and the need for the world community to work towards accessible and affordable energy for developing countries. Today, the Organization is viewed as the most important economic and energy organization for the developing countries at large and all petroleum-producing countries, in particular.



Ali I Naimi

Regarding the future, how do you see OPEC's role in the years ahead?

As long as oil continues to be an important energy source for world economic prosperity and the Organization stays focused and deliberate and interacts with the world community in the most professional manner, as it has done in the past, it will still be a major player in world energy and economic relations. It has to transform the different environmental and technological challenges facing the world petroleum industry into opportunities. It has to be adaptive and responsive to the global changes and to the changes in the economic and social relations of its Member Countries. Although oil has and will continue to be a major revenue source for Member Countries, it need not continue to be a leading sector in the economies of our Member Countries. We have to develop other productive sectors and use oil as a bridge to more diversified and competitive economies.

What have been the benefits of OPEC's Membership to your country specifically?

Just as OPEC has made a difference to the world petroleum market and to the global economy, it has done the same for its Member Countries as well. The ability of the Organization to negotiate collectively with the major international oil companies (IOCs) to attain fair returns from the exploitation of their precious resource for its Member Countries in its early years, as well as the ability to interact with the global oil market and world economic relations to produce and market the resource at reasonable prices in subsequent years — all contributed to Member Countries' development and economic well being. We in Saudi Arabia, being the major producer and exporter within the Organization and due to the role of oil in our gross domestic product, government finances and balance of payments, have contributed to and benefited from the achievements of OPEC throughout the years.

Would you say that OPEC has benefited from your country's membership?

The central role played by Saudi Arabia and especially by its former Minister of Petroleum and Mineral Resources, the late Sheikh Abdullah Al-Tariki in the establishment of OPEC, is all well documented. The Kingdom worked throughout the years to ensure that the Organization stayed well focused on its main mission and that it also remained cohesive. It has advocated moderation in the decision-making during the posted oil price and the market determined price eras. It championed for dialogue between producers and consumers and called for the Organization to be involved and proactive in the various global environmental and economic fora.

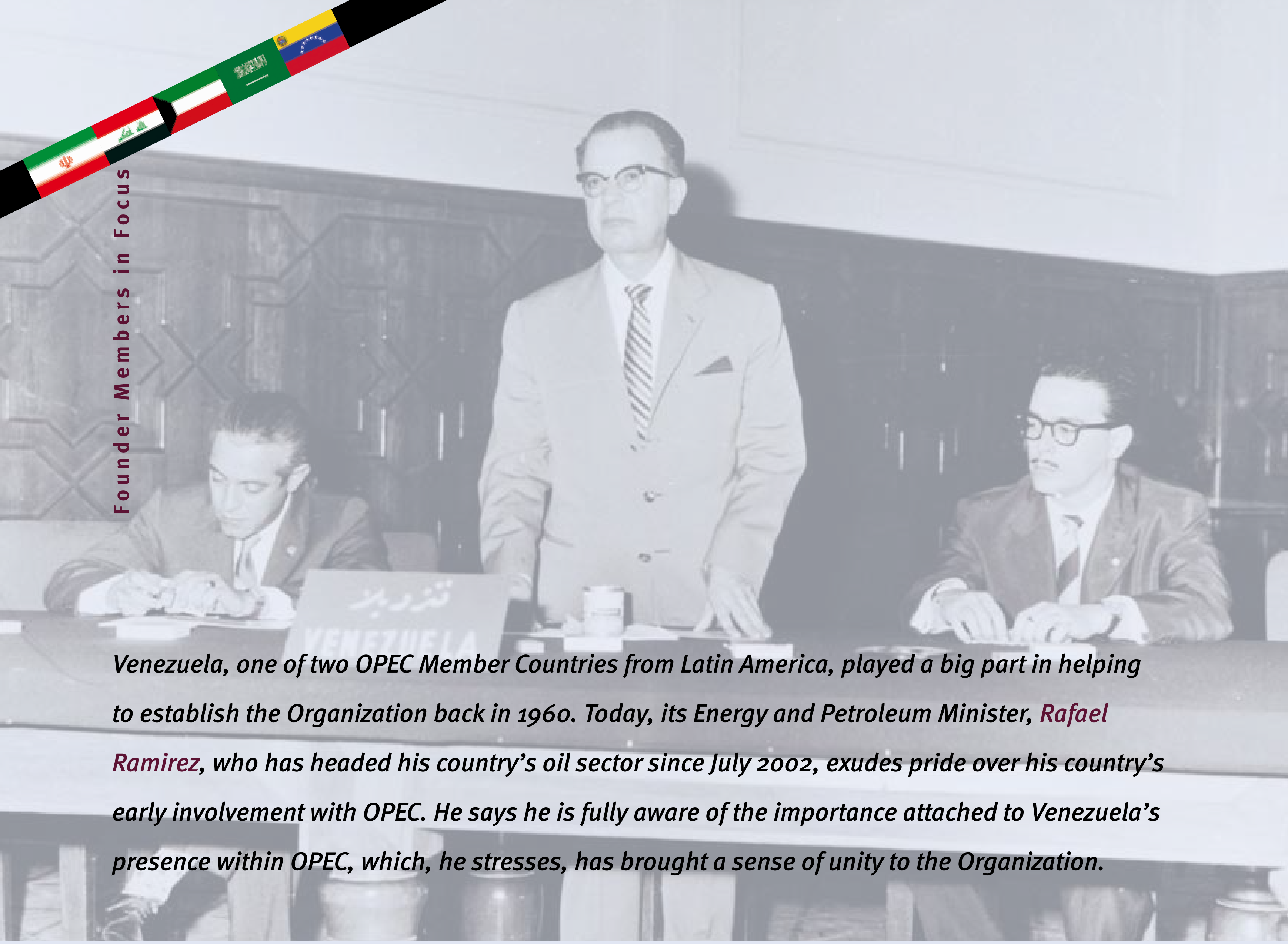
And do you have any personal reflections/anecdotes on your involvement with OPEC?

I participated as a young geologist working for Saudi Aramco in the Arab Petroleum Congresses organized by the League of Arab States in the late 1950s. These Congresses witnessed the initial contacts between the representatives of the Middle East producers and Venezuela to exchange views at first and coordinate later vis-à-vis the IOCs operating as concessionaires in their respective countries. The need to exercise sovereignty over the exploitation and remuneration of the resource started in those early years and led to the eventual establishment of OPEC. A special tribute needs to be given to the Founding Fathers of OPEC, mainly the late Sheikh Al-Tariki and the late Juan Perez Alfonso, the respective Ministers of Saudi Arabia and Venezuela at the time, who had the vision and the political support from the leadership of their countries to pursue relentlessly what was considered then a change in the rules of the game. I later witnessed, through my involvement in the petroleum sector in Saudi Arabia, the eventual evolution of OPEC's role in the international energy scene.

When the oil market went through a chronic imbalance in 1998 and prices collapsed, I along with the rest of the world community realized the important role of OPEC in restoring balance to the market. My interaction as Minister of Petroleum and Mineral Resources of Saudi Arabia with the officials from the other producing countries outside OPEC, as well as officials from the consuming countries, during that period re-emphasized that the divide between OPEC and non-OPEC producers and between the producers and consumers was detrimental to global stability and economic sustainability. The cooperation between all producers to attain market stability took new shape during that period and the producer-consumer dialogue took a new turn with the establishment of the International Energy Forum. We, in Saudi Arabia, were heavily involved in the efforts of OPEC in bringing together all oil producers for the common goal and to bring together the producers and the consumers as well as the industry, which was central to the cause.

Finally, how do you feel when your Country is referred to as a Founder Member of this very important Organization?

Saudi Arabia feels proud of its role in the establishment of OPEC and its subsequent constructive role in its strength and ascendance.



Venezuela, one of two OPEC Member Countries from Latin America, played a big part in helping to establish the Organization back in 1960. Today, its Energy and Petroleum Minister, Rafael Ramirez, who has headed his country's oil sector since July 2002, exudes pride over his country's early involvement with OPEC. He says he is fully aware of the importance attached to Venezuela's presence within OPEC, which, he stresses, has brought a sense of unity to the Organization.

Venezuela: an undeniable factor of unity within OPEC

In 1960, the five Founding Members of OPEC (of which your country was one) had a vision. Fifty years on, how well do you feel this vision has been realized?

In celebrating its 50th Anniversary, OPEC has made one very important achievement for the people it represents — it is one of the few organizations in the world that is made up of developing countries and has remained united over all these years. OPEC has become a very efficient tool with which oil-producing and oil-exporting countries have managed to validate their collective interests and principles. These interests and principles were borne out of the same beliefs that led to the founding of OPEC.

OPEC is an Organization that defends the sovereign rights of the producer countries as they go about managing the rate of exploitation of their natural resources. The Organization has always pursued a fair approach to its global undertakings, with the understanding that it must seek a balance between the interests of the producer countries and the interests of the consuming nations, mostly because of the extraordinary role played by oil in the global economy.

The vision that the Founding Fathers had of OPEC back in 1960 has been accomplished to a large degree. The vision that the OPEC Heads of State and Government had when they met in Algiers, in 1975, and at their Second Summit, held in Caracas, Venezuela, in 2000, has borne extraordinary fruit. The Third Summit of OPEC Heads of State and Government, in Saudi Arabia, in 2007, called for the reinforcement of OPEC's spirit of cooperation,

Rafael Ramirez

integration and joint work among all Member Countries, in order to strengthen and deepen the extraordinary role the Organization plays in defending the interests of producer countries.

Looking at its history, how do you feel OPEC has evolved as an Organization and how is it viewed on the world stage today?

OPEC has been dramatically strengthened institutionally, with the best and brightest government employees from each Member Country working for the Organization. This has allowed it to have a high-powered technical capability and accompanying political acumen with regard to the principles that gave rise to OPEC. Venezuela, as a Founding Member, is extremely pleased with the Organization's institutional development and the strength that OPEC has given to the producing countries. This has allowed us to have a long-term view on the development of the international oil market. It has also enabled us to give the necessary support to OPEC as it meets new challenges and situations that have arisen in the global oil market over the years.

Today, the oil market is no longer that which familiarized the 1960s and the 1970s. It is a market that is directly affected by factors other than supply and demand fundamentals, such as financial speculation and the perception of the direction the global economy will take. This is all on a scale never before seen in the oil market. That is why OPEC has to keep moving forward in its ability to analyze and correctly interpret the different variables that affect the oil industry; I think this is being achieved.

On the other hand, the level of fraternity that exists between our technical teams, the cooperation among our officials, and the deep friendship between Member Countries and their Ministers has given us strength beyond all the technical and operational aspects; it gives us strength because there is cohesion in the long-term vision of where we must be in OPEC.

Regarding the future, how do you see OPEC's role in the years ahead?

OPEC must be maintained and strengthened as to what it is — an Organization of oil-producing countries — because the future prospects of the international oil market come with many threats. The issue of oil represents an international conflict. The major consuming countries have their organizations, for example the International Energy Agency, which is a tool that aims to reduce the role of OPEC at a global level and, in many instances, intends to undermine our legitimate interests. OPEC has to go back to its principles, maintain and reinforce them, because today, more than ever, those principles are being put into effect.

Oil is a natural exhaustible resource and there is great global debate over the consumption model that is used worldwide, something which we believe we have argued in the various meetings where this issue has been discussed. The major industrialized economies need to look to the rationalization of their energy consumption, while the developing countries have every right to use different energy sources, whether nuclear, oil, or renewables, in order to achieve the development of their peoples. However, the major consuming countries, which have a significant level of oil wastage, need to make a major change in their energy models, especially the United States economy, which continues to have the highest *per capita* energy consumption in the world.

Looking towards the future, we see several threats, one of them being that the principles of OPEC are threatened by dilution because some intend to term oil as a commodity, or because some try to make out that OPEC's production quotas should be subject to international regulation, or put under trade agreements. In that regard, Venezuela is vigilant and very determined that our Organization will not become mired in the mechanisms by which the major consumer countries and industrialized economies seek to take away the sovereign rights to regulate and manage our oil production rates. The oil production rate is a matter of sovereignty of each country and we meet in OPEC to coordinate policies on how to apply these sovereign rights, not to discuss the benefits of a single country, but the benefits of all our countries.

In Venezuela, we have discussed these issues with a lot of propensity because in the 1990s ideological recipes were tested in the consuming countries and their think tanks, through the so-called 'oil opening', which tried to seize our right to manage the exploitation of our oil resources, and were intended to repeal our own national legislation and impose international laws to manage our resources, while the oil-taxation regime was struck and investors' interests prevailed over the owner of the oil.

With the government of President Hugo Chávez we got out of the trap into which our country was potentially falling over the so-called 'oil opening', and today we can speak with great authority of the mechanisms by which consuming countries seek to place our rights as part of an agreement, or a simple "commodities treaty".

What have been the benefits of OPEC's Membership to your country specifically?

Membership has been a collective benefit to all OPEC Member Countries, who have been able to share better practices and better legislation proposals that originated from each country, taking into account their different levels of development and political realities. OPEC has been a crucible for better practices on issues of taxation, royalties, production control; it has had a history full of brave gestures from our Heads of State, and far-reaching agreements that have effectively defended our sovereign rights. So we do not speak of individual results, but collective ones.

Within OPEC, we have actually come together as one country — brothers who have had an extraordinary history of respecting and safeguarding the interests of our peoples. For the producer countries, it has been an advantage to have OPEC in existence, because our stance has streamlined production and consumption. If not for the Organization, the transnational policies implemented since the early 20th century would probably have destroyed much of the resources now managed by the producing countries. This represents a very important perspective for the future world energy market.

Would you say that OPEC has benefited from your country's membership?

It has been very important for Venezuela, a country in the Americas, a major oil producer, which was the largest global producer for 30 years, to have been one of the Founding Member Countries. Furthermore, our country has always offered its expertise in oil policy. In Venezuela, in 1904, there was already in existence a mining code and a first regular tax regime for oil production. In 1943, the Hydrocarbons Law was enacted, creating the Ministry of Mines and Hydrocarbons. This represented an important tool, in order to create the legal doctrine that was enriched with the experience from other countries, such as Iran, Saudi Arabia and Algeria.

The presence in the Organization of Venezuela — and once again Ecuador — gives OPEC a global reach, along with brother nations from Africa and the Middle East. With our humble efforts and contribution, our country has been a balancing factor, and since the arrival of President Chávez, Venezuela is an undeniable factor of unity within OPEC. One of the key elements of President Chávez's oil policy has been supporting the policies of OPEC and ensuring the strict adherence to all its agreements.

And do you have any personal reflections/anecdotes on your involvement with OPEC?

I have been attending Meetings of the Organization for eight years, I have had an interesting exchange with my fellow Ministers, with whom I share a fraternal bond, and I must say we all have learned lessons and have developed excellent relations. I believe that we are a group of people who profess a great friendship and display great respect for the affairs of each Member Country. There has been much interest in all the points of view aired, as expressed in our closed sessions, and today we have a level of coordination like never before.

While being Minister of Energy and Petroleum of the Bolivarian Government, I have felt very honoured by the treatment that other OPEC Ministers have given to my country, to President Chávez, to our positions, always in the framework of respect, understanding and consensus-building in advancing towards the future.

We are very pleased, especially with the role Venezuela has played since the Presidency of Commander Chávez. We have counted on the understanding and selfless cooperation of our OPEC brothers, Ministers and Heads of State from Member Countries, especially in such difficult circumstances as the 2002 coup in Venezuela and the subsequent oil sabotage of 2002–03.

Finally, how do you feel when your Country is referred to as a Founder Member of this very important Organization?

We feel great pride and commitment. We understand that we must ensure respect for the principles that gave rise to this extraordinary dream of the leaders of the oil-producing countries and we wish to convey to the world that OPEC can count on Venezuela, under the leadership of Commander Chávez, with the backing of its solid and established oil policy. There has already been 100 years of oil production and we will be there in the future, reinforcing the industry with our contributions, and with fraternity towards our Arab, African and Latin American brothers, who make up the Organization.

We are convinced of our role into the future as a worldwide major oil-exporting country, which now holds the largest oil reserves in the world and we are equally convinced that OPEC will continue to defend our interests and secure the energy resources for the development of the peoples of the world.

OPEC more relevant than ever to global community

Algeria, which joined OPEC in 1969, hosted the Organization's First Summit of Heads of State and Government in 1975. Adherence to the Summit's guiding principles, according to Algeria's Energy and Mines Minister, ***Dr Youcef Yousfi*** *(pictured right), is one of the main reasons the Organization is still around today, 50 years after its formation. Yousfi, who was appointed to his second term as Energy and Mines Minister in June this year (his first was in 1997–99), also talks here about OPEC's need to maintain its dialogue with the industry's main stakeholders.*


Reuters

Looking at OPEC, what would you say has been its major achievement in the 50 years of its existence?

In view of the challenges it has faced, right from the early days of its formation, OPEC has made many achievements. Today, the Organization has reached a level of maturity that has made it a respected institution on the global energy scene. Its major achievement is that its market stabilization role is now recognized and appreciated by all oil market players, as well as by the consuming country governments and the industry at large.

OPEC's fruitful dialogue and cooperation with several international organizations and countries, which it has pursed from day one, confirm such an achievement.

Another achievement that deserves to be highlighted is the Organization's contribution to poverty alleviation and development aid through its sister organization, the OPEC Fund for International development (OFID).

Looking back, were there things done, decisions taken, that could have been done differently?

Of course, with hindsight, one can always find things that could have been done differently. OPEC cannot escape that fact. But overall it has taken very few decisions that could have been done differently, in terms of their timing, or their magnitude. Admittedly, some of OPEC's decisions and actions, for example during the oil price collapse of 1986, could have been done differently. However, one should not forget the global environment and the circumstances in which OPEC has had to take such decisions in the past, based on the available information at the time.

How do you envisage OPEC's role developing in the years ahead? What are its major challenges?

In the foreseeable future, fossil fuels will remain the major source of energy in the world. OPEC's role will continue to be in fulfilling its mission, as defined in the Organization's Statute, namely to adequately supply oil to the world economy with fair revenues for Member Countries, as well as a fair return on investment for the industry.

Besides existing challenges and those it has already confronted, OPEC, in the years ahead, will have to contend with a more globalized economy, with increasingly sophisticated and complex financial conditions that will continue to impact the role of oil market fundamentals, over which OPEC still has influence.

One of the main challenges facing the Organization — in fact all major stakeholders in the oil industry — will be finding ways and means of successfully achieving a sustainable price path for crude oil over the medium to long term, while avoiding extensive and harmful price fluctuations in the short term.

In so doing, OPEC needs to maintain the momentum of the level of dialogue it has reached in recent years with the consuming countries, which has undoubtedly contributed to the current stability seen in the international oil market. The kind of stability we are seeing in the oil market right now was desperately needed after the harmful effects of the financial and economic turmoil seen worldwide over the last two years.

Another significant challenge for the Organization concerns environmental issues and global warming, in particular. OPEC will have to continue advocating an equitable share of the cost to help stabilize greenhouse gas emissions. However, industrialized countries should take the lead in this regard, in view of their historical responsibilities and the aspirations of our Countries for future economic development.

Last, but not least, OPEC Member Countries have to strengthen the resilience of their domestic economies, to make them less vulnerable to oil revenue fluctuations. This can be done through the diversification of their petroleum-based industries.

What have been the benefits of OPEC's Membership to your country?

Considering the dominant role of hydrocarbons in Algeria's economy, our Country genuinely shares the objectives of OPEC, which include ensuring steady revenues that are needed for supporting Algeria's continued development.

OPEC Membership has given Algeria the opportunity to contribute to making the Organization more assertive regarding Member Countries' sovereignty over their natural resources and their hydrocarbon policy and development aims, as listed in the Solemn Declaration of the First Summit of OPEC Heads of State and Government, held in Algiers, in 1975. In return, Algeria has benefited from OPEC's decisions and policy actions, which have been aimed at stabilizing the oil market and the price of crude oil.

OPEC has also given Algeria — in fact all its Member Countries — the framework in which to promote, collectively, and thus more efficiently, the independence of their energy and economic development policies.

Algeria, a long time proponent of development aid for the poorest developing countries of this world, convinced OPEC Member Countries of the need to increase such aid, as reflected in the creation of OFID, right after the Algiers Summit.

By so doing, Algeria has confirmed its genuine solidarity with the Least Developed Countries, a factor that forms one of the founding principles of our diplomacy and one that goes right back to Algeria's war of independence.

And what would you like to say to OPEC on its 50th birthday?

OPEC is an organization that is unique in its mission. Of the many initiatives made over the years to create similar organizations, OPEC is the only one to celebrate its Golden Jubilee.

Today OPEC is more established and relevant than ever before. I would like to say to OPEC 'Happy Birthday'. We wish the Organization continued success in fulfilling its stated objectives.

OPEC will need to adapt to the changing face of oil

Diezani Alison Madueke *(pictured right) is one of OPEC's newest Heads of Delegation. She was appointed Nigeria's Minister of Petroleum Resources in April this year and is looking forward to making her first visit to the Organization's Vienna Headquarters in September for the Anniversary Exhibition, followed by the OPEC Conference in October. In this interview, she describes how OPEC has lived up to its objectives, but points to a need for the Organization to adapt to the changing face of oil in the challenging years ahead.*

Reuters

Looking at OPEC, what would you say has been its major achievement in the 50 years of its existence?

For us in Nigeria, OPEC is one organization we are very proud to belong to. It is an organization that has lived up to the objectives for which it was founded. Its ability to manage the varying inclinations of Member Countries to arrive at decisions that safeguard their collective interests, as well as that of the international community with regard to price stabilization and efficient supply to the international market over the 50 years of its existence, is undoubtedly a major achievement for which OPEC must be commended by both Member Countries and non-members.

There is what is called security of supply and security of demand. On the supply side, OPEC insists that in as much as our Countries are endowed with this resource, we will not use it as a weapon to fight against the developed countries. However, the developed countries should also assure us that whatever we produce will be bought at a fair price. The good news today is that OPEC supplies 40 per cent of the world's hydrocarbon needs to the international market and this has gone a long way in empowering the Organization to stabilize the price of hydrocarbons on the international scene.

Looking back, were there things done, decisions taken, that could have been done differently?

I cannot remember any decision that was taken by OPEC that was not in the collective interest of Member Countries. I think this is because the decision-making process is anchored on the principle of unanimity, which guarantees that every single Member Country must assent to any decision before it is adopted as a binding resolution. This type of system makes for very few or no mistakes. And I think this is also a monumental achievement for OPEC.

How do you envisage OPEC's role developing in the years ahead? What are its major challenges?

I see OPEC still playing a very vital role in the global energy market in the years ahead as crude oil will remain a key element in the global energy mix. But, as the world begins to think along the line of alternative energy sources outside of crude oil, OPEC must begin to encourage its Member Countries to think along that line too. So far, I think OPEC has done very well in this regard and the future as far as one can see is secured.

The major challenges revolve around the issues of compliance by Member Countries to OPEC quota allocations. It is important for OPEC Members to continue to respect the Organization's quota allocations if they want to maintain stability of prices and security of supply.

Do you have any personal reflections/anecdotes on your involvement with OPEC?

As you may already know, I was appointed Minister of Petroleum Resources in April 2010 and there has not been any major OPEC event since then beyond the activities to mark its 50th Anniversary and I have participated actively in all the in-country events. I am looking forward to my first personal engagement at both the OPEC Anniversary Exhibition in Vienna and the 157th Ordinary Meeting of the Conference in October, also in the Austrian capital, where I will lead the Nigerian delegation. I hope they will turn out to be memorable experiences.

What have been the benefits of OPEC membership to your country?

For us in Nigeria, the Membership of OPEC has been beneficial in a number of ways. For one, OPEC has given us a voice in the international energy market as a supplier nation, such that we are not taken for granted by the developed nations who are on the demand side of the market.

Nigeria has also benefited from the price stability that OPEC has engendered in the market, and this has made for effective planning, not just in the petroleum sector, but also in the entire economy, since a bulk of our revenues is from the petroleum sector.

What do you say to OPEC on its 50th birthday?

On behalf of myself and the Nigerian nation and its people, I felicitate with OPEC as we all join to celebrate its 50th Anniversary. It is no mean feat for an organization, made up of developing countries and established to play such a major role in the global energy market, to survive this long, considering the might and influence wielded by the developed nations with whom it contends most of the time.

We wish OPEC many more fruitful years. I wish to say to OPEC not to relent in engendering development in the economies of producing nations, as well as the consuming countries of the world.

As a reputable organization, it must sustain its development assistance to poorer countries worldwide and ensure the alleviation of poverty in Member Countries and the less fortunate countries of the world.

OPEC will remain important for many years to come

Abdullah bin Hamad Al Attiyah *(pictured) has been a familiar face at OPEC Conferences for almost two decades. As the Organization's longest-serving Head of Delegation, he was appointed Qatar's Energy and Industry Minister in September 1992 and later also became the country's Deputy Premier. His longstanding experience, both in the oil industry and OPEC affairs, is a valuable asset to the Organization as it sets about formulating policy decisions aimed at stabilizing crude prices and the international oil market. In this interview, Al Attiyah speaks about the OPEC of today and how he feels there will still be an important role for the Organization to play in the next 50 years.*

OPEC has rightly been credited for the responsible attitude it has displayed in helping to rescue crude oil prices and restore stability to the oil market this year. How instrumental do you feel OPEC policy decisions have been in supporting the global economic recovery in what has been a very difficult two years?

OPEC's commitment towards achieving and maintaining market stability has been demonstrated in its policy decisions throughout its history. The role of the Organization is vital to the oil market, not only because OPEC meets a large portion of world oil demand, but also by acting as an instrument of stability in the oil market. OPEC's spare capacity enables it to respond quickly to any shortage of supply in the market by increasing production and restoring stability to prices. On the other hand, any decision to cut production is intended to strengthen market fundamentals. In the past few years, however, it has become an increasingly difficult task to stabilize the oil market, due to the influence of external forces. During the peak of oil prices in 2008, consumers were forced to pay high prices, due to the effects of speculation that exists in all the commodity markets. Despite OPEC's efforts to restore market fundamentals as the price-determining factor, the effect on the market is less than what we aimed for.

The general opinion appears to be that the worst of the global recession is over and that the remainder of this year and 2011 will be a period of recovery. Do you go along with this view and, if so, how do you see this return to growth affecting oil demand?

The magnitude of the economic crisis must not be underestimated. All countries, particularly those where the problem originated, need to take strong and appropriate actions to mitigate the impact of the crisis and enhance recovery. I think the road to a full global recovery is still bumpy, with many barriers yet to be overcome. The mixed economic results in most parts of the world indicate that we are some way off a sustainable economic recovery. What we see is a fragile recovery that needs to be protected and strengthened to avert a major slowdown in economic activities. Regarding the return to growth and the affect on oil demand, we are still worried that oil demand in the developed counties, particularly in the OECD region, will never again reach the levels seen before the financial crisis, threatening peak demand. Whether this is true or not, and whether it can be offset by a rise in demand in developing countries, is uncertain. Oil demand remains of great concern to OPEC Member Countries in the short term.

It is common knowledge that compliance by OPEC Member Countries to their respective production allocations has slipped considerably. Do you consider this to be a problem and, if so, how important is it for discipline to be tightened?

Any decision by OPEC to cut oil production aims to strengthen market fundamentals and to ensure that markets are not oversupplied and the price remains at a fair level. I am sure no one wants to see the large price swings and the extreme volatility that occurred during the last few years ever repeated. As we all know, external forces outside the market are having a greater influence on oil prices. Therefore, if we are to see the desired effect of cutting oil production in the market, then all Member Countries must adhere to their production allocations.

It would appear that an oil price in the range of $70–80/b is considered by most as being fair and acceptable to both producers and consumers. Do you feel this level will be sustained in the short term, or do you think the price will rise above this range as demand picks up in tandem with the economic recovery?

The range of an oil price between $70 and $80/b seems to be fair to everyone, given the current market conditions. Put simply, when oil prices are too high, they weaken the economies of the importing countries, and when oil prices are too low, they discourage investments being made by the oil-exporting countries that are needed to keep the industry healthy.

Given the many factors that influence the oil industry, it is very difficult to accurately predict where prices are heading. However, I can say that prices are likely to remain fluctuating at the current level during the next six months, driven by factors like the value of the US dollar, the level of petroleum stocks and OPEC Member Countries' adherence to their production allocations.

We all know how speculation drives the price of oil higher. How much influence do you think the speculators are having on today's price level? Do you feel that the fundamentals are having more of a say in the current market?

The problem started years back when the Commodity Futures Trading Commission in the United States granted hedging exemptions to investment entities, allowing them to trade as much oil and gas as they wanted in the futures market. Their appetite towards oil trading is massive. The majority of oil trades on the futures markets are conducted by speculators, not by oil companies (real fuel traders and businesses who need oil physically to run their businesses).

The only way to control price volatility and restore the fair influence of supply and demand over oil prices is to place limits on oil speculation. Governments should establish effective measures that would control speculative activity. This needs to occur, primarily in the US and the United Kingdom, because these two countries' commodities markets — the NYMEX and ICE — witness the vast majority of oil trading on world markets.

Despite the fact that the oil market is currently well supplied, and stocks are high, crude prices still see large swings. Last May, the oil price dipped by more than $20/b, before picking up again. This cannot be due to market fundamentals alone; it is becoming increasingly clear that excessive speculation is once again influencing the direction of oil prices. While producers appreciate upward price movements, what producers would really like to see is sustainable price levels linked to confirmed demand.

One of the longstanding bones of contention for OPEC is the role non-OPEC producers play alongside OPEC's policy initiatives. Do you feel some producers outside the Organization take advantage of OPEC's production restraint by maximizing their output?

All producers, whether OPEC or non-OPEC, are confronted with the same challenges when it comes to restraining volatile price movements. We can be more successful if we coordinate our efforts. Keeping in mind that the cost of production is much higher in non-OPEC countries, however, they are likely to be hurt more by price swings.

Undermining OPEC's efforts to restore market fundamentals is not going to benefit other oil producers; even if they earn profit from the situation in the short-term, they will bear greater loses when prices drop.

As OPEC's longest-serving Oil and Energy Minister, you have gained extensive first-hand experience of the Organization's activities over the years. What do you consider has been OPEC's greatest defining moment to date?

There are many great defining moments, particularly when OPEC succeeded in preventing sharp declines, or rises, in oil prices, and when it managed to offset the impact of sudden disruptions of supply.

Many people feel that climate change and the environment will be the most important issue for OPEC as it goes forward. Others think it will be meeting global supply as demand expands. What do you feel are the main challenges facing the Organization in the years ahead?

Both issues are equally important to OPEC and they are of course interlinked. Mitigating the impact of fossil fuels depends greatly on the progress made by both the industrialized and developing countries in deploying advanced technologies capable of reducing greenhouse gas emissions and technologies that have a higher efficiency in fossil fuel conversion. We need to promote international cooperation in the areas of technical applications and scientific research.

Developing more resources is a responsibility that has been well addressed by OPEC Member Countries. However, OPEC remains concerned over the impact of environmental mitigation policies on the long-term demand for oil. Furthermore, exploring and developing more resources is not OPEC's responsibility alone. I believe that the development of unconventional oil resources and deepwater exploration undertaken by other countries will help in providing adequate, affordable, and reliable oil supplies to the world.

The year 2010 has really been a cause for double celebration within OPEC, with the Organization having moved to its new Headquarters. How important to OPEC's future work do you see this move as being?

A new Headquarters is obviously an efficiency and morale booster for OPEC staff. However, the fundamental role of OPEC remains unchanged no matter where its Headquarters is.

Finally, do you feel that OPEC will still be around to celebrate its centenary in 2060?

While significant changes in the global energy system will undoubtedly occur over the next 50 years, I believe that oil will continue to be an important part of the global energy paradigm in some form or another. Given this, there is a good chance that OPEC will have a role to play in the world oil markets in 2060. The role and objectives of the Organization may be different, but I think OPEC will remain an important international Organization for many years to come.

OPEC @ 50: the journey of a lifetime

***Dr Alirio A Parra** (pictured) of Venezuela is one of very few people today who can give an accurate account of just what it was like when OPEC was born 50 years ago. As a close assistant to the then Venezuelan Minister of Energy and Hydrocarbons, Dr Juan Pablo Pérez Alfonso, he was privy to all that was going on when the idea for such an organization was first floated. Himself a former Energy and Mines Minister, a post he occupied in 1992–94, Parra's vast knowledge of OPEC and the oil industry is the envy of most young professionals involved in the petroleum sector today. In this interview Parra, who is now a Senior Associate with the London-based energy expert group, CWC Associates, was asked just what it was like back then when the Organization was formed and his impressions about OPEC over its first half century.*

Dr Parra, you have been associated with OPEC and the oil industry for a long, long time. Please, if you will, take us back over these first 50 years of the Organization? Take us on that journey.

Well, it certainly has been a long journey. I have been associated with OPEC right from the beginning. In fact, for me it is more than 50 years — before even OPEC was founded. I was already an assistant to Dr Juan Pablo Pérez Alfonso, the then Mines and Hydrocarbons Minister of Venezuela, and it was indeed an extraordinary time, both for the oil industry in general and those that were involved in it. One has to remember that, in those early formative years, there were a number of factors pushing us towards some kind of manifestation for securing the national interests of the oil-producing countries. As I recall, new phases were appearing and new regimes were taking shape — in Iraq, in Venezuela, and in other countries. But also at this time, crude oil prices were weakening worldwide. Everywhere you turned you saw a glut of oil that was coming on to the market. And then, all of a sudden, the opportunity was offered to the oil producers to meet in Cairo, in April 1959. It was a historic opportunity because the oil-producing countries had never met together before.

All the producers, whether Arab or non-Arab countries — none of them was a member of any oil organization at that time. Many of the events and details that surrounded this meeting were relayed to me by Juan Pérez Alfonso. I remember during my long discussions with him, that he told me he went to Cairo with a purpose. And that purpose was to see if the oil producers could, in some form or other, get together to shape future policies. Previously, Pérez Alfonso had engaged in long talks with Abdullah Tariki, Director General and later Minister of Petroleum and Mineral Affairs of Saudi Arabia, who was obviously familiar with the market and the system operated by the United States of prorating the oil production of the Texas Railroad Commission, which oversaw oil dealings at the time. Well, when Pérez Alfonso got to Cairo, he did not wait to go to the meetings of the Arab League, but started to talk about his plans in the corridors, the passageways and the cafes of the Nile Hilton, where he met the invited representatives from Iran, Kuwait, the Arab League, Saudi Arabia and Iraq.

It is a story that is truly fascinating because it tells you something about these personalities. To me, it was like a novel unfolding. These officials went from one small meeting to another — there was intrigue … it really was cloak and dagger stuff. Finally, they decided they would all meet more formally at the Cairo Yacht Club, of all places, at Maadi. There they produced and signed a document which came to be known as the 'Maadi Pact' — the gentlemen's agreement, if you like. It was an extraordinary move because it proposed, for the first time, a consultative petroleum commission made up of the countries that were present. The important thing about this document is that it referred to revenues and prices, as well as the long-term interests of the oil-producing countries. Unfortunately, most of the people who signed the Maadi Pact, signed it on a personal basis with, I think, the sole exception of Pérez Alfonso, who had the full support of the Government of Venezuela. When he got back to Venezuela he called me — something he did lot of the time — to tell me all about his trip.

Then it was simply a case of waiting for a response from the other signatory parties of the pact and to look towards taking the next step. Unfortunately, week after week, month after month went by and nothing happened. In fact, the whole of 1959 passed with no action. And when 1960 dawned — and still nothing had materialized — Pérez Alfonso became more and more frustrated with the situation. I used to keep seeing him and he was, at times, quite grumpy about the apparent inaction. And all the while, he was thinking about the plan, especially about matching crude oil supply with demand. Then, all of a sudden, in July 1960, 18 months after the Cairo meeting and the realization of the Maadi Pact, the opportunity to act was offered to the oil producers, really on a platter. The oil companies

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— the renowned 'Seven Sisters' — who were effectively controlling all aspects of oil production, supply and pricing in the US, decided to unilaterally lower crude prices once again. This was the spark that got the oil-producing countries going again.

Within a few days of this development, Pérez Alfonso

received a telegram from Baghdad, which, incidentally, took three days to get to Venezuela — there was no priority mail in those days. I remember how a Ministry employee walked around to the Mines and Hydrocarbons Ministry to deliver the dispatch, handing it to the Minister's secretary. I was actually sitting with Pérez Alfonso, in front of his desk, when his secretary bounced in, all excited. Imagine, the dispatch he had been waiting for all this time, had arrived. And not only was this a telegram, it was a telegram from Baghdad! Pérez Alfonso took the letter — he was a very serious man — and purposefully and expectantly opened it. He then stood up and literally shouted: "We have done it!" After reading it again, he handed the dispatch to me to read. You know, when I look back on that remarkable day, I am mindful of the fact that I actually read that life-changing piece of paper before the President of the Republic of Venezuela — and I was only a junior official at the time!

Those were the events that led to Pérez Alfonso travelling to Baghdad and participating in the birth of OPEC. He actually went to the Iraqi capital by himself and was late in arriving, due to travel delays. The other oil actors were already there, including Abdullah Tariki and a man that very few people have mentioned, but I must. He was Mohammed Salman, who had been with the Arab League and had just returned to Baghdad. He was really one of the movers in the whole process. Without him, we would not have gone to Baghdad. There was also another personality that few have talked about. He was a young man called Ahmed Said Omar, a Kuwaiti bureaucrat, and a senior official from the Ministry of Finance, who was delegated to go to Baghdad. He turned out to be an amazing ally, a strong supporter of the concept of founding an organization that could support the interests of the oil-producing countries at large. And interestingly enough at the time, he really had no business going to Baghdad since Kuwait was still a British protectorate and not yet independent.

So that was the story of OPEC's formation. The rest is part of history really. I have spoken to many people over the years, read many books and papers and seen different accounts on the lead up and birth of OPEC, but the information I have relied on the most is that which was relayed to me first-hand by Pérez Alfonso. Incidentally, the famous Maadi Pact — the original document — has disappeared from the files. As far as I know, and I have done some investigating, nobody has it. It is not in the OPEC archives in Vienna and it is not in any Member Country files. I actually had it my hands and, fortunately, chose to copy everything down. I then translated it into my native Spanish and published it in a little booklet for Venezuela's Ministry of Mines and Hydrocarbons.

Do you have recollections over OPEC's very first meeting in Baghdad and who the key players were? Take us back to that Meeting and the stories that surrounded it.

Well, the first meeting amazingly went along very smoothly. Really, all the work had been done one year previously. All the ideas had been developed, so it was simply a matter of getting them down on paper and formalizing them, so that the lawyers could work on the finished document. This is where the principles of OPEC were first published. The objective of protecting the long-term interests of Member Countries was really the objective of OPEC. The stipulations set out that there would be an organization with some basic rules and that this organization would have a Secretariat. This first prepared document was later modified and put into better order. But the people who were there at the very first meeting were unanimous in their aims and objectives. It was an amazing time because they had this vision to move forward together. And do not forget, there were no precedents involved — no past to go on — it was something totally new for the producers. It was a sort of a real awakening of their national interests. No longer would producing countries be a mere spectator to their interests, just collecting taxes, and, one has to say, taxes that were somewhat meager.

Looking back at those early days, after Baghdad, take us through, perhaps in stages, what happened after that.

To begin with, I think there have been two threads going right through the whole process in the past 50 years. The first one was the evolving attitude of OPEC itself towards the international oil market. This attitude, at first, really said: "Look, to guarantee our interests, we must set crude oil prices." It ignored production and it ignored the real market, because no one had any experience of that. We were really following what the oil majors had been doing in setting prices. We insisted on securing a certain level of price and this went right through the first period of OPEC. Then, all of a sudden, there was a different realization and we saw that to maintain price levels, buyers were obtaining less and less oil from the producing countries. Production was going down, not through any direct intent, but because the market did not want that oil at the prices we had set.

This moved OPEC — albeit reluctantly at first — to recognize the workings of the market. In the 1980s, we instituted a sort of dual system, whereby we would set production quotas, but also stipulate a target price. It actually proved to be the worst of all worlds and it did not really work. From there, we moved further ahead to relatively recent times when we really caved in and said: "Look, we have to recognize the market." That meant we wanted to balance supply and demand — it was, after all, the logical thing to do. We should have realized that years before. Balance supply with demand and the resulting equation would give us a fair price. And that system has evolved over the years and it has been refined and made more sophisticated right up to the present day. And, as you can see today, in 2010, we have had six or eight months of no real need for action on the part of OPEC, because the quotas, or allocations as we like to call them, have been set and the market is in good balance. But it took 50 years to get here.

The other thread that went through the years was gaining control over the activities of the major oil companies. That also evolved over time. At first, the majors agreed to cede part of their assets to the producing countries — some 25 per cent — but relatively rapidly we moved to nationalize the industry. So those two threads, they go right through the history of OPEC.

Now, if you look at it on a decade by decade basis, I would characterize the 1960s as being the years of learning. We took timid steps, we negotiated on just a few cents. Expensing of the royalty — it took forever. But they were really the learning years. The 1970s were the years of real progress. That was the period when OPEC and the producing countries gained control over the industry. And for a lot of this we have to give credit, where credit is due, to one man — Ahmed Zaki Yamani, the long-serving Petroleum and Mineral Resources Minister of Saudi Arabia. But together we made real progress during that decade. There were some setbacks, but OPEC ended the 1970s a very different organization. The 1980s — well, these were the years of turbulence, the years of wars and the years of OPEC being squeezed by the sudden strong increase in non-OPEC oil production. Whatever we did, we were losing out. Production was going down and down. We could not fit into the market for the price we wanted. It led, of course, by the middle of the 1980s, to the system I have described — the radical change from relying on fixed prices to relying more on the market.

The 1990s were for me sad years. They were again years of conflict and weak prices. I recognize this especially because during the 1990s I was Minister of Energy in Venezuela. In my ministerial capacity, I can remember thinking that there had to be a better way to match our aspirations — a better way to move forward. And among the strategies that I helped to develop was the objective of talking with our, then adversaries, about

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establishing cooperation between the OPEC producers, the non-OPEC producing countries and the consumers. But that was in its incipient stage at that time. Very little was really done in practice, except that during that early period, in the late 1980s, and unknown to other OPEC Member Countries, I invited the Executive Director of the International Energy Agency (IEA) to visit me in Caracas. Mrs Helga Stieg — she was German — was a very affective woman. She responded to my invitation willingly and was vastly impressed when she saw that we actually knew how to operate the industry. She was amazed. Our refineries worked, production was onstream, we were selling oil, she saw the workings of the Organization and I think the visit left a lasting impression on her. I feel she went away thinking that OPEC producers were not some kind of wild men that had no idea what the oil industry was about. Altogether I think it radically changed her views about us.

Then we come to the New Millennium — from 2000 to 2010. These are the years we are all living today. To me, these have been the years where an ideal level of production capacity disappeared and when non-OPEC production became a non-factor in the supply and demand equation worldwide. OPEC has really been in command. And at no time, even when prices were skyrocketing, has there ever been any shortage of oil, because OPEC saw to it that sufficient supplies came onto the market. In this decade, we have seen escalating growth in world oil demand, with global GDP expanding at an amazing rate. But it just had to come down. Then we witnessed the damaging effects of speculation and we suffered the consequences of greed and the economic meltdown. The next great depression was upon us, but somehow we have survived it. And in the oil market, the return to normality, or to stability, not totally, but in large measure, is due to the policies and strategies that OPEC Member Countries have adopted. I think this is an interesting development and one that is recognized by the market.

“We have achieved our vision and you can measure that by the fact that all the original Member Countries — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — are still present in the Organization today.”

Of course, over the years a lot of things happened, a lot of decisions have been made and milestones have been reached. But when you look back, do you think that there are things that could and should have been done differently?

Yes, I think there are two things that should have been done differently. Firstly, we should have recognized the market much earlier on. We would have avoided a lot of pain in the process. That was the one thing. The other, which may surprise you, is that, in the early days, we totally lacked a public information service, public relations as such. We were secretive and nobody told the wider world what we were doing. Even though a lot was positive, a lot of rumours grew up about OPEC itself. Today, with hindsight, I would have really pushed forward the development of a public information department, such as we have today. I think that a good part of the perception the world has about organizations like OPEC is due to the work and the effectiveness of modern public information groups. They are able to get across to the world what one is doing. For example, the ‘Monthly Oil Market Report’ that OPEC produces is as good as any in-depth study of the market that is published today. And that is terribly important. In addition, through this medium, the OPEC Secretary General gets his messages across rationally and logically and not in bits and pieces. His speeches and his declarations are also regularly printed, edited and circulated. That is also very important.

Can you tell us about your own personal recollections and some of the stories over the years?

When I was a graduate student, I had the good luck to meet Juan Pablo Pérez Alfonso when he lived in exile in the United States. One day we sat together and I said to him: “World oil prices are too high and there is a glut of oil developing in the market.” He looked at me and said: “You are wrong. The prices are not too high — it is production that is too high. If we control production, prices will find their own level.” That was a vision you could not imagine at that time. Of course, it took 30 years to get to this realization — to get to recognize the market — but it was incredible that Pérez Alfonso was talking about this as far back as the late 1950s. I would also like to say something about reflections. Over these years, many of them were really exciting times, especially for the young people coming into the industry. It was a situation of “look, we are changing things — we are changing the energy world. Let us press on.” We spent weeks and months on preparing various reports and studies. I can remember especially a committee we set up for securing the $18/barrel target price. We were sequestered in the Kuwait Embassy in Vienna for three days. We worked on this document and we came up with a fantastic paper, which, in effect, justified from every point of view the $18/b price.

Then there was the Long-Term Strategy Committee — we spent weeks on that. Countless hours were also spent on working out production quotas for Member Countries.

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So many factors had to be taken into consideration. How should we assign them? Should we include population data? What should the other criteria be? None of it really worked and in the end we had to determine the quotas through a historical precedent, using actual production rates.

One of the most frustrating two weeks I have ever had in my life was when we had a committee in Vienna looking at condensates. It was alleged that Venezuela was excluding what it called "condensates" from its quota and some of the other Member Countries set out to prove that it was hiding this information. I think that in those weeks I must have gone through a post-graduate course in reservoir engineering, because I had to lead my delegation. We had quarrels, we developed different arguments. I personally wrote very thick documents, all about condensates. I have never given them a second thought since that meeting. It was a total waste of time.

The other thing I remember about those years in OPEC is the human element. We really had some wonderful times. For example, we visited the *souq* (markets) in Baghdad and enjoyed the glorious seaside resort and hospitality of Bali in Indonesia. We were constantly amazed at the cultural heritage of our Member Countries — the Laptus Magnus in Tripoli, for example, springs to mind. I can also remember having fantastic picnics in the desert, or going across the Shatt al-Arab in a small outboard motorboat and arriving in Iran among the huge liners that were docked there. We had to climb up some steps onto the key and then proceed into customs. It was amazing! There was also the 'empty quarter' and colonial Quito — there were so many pleasures, as well, of course as a great deal of hard work. We had so many setbacks, but also a number of achievements in the process.

Fifty years ago, when OPEC set out, it had a vision. When you look through the years, do you feel the Organization has achieved that vision and has it actually put that into practice?

My answer is short — yes. We have achieved our vision and you can measure that by the fact that all the original Member Countries — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — are still present in the Organization today. If we had not achieved our goal, the Organization would have broken up. And we have achieved that vision in spite of wars, in spite of regime changes, in spite of recessions and in spite of boom/bust periods. All the way along, OPEC has kept in its sites this vision of safeguarding the national interests of its Member Countries. I think today's events show this. All of a sudden, OPEC does not have to meet every two weeks, or every three months. Why? Because we have contributed to the period of relative stability we are currently seeing in the world energy balance. That is amazing and it is true.

Looking around today, how do you feel OPEC is viewed throughout the world?

The perception of OPEC, I feel, has changed considerably over the years. I would say that gone are the wild days of the past when OPEC was perceived as a pariah organization. Some tried to destroy it, many chose to condemn it, there were those that wanted to bury it, while others chose to ignore it. I think that last point hurt the most — the greatest affront for OPEC was to be ignored. We could have accepted anything else, but not to be ignored. I do not think there is any grouping in the world that has received more obituaries than OPEC. We have been buried time and time again — but somehow we are still here, alive and kicking. In fact, in a recent edition of the *Financial Times* — in the Lex column — there was an attempt to bury us once again, because they said our latest "non-meeting" was a sign of weakness. So, people are still trying to bury us, but miraculously, the Organization is alive, kicking and in great health.

Also in terms of OPEC's relationship with other groups — there was a lot of animosity. How has that changed?

It has totally changed. In the early days, when the IEA was set up, it was probably with the intent of trying to destroy OPEC. These two Organizations simply did not talk. The heads of OPEC and the IEA would not even be seen in each other's company. You could not get the Executive Director of the IEA to come to Vienna. In fact, the first time he came, he arrived secretly and had lunch with the then Secretary General, privately in a Viennese restaurant. Today, things are totally different. You see the OPEC Secretary General and the IEA Executive Director at seminars, on panels, they meet together, they are on different committees. They may have their own points of view, but they talk, they discuss, and they cooperate when cooperation is necessary. They differ when differences are important, but things have changed dramatically.

When you look ahead to the next 50 years, what do you think are the big challenges facing the Organization?

We are moving rapidly. We are satisfied because we have faced all the challenges to date. But the challenges ahead are really serious, for the Organization and for all oil producers, whether OPEC, or non-OPEC. One of the most serious challenges, which is quite different from that which we encountered in the past, is climate change. The challenge of renewables is another one. Here it is necessary for us to understand the changes that are coming about and to position ourselves in a way that maximizes our attributes, our skills, our strategies and our policies. Bringing these together could signify that we will be able to attenuate some of the negative effects that are appearing ahead for us. That is one set of real challenges facing the Organization. You cannot underestimate them. And in some cases, it is a case of, if we cannot beat them, we join them. For example, we can produce electricity from solar energy. Many countries in the Middle East can become major exporters of electricity, major earners of foreign exchange through the production of electricity. So there are pluses and minuses in all this.

"What would I say to OPEC? To begin with, I would say good luck for the future. You have achieved a lot. You have been successful. But there is still a long way to run."

But there is another change also, which is directly related to oil. That involves the insatiable demand for energy in Asia. India and China — each of these countries has practically 1.5 billion habitants. All these inhabitants must be clothed and fed. And they want to drive cars — they have to get from A to B. Their houses have to have lighting, so they need electricity. All of this, of course, poses a different type of challenge to OPEC for a period that some people call the 'transition years', which I feel

will be very long. But OPEC will have the responsibility of supplying energy to this region, whether oil or gas, it will have the responsibility squarely in its hands.

There is also a third challenge, in the shorter term, which we must handle in some way or other. That is the growth of production capacity in Iraq. This involves Iraq developing its long underdeveloped oil reserves. People there are now talking about production rising to 12 million barrels/day — doubling, or even tripling from current levels. Whether this is achievable, I do not know, but we have to, in some way, accommodate the changes that are taking place in producing countries. We cannot ignore them — we cannot shut them in and say, no, you cannot do this — that is not possible. Iraq will develop and let us hope it will develop rationally — that space will be found in the market and that it will take its rightful position in the world energy balance.

When you step back and think about this 50th Anniversary, what do you want to say to OPEC?

What I would like to say is that I do not know of anyone else in the industry, other than myself, who has this vision of OPEC over the last half century. They do not exist any more. They did exist, but unfortunately time takes its toll on people. I have actually been involved for more than 50 years — it is more like 55 years, right from the very beginnings, when the formative ideas were still in the minds of the founding fathers.

What would I say to OPEC? To begin with, I would say good luck for the future. You have achieved a lot. You have been successful. But there is still a long way to run. You need to move in this growing energy market with a different mix of energy sources, but an energy market that is developing in an increasingly interdependent world. And that means you cannot go it alone. You can lead the way.

You can indicate the direction, but what is essential, in all of this, is cooperation and collaboration among all the parties involved — the producers, the national oil companies, the international oil firms, the producing governments and the consuming countries. All have a responsibility to help the industry evolve and develop efficient energy resources for the good of mankind.

OPEC's major achievement is the way it has fulfilled its mandate

"The Organization has successfully determined the best means for safeguarding the interests of its Member Countries, individually and collectively."

Suleiman Jasir Al-Herbish *(pictured) has had a close association with the OPEC Secretariat and OPEC Fund for International Development (OFID) for more than three-and-a-half decades. He joined Saudi Arabia's Ministry of Petroleum and Mineral Resources in 1962, was Assistant Deputy Minister in 1982–90, was his country's Governor for OPEC, with the Deputy Minister's rank, in 1990–2003, and has been Director-General of OFID since November 1, 2003. In this interview with the OPEC Bulletin's Keith Aylward-Marchant, he talks about his experiences with both Vienna-based Organizations and looks to the future.*

September 14, 2010, is a special day for OPEC in marking its 50th anniversary. Few would argue that it has been an eventful half century, but what do you consider to be the Organization's greatest achievements over this period of time?

In my opinion, the major achievement is the way OPEC has been able to fulfil its mandate and advance the interests of Member Countries during the 50 years of its existence. The Organization has successfully determined the best means for safeguarding the interests of its Member Countries, individually and collectively. This has been done in spite of divergences between Members and sometimes hostile external conditions.

One interesting point here is that, when OPEC was created, it was not created by a summit. It was not even created by an exclusive body of Ministers. Even Abdullah Tariki (one of the Founding Fathers of OPEC), when he signed the OPEC agreement in September 1960, was not a Minister. There was no Ministry at that time in Saudi Arabia. There was a General Directorate of Oil and Minerals affiliated to the Ministry of Finance. And then King Saud established the Ministry of Petroleum and Tariki was the first Minister.

Instead — and most importantly — OPEC's creation was an expression of political will, and, regardless of the institutional framework, when the political will is there, OPEC becomes more effective.

Interestingly, for the few outsiders who were aware at the time of OPEC's humble origins, there was perhaps an underestimation of the potency of this strong political will. Here is a quote from Pierre Terzian's book, *'OPEC: the Inside Story'*, referring to a New York Times article published two weeks after the first meeting in September 1960: "A 'cartel' had been set up; even if the USSR were to join, the whole thing would only last a year or two at the most, following which everything would go back to normal." How wrong it was!

What you see as the objectives of the Organization, the Organization has implemented to the letter. To substantiate what I am saying, let us look at the objective of securing regular supply to the consumers.

First, we need to remind ourselves of the magnitude of OPEC's presence in the oil market. Using figures from the latest *BP Statistical Bulletin of World Energy,* my simple calculations have found, for example, that OPEC in one year — 2009 — produced more than the entire proven reserves of the North Sea — about 12.1 billion barrels of OPEC production versus 10.2bn b for the North Sea reserves.

Furthermore, if you look at our Member Countries' oil reserves, you will find that, by the end of 2009, these stood at 77.2 per cent of the total world's reserves, the same as at the end of 2008 and slightly above the 76.6 per cent of the end of 1999.

This tells us that, in spite of their producing that huge amount of oil, Member Countries more than replaced that oil. This means that they have invested in new oil, invested in developing more reserves. This investment costs money. You have to spend billions of dollars to build the maximum sustainable capacity, not only to produce to meet the immediate needs of the market, but also to cater for emergencies.

This is all part of OPEC's commitment to ensuring secure supply for both now and the future.

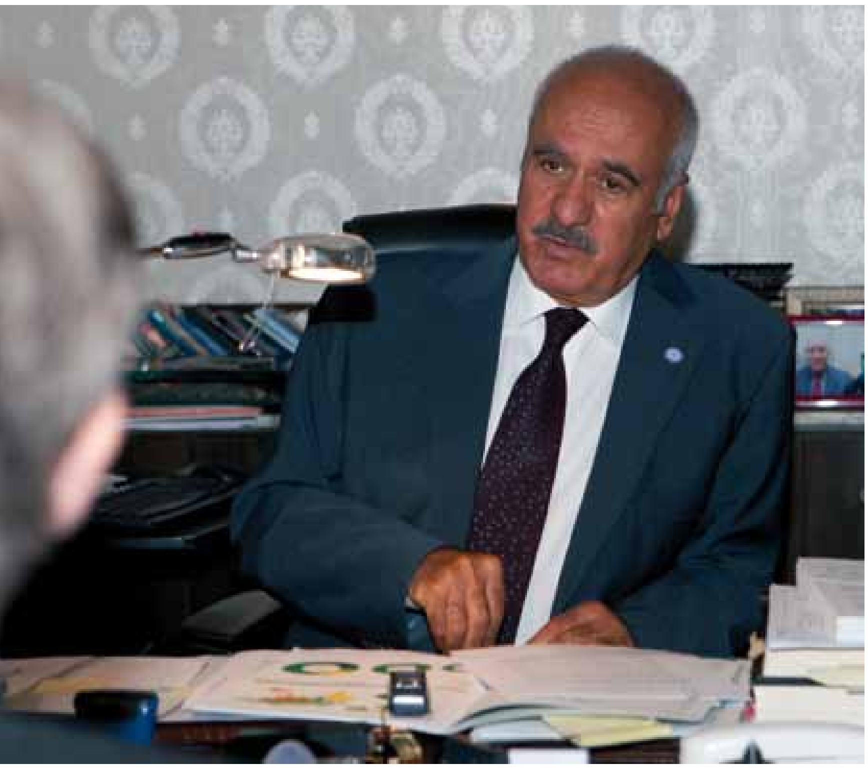
The second big achievement — because you have this kind of investment — is that OPEC plays the major role in crisis-management. Whenever you have a crisis in the market, OPEC is always the one that steps in. This was very true, for example, in 1981, in 1990 and in 1997–98. Sometimes this is to increase production and sometimes to reduce production.

Another achievement of OPEC's Member Countries has been their unfailing support for poor, non-OPEC developing countries. OFID has been a key instrument of this support. And OPEC was the framework, or the forum, through which OFID was created. The idea of establishing OFID came from the Ministers of Oil and Energy at the OPEC Conference. The need to help other developing countries is a key part of the First Solemn Declaration

"My simple calculations have found that OPEC in one year — 2009 — produced more than the entire proven reserves of the North Sea ..."

from the Algiers OPEC Summit in 1975. The concrete action came in the aftermath of that event, initially with the establishment of the OPEC Special Fund the following year and then with OFID itself in 1980. OFID is now helping more than 100 countries all over the world.

Clearly, OPEC has become a relevant organization in today's international relations landscape. Through Saudi Arabia, its voice is represented at the G20, which is now considered by all nations, including the 'super powers', as the premier forum for international economic cooperation.



"The success in overcoming the obstacles over the years has probably contributed to the strength and flexibility of OPEC today."

Over its 50 years of existence, OPEC has evolved progressively in line with the global order: from a Third World intergovernmental organization in a highly compartmentalised world (for example, 'North/South', 'East/West') to an intergovernmental organization of international cooperation in a multi-polar interdependent world. Indeed, the so-called emerging countries are economic powers and represent new poles of growth. I also consider this adaptability to the international environment as a major achievement of OPEC.

From its inception, OPEC has had to overcome numerous challenges that frequently led to reports of its impending demise. However, 50 years on, the Organization is still alive and kicking and many would say stronger than ever. What do you think have been its strengths and weaknesses over the years and just why has it managed to prove its detractors wrong in standing the test of time?

I do not think the fact that OPEC 'has survived' 50 years should be considered as an achievement in itself. Staying alive in itself does not mean really that you are effective. Simply because, when you stand for a noble cause such as defending the legitimate interests of your people, your only choice is to remain true to your principles, to re-invent yourself if necessary and to continue the struggle. Therefore, the way this struggle has been conducted is the achievement, not the struggle itself.

Indeed, one of the reasons it has, so to speak, 'survived' is that it consists of a combination of very different countries which recognise their common interest in achieving a stable oil industry with a regular supply of revenue. Not only that. One of the beauties of OPEC is that, during a crisis, there is the major role it plays with its crisis-management activities to which I referred earlier.

OPEC is remarkable for its resilience. When it was established with its noble objectives, it did not really have the muscle to implement them. But it was hoping that one day it would be able to implement them. This was because the pricing and production policies at that time were not in its hands. Therefore, it just called these 'our objectives' until the mid-1970s.

With regard to weaknesses, OPEC has represented, and continues to represent, many countries with different political and economic interests, and major obstacles, even conflicts between Members, have posed challenges and maintaining a high degree of unity has not always proved easy. Nevertheless, the Organization has been able to maintain cohesion and keep the focus on its central mandates, in spite of these challenges. Indeed, the success in overcoming the obstacles over the years has probably contributed to the strength and flexibility of OPEC today.

With oil set to be the main energy resource for the foreseeable future, where do you see OPEC in the next 50 years? Do you feel the same aims and objectives that have carried the Organization over the last half-century will still apply in the future, or will it have to modify its approach?

Here we come to speculation, which is difficult for anybody. To begin with, are we assuming here that all Member Countries will remain dependant on this source entirely?

We must try, therefore, to recognise the profile of the next 50 years.

First of all, it is the end of cheap oil. But not the end of oil, definitely, not even in our Member Countries. However, you do not have that abundance you used to have in the past.

Also, a known element is that the bulk of the new additional oil demand will come essentially from developing countries and no longer from the OECD.

At a broader level, a transition period will have to start in the next 50 years. This is from petroleum products to another type of energy. Very long-term projections (50 years and beyond) of the world energy mix made by energy experts are highlighting the growing share of renewables and coal, a supposedly 'clean coal', but nobody knows really what will be the energy mix half a century from now.

There is only one thing on which all experts agree, and that is that the future energy mix will be more diversified. However, in order to ensure a smooth transition to this unknown energy mix, the investment flows to develop petroleum resources should not be disturbed and OPEC should continue its dialogue with all the parties involved to maintain the required flows.

Next, there is the issue of the 'resource curse' and the need for diversification. If you look at our very first resolution, this states: "The Members must rely on petroleum income to a large degree, in order to balance their annual national budgets." If I were to write this now, I would put the opposite. I would say that Member Countries "should NOT rely on …" In other words, they should diversify. This clause has been a constraint on our Member Countries from day one. And it is still a constraint. Allied to diversification, of course, is the need to develop human resources.

I must say a word here about non-OPEC oil producers, who are enjoying the free ride. OPEC has been doing the homework for them and repeatedly undertaking measures to stabilize the market. I remember having dinner in one of the Oxford Energy Seminars and next to me was the CEO of a big oil company. I asked him: "What do you think would happen to you if you built a 100,000 b/d capacity plant and mothballed it the next day?" He smiled and said: "I would lose my job the next day!" Now OPEC's Member Countries have been building this excess capacity and they do not produce it. What is the opportunity cost of this idle capacity? Huge. You measure it by how many schools, how many hospitals and so on they could otherwise build with this invested capital. Non-OPEC producers are not sharing the burden.

Finally, with regard to the durability of OPEC's aims and objectives, I do not think that OPEC will have to modify its approach. In my opinion, the OPEC mandate as depicted in its statutes will still be valid and OPEC will have to maintain its capacity for adaptation to face the many challenges of the future.

Turning to OFID, this is your seventh year as Director-General of the institution. What would you say have been your greatest achievements so far and is OFID today very different to the institution established in 1976? What are the chief aims going forward?

Our biggest achievement has been to continuously increase our volume of operations and diversify our forms of assistance. This has been made possible thanks to a policy of implementing new systems and significantly strengthening our human resources.

When OFID started its operations some 34 years ago, it was mainly to assist poor non-OPEC developing countries to find equilibrium in their balance of payments. Today, OFID is a fully-fledged multilateral development institution, able to assist poor countries in many ways with the sole objective of fostering their development in a sustainable way.

To give you an idea of this, in 2004, our Ministerial Council approved a volume of $1.5 billion for public sector assistance in the following three-year commitment period, and recently, in 2010, the same Council approved a volume of $3bn for 2011–13. In other words, during the space of six years, we have doubled our commitment. This is very important, since it has been taking place in spite of the impact of the financial crisis on our resources.

Indeed, if you look at what we have committed during the past three-and-a-half decades, it exceeds $12bn. But, if you add that to what has been committed to other funds established by OFID Member Countries, like BANDES in Venezuela, the Saudi Fund, the Abu Dhabi Fund, the Kuwaiti Fund and so on, the number jumps to more than $111bn.

We also see ourselves as a depoliticized organization. We go everywhere, regardless of race, region or religion,

"Today, OFID is a fully-fledged multilateral development institution, able to assist poor countries in many ways with the sole objective of fostering their development in a sustainable way."

and, when you talk about gender equality, I should like to point out that 50 per cent of OFID's staff is female.

Of course, when it comes to the main function — to help poor countries across the world — we do our business through four major instruments: the public sector concessional loan; the private sector concessional loan; trade finance; and the grants programme. The most important is the public sector concessional loan — schools, hospitals, etc. Furthermore, 50 per cent of our activities goes to Africa, mainly sub-Sahara.

In the last seven years, we have added a blend facility to the main lending programmes for use when considered necessary, we established the trade finance facility in December 2006, we have set up an emergency account in the grants unit, and we have increased our commitments to the Palestinians to help the families, working closely with the United Nations and recognised non-governmental organizations. Indeed, we have increased and broadened our activities generally and this is why our commitment has jumped from $1.5bn to $3bn.

All in all, the challenges facing OFID in the years ahead are numerous and we are making sure that we are well-equipped to meet them.

"Our Member Countries cannot by themselves solve the problem of energy poverty in the world ... only concerted action by the whole international community can tackle this issue."

Looking at your activities, and following directives made by OPEC's Heads of State and Government at their Third Summit in Saudi Arabia in November 2007, one of OFID's main thrusts today is to help alleviate energy poverty. How important is this initiative to the developing countries and do you feel OPEC in general could do more to help these impoverished nations secure better access to conventional energy sources?

Universal access to modern energy services by all should be a reality in the 20–25 years to come and OPEC Member Countries could play a key role in this. Towards this end, OFID should be endowed with more resources by its Member Countries to significantly scale up its assistance to poor developing countries in their fight against energy poverty. However, do not misunderstand me. Our Member Countries cannot by themselves solve the problem of energy poverty in the world. The task is monumental and the investments involved are huge.

Only concerted action by the whole international community can tackle this issue. There is, therefore, a need to further prioritize energy poverty issues on the international development agenda. My wish is that the international community will give energy poverty as much attention as it gives climate change.

However, it is important to remember that the Second OPEC Summit, in Caracas, in 2000, came up with a very important statement, because, at that time, the environment was the main item on the international agenda. Our Heads of State and Government argued that poverty is the most serious problem facing the environment. When you are poor, you do not really pay attention to anything.

Seven years later, the Third OPEC Summit, in Riyadh, went even further, describing 'energy for sustainable development' as the second of three newly designated 'guiding themes' for OPEC's policies and actions. Significantly, the concluding Third Solemn Declaration said that Member Countries resolved to: "Emphasize that eradicating poverty should be the first and overriding global priority guiding local, regional and international efforts."

This was the first time anywhere that eradicating energy poverty had been set as a specific institutional objective. For some unknown reason, it was not one of the eight Millennium Development Goals (MDGs), even though these were all about poverty — poverty of education, poverty of water supply, poverty of health and so on.

Our Third Solemn Declaration has another resolution: "(To) continue to align the programmes of our aid institutions, including those of OFID, with the objective of achieving sustainable development and the eradication of energy poverty in the developing countries, and study ways and means of enhancing this endeavour, in association with the energy industry and other financial institutions."

We took this very literally, you know, even though we had already been addressing the issue. For example, if you look at our profile before 2007, you will see that 19 per cent of our aid was already targeted at energy.

We convened a Workshop on 'Energy Poverty in Africa' in Abuja, Nigeria, on June 9–10, 2008. This was very well attended, attracting international financial institutions and the energy industry, including Exxon, Chevron and Schlumberger. There were also the World Bank, the IMF, UNIDO, OPEC, of course, the IEF and others. We came to the conclusion that energy poverty in sub-Saharan Africa is a problem the market has failed to solve. This is because of the huge investment needs and low incomes of these countries. They do not have the effective demand. They cannot pay for it.

Shortly after, on June 22, Saudi King Abdullah held a high-level conference in Jeddah to discuss the oil price crisis, and, referring to its severe impact on the developing world, he launched an initiative of 'Energy for the Poor', with the aim of enabling developing countries to confront the increasing cost of energy. In fact, he was trying to implement the second guiding theme of the Third Solemn Declaration. He called on the World Bank to act. He called on our Ministerial Council to consider a parallel programme of $1bn. And he committed half a billion dollars from the Saudi Development Fund.

If you read his full statement, you will find he was talking about solidarity, about cooperation, which means he was talking about energy as a whole, and mainly electricity. Here we must recall that about 1.7bn people worldwide are deprived of electricity and that 2.4bn people have no access to modern energy for cooking and heating.

Then we took the matter to I do not know how many conferences in the following months and beyond.

At the 12th IEF in Cancun, in March this year, we were delighted when Nobuo Tanaka, the Executive Director of the IEA, said that you can never think of energy security in isolation from the eradication of energy poverty. So now, it is even part of the agenda of the IEA. And item 15 of the concluding statement from the Cancun meeting declared: "Ministers stated that reducing energy poverty should be added as the ninth goal in the MDG. The initiative 'Energy for the Poor', launched by King Abdullah at the ad hoc Jeddah Energy Meeting and supported by the G20 leaders, should be given a new impetus and more widespread support to mobilise the significant funding required to bridge the energy poverty investment gap."

Indeed, the fact that Saudi Arabia and, for example, Indonesia and Argentina are members of the G20, is a really good development, because they know the problems of developing countries and they would like to fight for them.

Therefore, energy for the poor is becoming a primary aim for us. But we will need an increase in our resources. We have the green light from our Ministerial Council to go to the market and borrow. But, in order to borrow, we have to get a rating. This is very important. We are working on that.

Finally, on OPEC's 50th birthday, what message do have you for the Organization, both as an oil man and past OPEC Governor, and as the Director-General of OFID?

I would refrain from giving any piece of advice to my former colleagues, although there is much that one could say about oil becoming a financial asset today. However, if I have one message to convey to both the Organization and its Member Countries, it is in a totally different, but highly relevant, field. This is human resource development.

It is my strong opinion that human resource development should be the cornerstone of the activities of OPEC and its Member Countries and that this should be prioritized. It is only with strong intellectual capabilities that they will be able to face the new challenges of the next 50 years. While they already have excellent staff to rely on, talented negotiators and capable researchers, these are certainly not of a sufficient number to tackle the upcoming multifaceted challenges.

The best way to face OPEC's future known and unknown challenges is to give a more prominent place to research and development, to master technology and to promote the development of our human resources. Having the right knowledge will provide a real edge, since owning the largest petroleum reserve base will no longer be a sufficient factor for OPEC to be successful. This ownership must be coupled with knowledge and a firm grasp of all the relevant technologies.

"It is my strong opinion that human resource development should be the cornerstone of the activities of OPEC and its Member Countries ..."

All images in this interview Barrak Alqallaf/OFID.

Mayor of Vienna pays tribute to OPEC on its 50th Anniversary

Austria happy, proud to be OPEC's longstanding host

Austria has been the home of OPEC for 45 years of its 50-year existence. The Organization moved to the country's capital from Geneva in Switzerland, attracted by what Vienna had to offer as it set about internationalizing the city. It proved to be a beneficial move, both for the host country and the Organization, with the two sides cultivating a growing and lasting relationship that today remains as strong as ever. In this interview, the OPEC Bulletin asked Vienna's Mayor, ***Dr Michael Häupl****, just what the Organization meant to his country and its international standing.*

As you know, this year represents a landmark year for OPEC in celebrating 50 years of existence — 45 years of which have been spent in, this, its host country. How important is the Organization's presence in Vienna to Austria and what do you think are the benefits for the two sides?

OPEC is an important factor for Vienna and we are happy, grateful and proud to have been the host city for this Organization for the past 45 years. Without any doubt, OPEC is important for us — culturally, for our international reputation and, of course, it is an economic asset for our city. For OPEC, I believe, it is of great value to be at home in a city where dialogue is possible. This has long been a tradition here — from the very first talks held at the Vienna Congress after the Napoleonic wars, until this day.

OPEC makes no secret of the fact that it is very proud of the long association it has had with Austria, especially Vienna. What factors do you think have made this relationship between Austria and OPEC so special?

I am convinced that Vienna is a perfect place for the headquarters of international organizations. Vienna is also the headquarters of the United Nations, the International Atomic Energy Agency (IAEA), for example, as well as of many other organizations. Many international congresses are also being held here and as it is a place for dialogue, this applies to OPEC too and Vienna. We love OPEC and OPEC loves us.

That brings me to the next question. Over the years, successive Austrian governments have been very keen to create a hub in Vienna for international organizations, such as OPEC, UNIDO and the IAEA. What has been the purpose behind this strategy and do you feel this has succeeded in putting Vienna on the global map?

I had the privilege to discuss the question as to why he had brought the international organizations to Vienna with our former Chancellor, Bruno Kreisky. His reply was a simple and clear one, namely that international organizations contribute to the city's reputation and thus to international security. Austria is only 60 km away from what used to be the *'Iron curtain'* and it is for this reason that the international organizations have always been an important factor for the country.

The year 2010 is really a double celebration for OPEC. It has the Golden Jubilee and also the move to its new Headquarters. The City of Vienna has been very helpful in arranging this move. How do you see the move to the new building, both for OPEC and the City of Vienna?

I believe this is a win-win situation for both parties, as the new building is in the centre of the city and I find the architecture really very beautiful. Why should an office building not be attractive? The modern facilities are of course of importance to an organization like OPEC and I am sure that both the City of Vienna and OPEC will profit from it. Of course, we are happy about it.

If I can just turn to OPEC now, as a politician and a leading figure in Austria, what do you feel OPEC has achieved over the years and how relevant do you think the Organization's activities are for the world at large, for the global economy and stability?

As we can see from the current world economic crisis, stable conditions are important if the global economy is to improve. And as this is the declared goal of the big economic players, stable oil prices are the basis for the new economy. Naturally, more has to be done in order to achieve that, but, as far as oil prices are concerned, we are grateful to OPEC for having guaranteed stability and reliability over the past decades.

Many commentators think that climate change will be the biggest challenge to oil producers in the years ahead. Do you, as an environment man, go along with this view and what do you think OPEC and other oil producers can do more to help protect the planet?

Climate change certainly is a big challenge for the world economy. However, climate change happens over a long period. Mankind can accelerate, or decelerate, this process. Currently, we are accelerating the process, due to the use of fossil fuels. I believe it is important, therefore, that we are all aware of this responsibility. I am not talking of an immediate change, but of a change in the long run. The oil-producing countries will also have to diversify their energy supply, as oil is a finite resource. However, I am sure OPEC, as a responsible Organization, knows that it cannot depend on its future for crude oil alone.

If I can just mention Vienna, for the second year running it has been voted the best city in the world for quality of living. Obviously OPEC is very privileged to have its Headquarters in this award-winning city. What do you feel makes Vienna better than all the rest?

First of all, I believe that the Viennese are very easygoing and industrious people. Just look at how Vienna has managed to emerge from the rubble and ruins of the Second World War — that is truly magnificent! The public service we offer is at a high level, be it education, health services, cleanliness, or safety in the city. This can always be attributed to people. The Viennese are sometimes irritable, sometimes happy, but mostly they are hospitable — and that is good, I think.

What would you like to say personally to OPEC on its 50th birthday?

First of all, I would like to extend my best wishes. I am bringing along the confirmation that we will do everything possible for those working at OPEC and at the other international organizations. Vienna will be like their second home. It is our wish that the people are happy here and once more, best wishes on your 50th birthday.

Happy 50th birthday OPEC!

On September 14, 2010, OPEC will be 50. An extraordinary achievement by a group of diverse countries from all parts of the world who first banded together a half century ago to take one common and defiant stand, to defend their legitimate interests over a most precious natural resource — oil, their life's blood. The following pages contain tributes to this unique Organization of developing countries that started out in Baghdad, Iraq, in September 1960, with five Founding Members, and today boasts a Membership of 12.

Wilson Pástor-Morris
Minister of Non-Renewable Natural Resources, Ecuador,
President of the OPEC Conference

We in Ecuador are very contented and satisfied with the way OPEC has developed over the years. Abdullah Al-Takiri of Saudi Arabia and Dr Juan Pablo Perez Alfonso helped to create this Organization 50 years ago, an Organization that has had many successful years for the countries that are its Members. We hope that this Organization will last another 50 years. All those years ago, the oil was in the hands of the oil companies. Today, it is countries that make the decisions, which is the main goal that OPEC has achieved.

Dr Chakib Khelil
Former Minister of Energy and Mines, Algeria

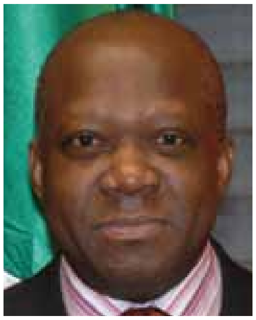
OPEC today is an established Organization. It now has credibility. It has discipline. It still has a vision to tackle future challenges. It is an Organization that is recognized by all other international organizations, with whom it has dialogue, cooperation.

It is definitely in a position now to achieve all aspects of its vision. The first of these is working with other developing countries. OPEC is probably the only developing country organization that has been successful.

The Organization has given Algeria a position within the group. Being a Member of OPEC has assured Algeria of definite revenues. This has helped in the development of Algeria, its human resources and also its preparations for the next 20 years. Without OPEC, I am not sure we would be in the same position today.

The main challenges for the Organization remain security of supply, but also to attain security of demand, how to do our work within the constraints of the environmental movement and how to encourage human resources to be interested in the oil sector, in hydrocarbons in particular. We also need to help our Member Countries prepare for the transition to the new era, which is for more renewables. A lot of us are already doing that. I think OPEC is in a good position to meet all these challenges.

I think in the years ahead OPEC will get more Members and I am sure the Organization will continue to achieve its vision.



Félix Manuel Ferreira
Governor for OPEC, Angola

OPEC was formed in September 1960 with the purpose of not controlling, but following the oil market situation and also to defend the interests of its Member Countries. There have been situations when the market was good for both producers and consumers, but in the 1980s the price of crude oil fell below $10/b, which was very difficult for the producers.

However, right from the beginning, when it was formed, the philosophy of the Organization was to be flexible, not only in defending the interests of its Member Countries, but also to look out for the consuming countries. We in the Organization want to have a fair price in the market and we want to satisfy demand and consumption from the consuming countries.

I think that generally speaking OPEC has attained its principal objective and we in Angola are very happy about what the Organization has achieved, especially during the most difficult times. It is like when you join a club — when you join OPEC you have to accept the spirit of the Organization and the rules and the commitment of the Organization. When Angola joined OPEC in 2007, we knew what benefits we could take from OPEC and also, as a Member Country, we knew we had obligations.

I would say on balance that OPEC's activity in the international oil market has been positive and we are working very hard to establish and develop dialogue between the consuming countries and the oil producers, in order to reach a common objective. This means having a fair crude price in the market, satisfying consumers' oil demand and also looking after the interests of our Member Countries.

Seyed Mohammad Ali Khatibi Tabatabai
Governor for OPEC, Iran

If you compare OPEC with other international organizations in the developing countries, OPEC is one of the success stories. That is why, relatively, we have succeeded in materializing our aims and objectives.

For example, when the market is not stable, not only producers, but also the consumers suffer. That is why the efforts that have been made by OPEC over the years are aimed at making conditions fair for everyone, not only for producers, OPEC or non-OPEC, but also for the consumers. We are all always looking for stability. Stability is the common ground between the producers and consumers.

And with the cooperation of the other producers and consumers, OPEC can do what it says in the Organization's Statute — we should always try to make it comfortable for both the producers and the consumers, and also for the investors.

I think the next 50 years will be better than the last half decade. And we appreciate all the efforts of the staff who have worked at the Secretariat over the last 50 years — they did their jobs perfectly to help OPEC be successful.

Dr Hussain Al-Shahristani

Minister of Oil, Iraq

We are very proud in OPEC as to what we have been able to achieve in the past half century and we are looking forward to another 50 years.

Fifty years ago, in Baghdad, we had a small group meeting. These countries decided that their natural resource of oil should be better utilized and the nations that owned the resource should be better rewarded.

Since that day, we have come a long way to fulfill that objective. OPEC has managed to supply the world market with all its oil needs and I am confident that it will continue to do so for many decades to come.

Iraq was one of the five Founding Members of OPEC. Since then, we have played a very active role in the Organization. Not only Iraq, but all other Member Countries have benefited from OPEC's decisions in maintaining production levels that provide sufficient revenues for the countries. And, of course, in Iraq, a lot of reconstruction programmes have been funded by revenues from oil exports.

OPEC is going to continue to be a very active player in the world energy market. I do not believe there are real alternatives to fossil fuels in the foreseeable future. All other alternative fuels will not be able to supply the world with more than a small percentage of its needs.

OPEC will have to meet new challenges, in increasing production, using novel techniques to enhance recovery, but I am confident the Organization will maintain the level of production required to fuel the world economy.

The main challenge, and one that faces all humanity, is undoubtedly climate change. For the Organization, it involves the effects fossil fuels have on the environment.

Climate change is a subject that is going to effect the lives of billions of people, so it is the responsibility of all countries — but more the consuming nations who are burning the fuel that has caused the damage. These countries have to accept this responsibility.

So, happy birthday OPEC. We look forward to many years of very active growth as far as production is concerned and we are confident that the Organization will continue to play a major role in the world energy markets.

Dr Falah J Alamri

Governor for OPEC, Iraq

In September 1960, OPEC was established in Baghdad, Iraq. This was excellent for the country. This Organization that was established had a vision and it has succeeded over the last 50 years to achieve this vision of stabilizing prices in the marketplace.

It has worked very hard for the interests of its Member Countries. In this way, OPEC has achieved its mission and it will continue in this manner in the future.

Because OPEC has achieved its aims, it means that my country, Iraq, has benefited from the Organization's activities. OPEC will continue to develop its activities and will maintain and achieve its aims. OPEC will continue and it will be developed.

There are major challenges facing OPEC, but the main challenges are taming price volatility and looking to renewable sources of energy.

Demand for energy should increase. OPEC's unity has also been good and this should continue. Happy Anniversary OPEC! Continue with your activities and God bless you.

Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah

Minister of Oil, Minister of Information, Kuwait

OPEC is a major market force in the oil industry and it will continue to be so in the future. Oil will remain the major source of energy, to be complemented by renewables.

What is lacking at the moment is compliance to the production allocations agreed to by OPEC Member Countries, but hopefully this will be tackled soon and the Organization will be cooperative and continue to play a major role in the world economy.

Dr Shokri M Ghanem

Chairman of the Management Committee of the National Oil Corporation, SP Libyan AJ

Of OPEC's Founding Fathers, Venezuelan Energy Minister, Dr Juan Pablo Perez Alfonso, commented after the First OPEC Conference: "We have just established an exclusive club and now we are united and stronger." I feel that this vision of our Founding Fathers, that we should be united and strong, has lasted for 50 years. Today, that vision has come through — we are still united and we are still strong.

The benefit to my country, Libya, of being a Member of OPEC has been the continuous support of all the Members. Especially in the 1960s and the 1970s, we were supported on a number of very important issues, including the expensing of the royalty, the new arrangements with the oil companies, Geneva I, Geneva II, the Tripoli Agreement, and the Tehran Agreement — there were so many agreements and decisions taken by OPEC that benefited Libya, as well as all other Member Countries.

Without such decisions, the oil industry would have been looking completely different today and by different, I mean worse.

During the years of OPEC's life, different countries have taken the lead of the Organization and Libya, especially in the early 1970s, led the Organization a great deal. It was during this time that Libya was able to lead OPEC in adopting the posted price — the Tripoli Agreement — as a basis for calculating income, which effectively took the power of pricing of oil away from the oil companies to OPEC Member Countries.

With this move, OPEC came to control the market. I hope and I expect that the Organization's 'glue' will keep us together for the next 50 years. Our children will benefit from OPEC and by being together, Member Countries will remain united and strong.

I expect all Members of OPEC to benefit from each other by staying together and remaining strong. I would like to congratulate OPEC on its 50th Anniversary, which means it is really mature.

Mohammed Sanusi Barkindo

Governor for OPEC, Nigeria

I think to a very large degree OPEC and its Member Countries deserve commendation for surviving the test of time. OPEC is probably the only commodity organization that has lived through the times of turbulence in the market, in the geopolitics, etc.

Today, OPEC is a very strong, well organized established organization that other global institutions admire. I think Nigeria and all other Member Countries have found in OPEC an institution that provides the global platform for them to articulate their national, as well as international relations, particularly in the field of oil and gas.

The Organization has brought these Countries together, although they belong to different other organizations. Their Membership in OPEC has bound them together over the years and because of the dominance of energy, particularly hydrocarbons, in their national economies, OPEC provides them with a forum where they can interact, not only in stabilizing the global market, but also in exchanging views on national energy policies.

I think OPEC has changed with time. It has kept pace with developments in the international arena. Twenty-four years ago, when I first came to OPEC, the issues that were being discussed were totally different from what we have today. Today, OPEC has gone beyond discussing oil prices to tackling issues of sustainable development, climate change, the global financial system and its impact on oil.

So OPEC has evolved as an organization and in going forward it has proved that it will continue to adapt to changes in the international scene to the benefit of its Member Countries and the global community at large.

In the last 50 years, OPEC has provided stability and sustainability in energy as a whole and oil and gas in particular.

Both producers, inside and outside OPEC, and the consumers of oil have come to accept that OPEC represents stability, not only for oil and gas, but for the international economy as a whole. We would all wish to see OPEC continue to go from strength to strength.

OPEC continues to expand its Membership. It also expands its activities beyond the shores of oil and gas to interact on a multilateral basis with other institutions and governments.

The future is very bright for the Organization, as well as for its Member Countries, and I think we all deserve to commend ourselves and wish ourselves a very happy 50th Anniversary.

Abdullah bin Hamad Al Attiyah
Deputy Premier, Minister of Energy and Industry, Qatar

I have been associated with OPEC for 38 years. I joined the Organization in 1972, first as a delegate, and then as a Minister. I am so happy to see that OPEC serves the whole world. I believe that if there was no OPEC, the world would have to have create one. The world needs this Organization, both the producers and the consumers. Without OPEC the world would be so complicated.

OPEC, the IEA, the IEF — all these organizations are needed by the world. OPEC has realized the vision it had when it was first established 50 years ago. Its purpose was to fight the oil companies because at that time they were fixing the price of oil and the levels of production.

Once OPEC was formed, there were big changes and today the Organization has become a strong institution with 50 years of experience. Its Member Countries are big believers that OPEC, today, is one of the leading organizations in the world that is playing a major role in the stabilization of oil supply and demand.

Qatar, as an oil producer, has seen how OPEC helps its Members, for example, when oil prices were depressed OPEC cut production. Without this kind of approach, all oil producers would be in big trouble with nobody to organize them.

How many times has OPEC acted and come to the rescue — in 1985 and in the 1990s, or just a few years ago, when the price of oil fell dramatically because of the negative growth in the world. Without OPEC we could have not come back from all that. For the future, the challenges will continue for OPEC but it will be different than before. In the past, everyone was fighting OPEC. But today consumers and the IEA have reached a conclusion that is — if you cannot beat me, join me.

On behalf of the State of Qatar, I would like to congratulate OPEC for its many achievements over the past 50 years.

Since OPEC's creation in 1960, new technologies and shifting market conditions have transformed the oil industry. Through the years, the Organization has responded to these changes and has adapted to meet the needs of its Member Countries and to bring stability to the global oil market.

OPEC has also responded to the humanitarian challenges facing the world through the establishment of the OPEC Find for International Development (OFID). The Fund has provided development assistance to around 125 developing countries and has played a significant role in the global fight against poverty.

I would like to congratulate all OPEC Members for the pivotal role each of them has played in the success of the Organization.

Member Countries have developed trusting and open relationships, based on mutual respect and common interests. I truly believe that these relationships are a key reason for OPEC's longevity and success.

I wish OPEC and its Member Countries a productive and prosperous future and I look forward to working closely with them to achieve our shared goal of domestic prosperity and global market stability.

Issa Shahin Al Ghanim
Governor for OPEC, Qatar

Any vision that any Organization has can never usually be achieved absolutely. However, in relative terms, I can say very confidently that OPEC has succeeded in at least achieving the main aim of its creation and that is to safeguard the interests of its Member Countries and to maximize the benefits of these nations, in respect of their depletable resources.

Of course, there are other secondary achievements the Organization has made, which we are all proud of, including solidarity in very difficult times. However, stabilizing revenue for Member Countries is really the most important one.

The benefit of OPEC Membership is to align oneself to the very important objectives of the Organization. And these objectives have been with the Organization since its creation. We are all depending to a large extent on this depletable resource — oil. For us to stabilize the revenue from this valuable resource and to maximize it is of the greatest benefit, as far as Qatar is concerned.

Of course, the objectives we have set cannot be achieved by Qatar alone, not even OPEC alone — it has to come from OPEC and non-OPEC countries and that means cooperating to achieve the major objectives.

I think OPEC will continue to develop on the same path. There is a dedicated team reviewing the Organization's Long-Term Strategy and this strategy has identified various challenges, as well as opportunities that the Organization can pursue.

I am confident that OPEC, with its leadership and the solidarity displayed by its Member Countries, will be able to meet the future challenges that have been identified.

I would say congratulations to OPEC for a job well done and I wish the Organization all the success in the coming 50 years and beyond.

Dr Majid A Al-Moneef

Governor for OPEC, Saudi Arabia

The vision of OPEC when it was established in September 1960 was to protect the collective interests of its Member Countries. From that day onwards, it became the guiding principle for the Members and it still is today. That was the reason why the Organization was established.

And this has also been the main reason why it has survived all the different market events. The number one priority has always been to safeguard the collective interests of its Member Countries. Number two is to engage the world at large with regard to energy supplies from a producers' perspective.

OPEC participates in everything that impacts the energy scene, the environment in which the Organization is an active participant, and the economic cycles that have impacted the world over the past 50 years.

The Organization has contributed to world economic stability and prosperity. It is also engaged in providing freer trade through the World Trade Organization and it has also ensured that Member Countries get a fair return for their petroleum resources.

The creation of OPEC and its continuation has contributed to the stability of the global economy. Had there not been an OPEC, you would not have had the supply continuity and reliability. That is actually enshrined in the OPEC Statute — the flow of a continuous supply of oil to the consumers and a fair return to the industry and Member Countries.

With these two guiding principles, the Organization has contributed to the continuous flow of petroleum to consumers, thus contributing to world economic growth and stability. Most of the forecasts point to continued growth in energy demand with the majority of that growth — 70 to 80 per cent — to be met by fossil fuels.

Oil will take the lion's share of that growth. So you will have economic growth and demand for energy, especially in the developing countries. For that, there will always be a role for oil to play in meeting global demand.

When OPEC was created, most of the demand for oil (close to 80 per cent) was coming from the OECD region and now, 50 years on, most of the demand (80 per cent again) will be coming from the developing countries and from the emerging economies.

So, in the first 50 years of OPEC, the Organization was dealing with the developed countries and now the growth will be coming from the developing states and that will continue over the next 20 to 30 years at least.

My message to OPEC is happy birthday and I wish that the guiding principles that have led the Organization over the past 50 years will continue to take it over the next decades.

Ali Obaid Al Yabhouni

Governor for OPEC, United Arab Emirates

OPEC has been very successful over the years. There is no doubt of that. It has made many achievements which have been very rewarding for all its Member Countries. Definitively, coordinating policies and procedures and looking to the foresight of the future of our resources — this has been well recognized and rewarding for my country, the UAE.

OPEC has proved to the whole world and to its Member Countries that every year it exists, it goes from strength to strength. We will continue to strengthen OPEC's role and enhance its contribution to the world economy.

My birthday message to OPEC is definitively to wish the Organization more success in the future and to maintain the strength to continue with its affairs.

Georgina Kessel

Minister of Energy, Mexico

I think OPEC has moved quite quickly over the years to safeguard the interests of its Member Countries. I feel that the Organization has done its job and will continue to work, both with other producers and with the consuming countries, in order to obtain the sustainability in the marketplace we are all looking for.

It is very important for OPEC Member Countries to be part of the producer-consumer dialogue. It is also very important for the consuming countries to increase this dialogue. In this way, we can get a more stable oil market.

Happy birthday OPEC, I wish that all OPEC Member Countries will manage to have an even greater influence on the oil market in the years ahead.

Lord Hunt

Former Energy Minister, United Kingdom

OPEC has certainly shown itself to be an important and influential organization and I am sure there are many challenges that lie ahead. I am also sure OPEC will respond to them.

What I personally am so pleased about is that at this year's meeting of the IEF in Mexico, you had OPEC and the IEA signing up to a new declaration of cooperation that has been agreed to by over 60 countries. This is a very strong foundation for us to try and resolve many of the issues in relation to the energy sector.

We can deal with oil price volatility, we can deal with long-term stability and I am very confident that, as a result of this move, all the organizations involved will play a positive and constructive role in the future.

Maria van der Hoeven

Minister of Economic Affairs, Netherlands

I would like to say to OPEC on its 50th birthday that we in the Netherlands hope the Organization will last for 100 years. We are now entering a new era, an era of cooperation whereby OPEC Member Countries, on the one hand, gas-producing countries on the other, and the International Energy Agency and the International Energy Forum, together with the World Energy Forum, are working together. And that is the right way.

If we do not work together, if you only look at your own situation, the situation of your own country, then we will face another global crisis. Energy is a global problem and a solution has to be found globally. This means that nobody can afford to remain behind and nobody can say it is not our business.

Günther Oettinger

Energy Commissioner European Union

It has been 50 years of OPEC — 50 years of success of a multicultural partnership. I wish the Organization every success over the next 50 years, especially for continued solidarity between its Member States for providing a platform of information and continuing with its good partnership with the European Union, the consumers and all countries that need oil.

Rex W Tillerson
Chairman, Chief Executive Officer, ExxonMobil

OPEC has played an important role in terms of coordinating the supply of oil and one sees this in the investment decisions that are being made among its Member Countries. ExxonMobil partners with and invests in many OPEC Countries. We say to these Countries how we can help them look at their resource opportunities. We also bring the newest technologies available so that these resources can be developed in the most efficient way, allowing OPEC to continue to play its role in the future of supplying energy.

Ali Moshiri
President, Chevron Africa and Latin America

OPEC is an Organization that brings recognition to the oil industry. The oil industry recognizes the decisions that OPEC makes. This has a tremendous impact on the supply of oil. Therefore, a lot of attention has been given to OPEC over the years. When you look at this Organization — 50 years of OPEC — and the challenges they have encountered, the ups and the downs, they have still managed to stay on course and remain together. I think this is admirable. We hope for another 50 years of success for OPEC.

Michael Spindelegger
Foreign Minister, Austria

OPEC has played a pivotal role in stabilizing global energy markets over the years, as well as ensuring secure and timely oil supplies to consumers and a steady income for producers.

Over the 50 years of its existence, stability of global energy markets has been a main focus of OPEC's planning and coordinating activities.

Market and price volatility, with its disturbing, disruptive and damaging effects on both economic growth and investment in the energy industry, which is so vital for future supply at affordable prices, have been addressed by the Organization. This is especially true with regard to OPEC's efforts to counter the erratic ups and downs of crude oil prices, as well as of demand in a volatile crisis-stricken financial and economic environment.

With the world slowly emerging from recession, the strong stabilizing role of OPEC is of even greater importance. In carrying out this role, to contribute to a more secure, stable and sustainable world, OPEC has chosen the avenue of engaging in and promoting an enhanced dialogue between all stakeholders, consumer and producer countries, and international organizations.

Enhanced energy dialogue with consumer, producer and transit countries is also at the heart of the European Union's new energy policy. In this context, a meaningful dialogue between the EU and OPEC has been initiated to help control market volatilities and foster cooperation.

With the EU's offices in Vienna situated next door to the new OPEC Headquarters building in the First District of Vienna, this should augur well for future cooperation between the two sides. I am very impressed with OPEC's new state-of-the-art premises. Its inauguration is a symbol of the fruitful cooperation that OPEC and Austria has had since the establishment of the OPEC Secretariat in Vienna 45 years ago. As a result of joint efforts between the OPEC Secretariat, the Austrian Government and the City of Vienna over the last years, we have succeeded in forging — and I am sure I can say this on behalf of all involved — an excellent relationship.

The opening of the new OPEC building was a historic day in the partnership between OPEC and Austria and a good start for the festivities marking OPEC's 50th anniversary in 2010. The premises, however, do not only represent an impressive new home to OPEC, but will also enhance the Organization's capacity to carry out its mandate even more effectively over the next 50 years — as we hope — and beyond.

Cultural exhibition will be OPEC Anniversary 'event of the year'

With OPEC's 50th Anniversary celebrations in full flow, the stage is set for what promises to be the 'event of the year' of the 2010 Golden Jubilee — a ten-day exhibition featuring the Organization, its history and the Member Countries that belong to it.

Starting on September 20, just six days after the landmark date when OPEC was founded in Baghdad, Iraq, a half century ago, the exhibition, six months in the making, will be a grand multi-cultural affair, reflecting the long and eventful years of the Organization's existence and showcasing the rich and diverse cultural heritage of its 12 Member Countries.

Every OPEC Member Country will have a stand at the exhibition, which is being held at the Kursalon, in Vienna's historic first district.

Respective stands will be decorated with pictures, sculptures and various pieces of art relating to each Member Country, backed by audio-visual material. Representatives of Member Countries will be on hand to explain more about their countries and the exhibits on display.

In all, there will be 15 stands spread across the Strauss Hall and the Schubert Hall of the Kursalon. For ease of recognition, Member Countries' stands will be laid out alphabetically, starting from the main entrance and moving towards the Strauss Hall.

The OPEC stand, to be found directly from the foyer, will provide the key visual element of the exhibition — the 50th Anniversary Logo. It will be flanked by the stands of OPEC's sister Organization, the OPEC Fund for International Development (OFID), which was established in 1976, and the City of Vienna, which has formed a strong relationship with OPEC in the 45 years it has spent in the Austrian capital. From its inception in 1960, OPEC had its offices in Geneva, Switzerland, before moving to Austria in September 1965.

The exhibition hall at the Kursalon will open up into a glass-walled bodega tent with the capacity to hold 250 people. This tent, offering a perfect view of the famous Viennese Stadtpark, will be the venue for the opening ceremony.

their music, their dance, architecture, art, paintings, food and clothing, among other things.

In spite of the differences, OPEC Member Countries have, over the last 50 years, succeeded in building an Organization that emphasizes unity, equality and fairness.

It is this concept of unity amid diversity that informs the underlying theme of the exhibition. The striking blue colour scheme of the exhibition hall will epitomize the Organization's corporate appearance over the years.

OPEC Secretary General, Abdalla Salem El-Badri, in speaking on the exhibition, said the occasion offered the Organization the opportunity to thank everyone who had, in the last half century, been associated with OPEC.

"OPEC's 50th Anniversary is, indeed, an extraordinary accomplishment. It epitomizes the will, determination and lasting success of an Organization that has worked tirelessly towards protecting the sovereign interests of its Member Countries in securing a steady income for their peoples, as well as ensuring efficient and regular supplies of petroleum to consumers at prices that are fair and acceptable," he stated.

However, he stressed that there was more to OPEC's Member Countries than just oil. "… there are very different ways of life, as epitomized in our varying cultures, music, food and dance."

El-Badri stressed that the OPEC Secretariat, which moved into a new state-of-the-art building, also in the first district, in November 2009, and the Organization's Member Countries had worked tirelessly to organize the Anniversary exhibition "as a way of showcasing this rich, beautiful and exciting cultural diversity."

Throughout the ten days, all Member Countries will stage performances on their individual country days (see Member Country profiles), with two national performances taking place each day, starting on September 21. OFID and the City of Vienna will share a day of performances as well.

OPEC's Membership cuts across three continents — Africa, Asia and South America. In Africa, its Members comprise Algeria, Angola, the Socialist People's Libyan Arab Jamahiriya (SP Libyan AJ) and Nigeria; in Asia, the Islamic Republic of Iran (IR Iran), Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (UAE); and in South America, Ecuador and Venezuela.

All these countries, apart from having one precious resource that brings them together under the OPEC umbrella — oil — have unique cultural traditions and ways of life. This is reflected in many ways, including

OPEC @50 Quiz

Luis de la Hoz, winner of the OPEC Anniversary Quiz held in Vienna in June, with OPEC Secretary General, Abdalla Salem El-Badri (r).

The OPEC 50th Anniversary stamp to be issued by the Vienna postal service.

He continued: "OPEC is not just about oil and the oil market. We are also interested in the wellbeing of people in the developing world. This is why OFID was established in 1976 — to give financial assistance to such countries. You can learn more about OFID and its activities by visiting its stand."

El-Badri noted that the exhibition stands would be equipped with artwork, pictures and sculptures that were unique to each Member Country. In addition, they would provide information material — audio, visual and print — that would help visitors better understand the countries and their peoples.

"I therefore urge you to use this opportunity to gain some insights into their activities," he added.

The OPEC Secretary General said another stand worth visiting would be that of the City of Vienna. "Having a stand here is a symbol of the friendship that has been built up over the years — and which we hope will get stronger as we embark on the next 50 years of our historic journey," he said.

The exhibition is being supported with sponsorship from the various national oil companies of OPEC Member Countries, including the Kuwait Petroleum Corporation, the Nigerian National Petroleum Corporation, the Libyan National Oil Company, Saudi Aramco, Iraq's State Oil Marketing Company, the national oil company of Algeria, Sonatrach,

Pictured above are the OPEC Anniversary posters that will be appearing at the Vienna International Airport.

the state oil company of Angola, Sonangol, and Qatar Petroleum.

In marking its 50th Anniversary, OPEC has staged many activities this year.

Anniversary activities

Its Oil and Energy Ministers set the ball rolling during their 156th Meeting of the Conference in March when they officially opened the new Secretariat and launched a set of OPEC Anniversary postage stamps.

In collaboration with the Austrian Post Office, another special 50th Anniversary stamp will be released in September. In addition, individual Member Countries have been marking the occasion with their own stamps.

The OPEC Secretariat has also had printed various colourful postcards depicting OPEC@50.

A new-look website was also launched during the

March Conference. Carrying information about the milestone reached, it also features the special Anniversary logo, which is appearing on all the Organization's publications and correspondence this year and is being used in the Organization's Member Countries.

The winning logo, the subject of a competition in OPEC Member Countries, and carrying the Anniversary slogan "Supporting stability, fuelling prosperity", was chosen out of 700 entries.

Then, at the end of June, the Secretariat hosted a very successful Anniversary Quiz, which was attended by contestants from Member Countries and Austria.

Other Anniversary activities still to come include a soccer match between OPEC and the Austrian Police (one game has already been held in February), while, in October, a concert by the Qatar Philharmonic Orchestra will be staged in the Austrian capital.

A range of special publications is also in the pipeline, including a book offering a comprehensive history of OPEC, another book specifically for children and giving an illustrative history of oil, in addition to this special edition of the monthly *OPEC Bulletin*.

A public awareness initiative is being backed by advertising, both in print and the electronic media. Special adverts, again the subject of a competition — this time among staff at the OPEC Secretariat — will be strategically placed at Vienna's ever-expanding international airport.

The Secretariat has also made available a wide range of Anniversary souvenirs, including pens, ties, scarves, pins, personalized mugs, luxury table clocks, silver sets, etc.

Headquarters staff — both present employees and those that have retired — will be invited to attend a Gala Dinner to mark the Golden Jubilee.

Member Country celebrations

Apart from the activities organized by the OPEC Secretariat in Vienna, Member Countries themselves have been taking steps to mark the Golden Jubilee.

Algeria, for instance, has produced and launched two versions of the 50th Anniversary stamp and plans to hold a conference to mark the occasion.

Ecuador organized its own domestic quiz competition, the winner of which represented the country at the final in Vienna on June 30. The country will also be organizing a concert in the Austrian capital before the end of the Anniversary year.

Iran has launched a special website for the Anniversary. The country was also represented at the quiz final and will be taking part in the exhibition in Vienna.

The same can be said for Iraq, whose capital, Baghdad, hosted the very First OPEC Conference in 1960.

Kuwait has produced a documentary film on the history of OPEC and Kuwait's role within the Organization over the past 50 years. Additionally, the Kuwait Petroleum Corporation (KPC) is dedicating a special edition of its corporate magazine to OPEC's 50th Anniversary. The country has also produced an Anniversary stamp and was also represented at the Vienna quiz final.

Nigeria has launched commemorative stamps and organized a novelty football match that was played between the oil industry and energy correspondents and managers of the Nigerian National Petroleum Corporation (NNPC). The country also organized a workshop for energy correspondents and was represented at the Anniversary quiz competition.

Qatar, which was also represented at the quiz final, is bringing the Qatar Symphony Orchestra to Vienna to perform on October 14 as part of the Anniversary celebrations.

Saudi Arabia will hold a Conference in Riyadh on October 18–20. And at the International Association of Energy Economists' Conference, which took place in Rio de Janeiro, Brazil, earlier this year, the Kingdom organized a plenary session that focused on OPEC's 50th Anniversary. It also plans a documentary film on the history of OPEC.

Finally, Venezuela is organizing a concert in Vienna on October 1. It was also well represented at the Anniversary quiz final — producing the winner — and will be taking part in the OPEC exhibition in Vienna.

Profiles of OPEC Member Countries at the Anniversary Exhibition

The stunning Kursalon in Vienna, venue of OPEC's 50th Anniversary Exhibition.

Algeria

Stand No 1

Member Country day: September 21

Algeria was first known as the Kingdom of Numidia, whose most famous kings were Massinissa, Jughurta and Syphax. They ruled during the second and third centuries BC. Covering an area of around 2.4 million sq km, Algeria is, in terms of territory, OPEC's largest Member Country and the second-largest country in Africa. It is situated in the north of the continent and shares borders with Morocco, the Western Sahara, Mauritania, Mali, Niger, SP Libyan AJ and Tunisia. A large part of the country's landmass is covered by the Sahara Desert. The Northern part is covered by the Atlas and Tellian Mountains, the Highlands and a most beautiful Mediterranean coast stretching over 1,200 km.

Algeria has a population of more than 35m, with over 3.5m living in the capital Algiers. Arabic is the official language, while French and Berber Tamazight are also spoken. The currency is the dinar. Algeria has a rich culture that is a mix of Berber and Arab-Islamic with influences from the Mediterranean and Africa. This is expressed in its various types of music — Chaabi, Andalusi, Rai, Malouf, Kabyle, Touareg — art and food. Among the most popular Algerian foods are the famous couscous and the roasted lamb called mechoui.

Apart from oil and gas, Algeria produces a tremendous variety of goods that are exported. The Country also has a thriving handicrafts industry — from carpets, ceramics and leather, to lute making, pottery, glass and silverwork.

Angola

Stand No 2

Member Country day: September 21

Located on the Atlantic coast in the southern part of Africa, Angola is characterized by cultural diversity. Angolans speak different languages and have different traditions, though about 60 per cent of the people speak Portuguese, a legacy of the country's colonial past. The majority of Angolans are Christian Roman Catholic, while other religions are freely practiced.

Angola has a population of over 18 million and is bordered by Zambia to the east, Namibia to the south and the Democratic Republic of Congo to the north. Angola's most important river is the Cuanza, from which the country's currency, the kwanza, derives its name. Its capital city is Luanda.

Angolans are lovers of music and this is seen everywhere. One of the most popular forms of music is kizomba, a fusion of semba and musical styles from the French islands of the Caribbean. The most popular foods include fish and meat calulu (layers of fish or meat and vegetables) and palm oil beans, as well as the funge made with cornflour and served with fish and meat sauces. Angola's most famous poet, Antonio Agostinho Neto, was the country's first President at independence in 1975. He is also one of Africa's best known poets.

Diamonds, coffee, sisal, fish, cotton and timber are some of the other export products of Angola, apart from oil and gas.

Ecuador

Stand No 3

Member Country day: September 22

Ecuador's culture is as diverse as its people. It is rich in musical tradition, which includes the marimba, cumbia, salsa and pasillos. Religion has also played a significant role in the evolution of the country's culture. In Ecuador, more than 60 per cent of people profess the Catholic faith, which together with the Spanish language, are legacies of Spanish colonial rule.

Ecuador comprises an area of more than 280,000 sq km and has a population of around 14m. The country straddles the Equator from which it derives its name. Located in South America, it is bordered to the north by Colombia, to the east and the south by Peru, and to the west by the Pacific Ocean.

The Country's cultural mix is reflected in its food — the patacones, (unripe plantains fried in oil, mashed, then refried), llapingachos, (a pan seared potato ball), and seco de chivo, (a stew made from goat), as well as seafood dishes, including ceviches and encebollado. The prevailing cuisine differs depending on the region — whether it is the Costa (coast), or the Sierra (highlands).

Ecuador exports bananas, shrimps, coffee, cocoa, flowers and fish. The country is a haven for many exotic animals and birds, like the blue-footed booby and the orange iguana, both of which can be found in the Galapagos Islands. Its capital city, Quito, was declared a World Heritage Site by UNESCO in the 1970s for having the best preserved and least altered historic centre in Latin America.

Islamic Republic of Iran

Stand No 4

Member Country day: September 22

For the Islamic Republic of Iran, culture is a mix of the ancient and Islamic. Once dominant in the Middle East and Central Asia, Iranian culture has impacted countries as far away as Africa, India, China and parts of Western Europe, and has considerably influenced philology, literature, jurisprudence, medicine and architecture, among other things.

Iran's art and literature are reminders of a deep traditional and literary history. Important cultural celebrations include the observance of the Day of Ashura, as well as the Iranian New Year, Nowruz included by UNESCO in the Representative List of Intangible Cultural Heritage.

The country's food is generally rich in nuts, herbs, fish and meat. Flavourings, such as saffron (saffron rice is particularly popular), dried limes, cinnamon and parsley are particularly important. Iran is also famous for its caviar, delicious pistachio nuts and Persian carpets.

Stretching from Turkey and Iraq to Turkmenistan and Pakistan, the Islamic Republic of Iran is the world's 17th largest country in terms of territory, comprising more than 1.6m sq km. It has a population of more than 74m. The capital, Tehran, is located at the foot of the Alborz Mountains. Most Iranians speak Farsi, while other languages include Azeri, Kurdish and Luri. Iran's Dizin ski resort near Tehran sits at 3,800 metres. The national currency is the rial.

Apart from oil and gas, Iran also produces zinc, copper, iron, uranium, lead, chromite, manganese, coal and gold.

Iraq

Stand No 5

Member Country day: September 23

Sharing borders with three other OPEC Member Countries — IR Iran, Kuwait and Saudi Arabia — Iraq covers an area of 438,000 sq km. It has a population of more than 31m. Most Iraqis speak Arabic, although Kurdish is also spoken, especially in the northern part of the country. The Iraqi capital, Baghdad, was the largest multicultural city of the Middle Ages and was the centre of learning during the Islamic Golden Age.

The country's cuisine is testimony to years of interaction with other ancient cultures in the Middle East. Recipes have been discovered that appear to date back 10,000 years. Most of Iraq's dishes, kebab, shawarma, maqluba, felafel and ouzi, among others, are served with rice. Typical Iraqi food ingredients include olives, tamarind, pistachios, almonds, honey, date syrup and rose water and popular herbs, such as cinnamon, cardamom, fenugreek, cumin and saffron are frequently used.

The country is also known for producing fine handicrafts, including rugs and carpets, as well as prized artefacts. Iraq's Ministry of Culture is responsible for a wide variety of areas concerning entertainment and heritage, including overseeing archaeological sites and museums, cinema, theatre, fine arts, fashion, publishing and dance. Genres of music popular in Iraq include the maqam and the pesteh. Iraq is home to many poets, painters and sculptors, who are considered among the best in the Arab world.

Apart from petroleum, Iraq's other natural resources include natural gas, phosphates and sulphur.

Kuwait

Stand No 6

Member Country day: September 23

Located on the Arabian Peninsula, bordering Saudi Arabia and Iraq, Kuwait is one of the most densely populated OPEC Member Countries. The nation comprises an area of 18,000 sq km and has a population of over 3m. Its official language is Arabic. Failaka Island is considered the most beautiful of Kuwait's islands. Its history dates back to the early Stone Age.

One particular feature of Kuwaiti culture is the dewaniya — a resting place that is separated from the main house for men to entertain guests. Traditional clothing takes into consideration the country's hot climate. The dishdasha is a very functional piece of clothing for men. For the women, the straight-sided long overdress is ideal. The abaya and thoub are also worn. The boushiya and burga are used by some women to cover their faces.

In Kuwait, machboos — a specially spiced rice meal with chicken, lamb or fish — scores high on the popularity chart. Lunch is the main meal of the day.

Kuwait has never experienced colonial rule. However, some aspects of its culture are shaped by foreign influences. A popular genre of music known as swat is very popular in the country, thanks to the works of musicians such as Shadi Al Khaleei, Nabil Shaeil and Abdullah El Rowaished.

Salt, construction, food processing, cement and textiles are some of the industries helping Kuwait's economic development outside oil and gas.

Socialist People's Libyan Arab Jamahiriya

Stand No 7

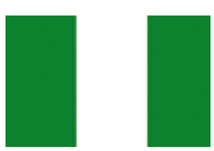
Member Country day: September 24

Situated in the centre of the north of Africa by the Mediterranean Sea and with a range of about 2,000 km of coastline, the Socialist People's Libyan Arab Jamahiriya (SP Libyan AJ) is the international route between Europe and Africa. The country shares a border to the west with fellow OPEC Member Country Algeria. It is the 16th largest country in the world in terms of land mass, comprising more than 1.7m sq km. More than a quarter of the country's over 6m inhabitants live in the capital city, Tripoli. Arabic is the main language and the national currency is the dinar.

The SP Libyan AJ's culture is influenced by the folk art and tradition of the Bedouin, as well as by Islam. The country's cuisine consists mostly of traditional Arabic, Mediterranean and Italian dishes. As a reminder of its colonial links with Italy, pasta is popular, as is bazin, a dish made from barley, salt and water. Local cuisine is never complete without olives. The same influence permeates the different genres of the Country's music — andalusi , locally known as Ma'luf, Chabi and Arab classical music.

The SP Libyan AJ's huge man-made river is the largest water transportation project ever undertaken and carries more than 5m cubic metres of water per day across the desert to coastal areas.

Outside of oil and gas, the country also produces gypsum, wheat, barley, olives, dates, citrus, vegetables, peanuts, soybeans and cattle.



Nigeria

Stand No 8

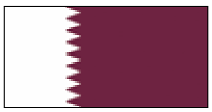
Member Country day: September 24

The most populous OPEC Member Country, Nigeria has over 150m inhabitants and more than 250 ethnic groups. This gives it a rich blend of culture, which is manifested in its art, dance, language, literature, folklore and music. Located on the Gulf of Guinea on Africa's west coast, Nigeria covers an area of 924,000 sq km. Abuja, the capital since 1991, has a population of more than 1m. English is Nigeria's official language, although many local languages, such as Hausa, Yoruba, Igbo and Ijaw, are also spoken.

Nigeria has a thriving movie industry called Nollywood, rated by the UNESCO Institute for Statistics as the second-largest movie industry in the world. It is a country proud of its literary and artistic roots, which include sculpture, painting, music and theatre, among others. Nigerian music is a mix of both traditional and western. The traditional highlife music remains well-liked among all ages.

The country's cuisine is varied: jollof — a rice meal made with meat of different varieties, onions and tomatoes, among others; moi-moi — bean pudding, to which is added onions, tomatoes and fish and then steamed; fufu and eba — made from cassava flour; tuwo — made from maize grain and isi-ewu — a goat-head dish spiced-up with local ingredients, are just a few of the country's well known specialties.

Apart from oil, Nigeria's other mineral resources include tin, iron ore, coal, limestone, columbite, lead, zinc, and gold, as well as cocoa, groundnut and palm oil.



Qatar

Stand No 9

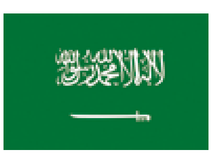
Member Country day: September 27

Covering an area of 11,000 sq km and with a population of more than 1.6m, Qatar is the smallest OPEC Member Country in terms of both area and population. The Middle Eastern nation is located on a peninsula attached to the larger Arabian Peninsula. The capital, Doha, has a population of 400,000. Arabic is the country's official language. Its currency is the rial.

An expatriate workforce makes up nearly 75 per cent of the country's inhabitants, most of who live and work in Doha. Their presence has enabled a rich blend in Qatar's culture and has effectively introduced foods from all parts of the world to the Country. Qatar has many varieties of dates. The traditional dish machbous, a richly-spiced rice with meat or seafood and served on a large communal platter, is very popular in Qatar. Qatari coffee, or gahwa, is made from roasted and sweetened coffee beans, spiced with cardamom and saffron. It is an important part of the Country's cuisine.

Qatar has a lot of museums and the Department of Museums and Archeology is tasked with preserving the country's national heritage, while the National Council for Culture, Arts and Heritage, as the name implies, oversees national culture, arts and heritage affairs.

Apart from oil, Qatar's other resources include natural gas and foodstuffs with industries ranging from petrochemicals and fertilizers to steel.



Saudi Arabia

Stand No 10

Member Country day: September 27

The Middle Eastern Kingdom of Saudi Arabia straddles the Arabian Peninsula, bordered by Jordan, Kuwait and Iraq to the north, Oman and Yemen to the south, the United Arab Emirates, Qatar and Bahrain to the East. It is the 14^{th} largest country in the world, covering around 2m sq km, making it also the second-largest OPEC Member Country. Saudi Arabia has a population of more than 25m, more than 4m of who live in the capital Riyadh. Arabic is the official language and the riyal is the national currency. In terms of dress, men wear ankle-length garments known as thawbs, with the ghutra, a head covering. Women wear a black outer cloak, or abaya, over their dresses. On their heads, they traditionally wear a shayla — a black scarf that is wrapped around the head.

Saudi Arabia's largest cultural event is the Janadriyah Heritage and Cultural Festival, which was first staged in 1985. It is organized by the National Guard, which has the King as its Commander. Each year, the festival begins with a traditional camel race, followed by a parade of traditional music, national dancers, folklorists, artisans and wood carvers. Each year also, the annual pilgrimage (Hajj) brings millions of Islamic worshipers to the Kingdom.

Saudi Arabia is home to the world's second largest continuous sand desert — the Rub Al-Khali, or Empty Quarter. Other than oil, the Kingdom's natural resources include natural gas, iron ore, gold, and copper.

United Arab Emirates

Stand No 11

Member Country day: September 29

The United Arab Emirates (UAE) is a federation of seven emirates — Abu Dhabi, Dubai, Sharjah, Ajman, Um Al Quwain, Ras Al-Khaimah, and Fujairah — located along the southeast coast of the Arabian Peninsula, with Abu Dhabi as the capital. The country covers 84,000 sq km and has a population of around 4.5m. Arabic is the country's official language and its currency is the dirham.

The highest building in the world, Burj Khalifa and the famous Palm Island, are some of the famous landmarks located in Dubai Emirate. Desert Park in Sharjah Emirate is a centre for the breeding of the endangered Arabian leopard. It is thought that very few of these cats exist in the wild. The Country has over 30m date palms.

The UAE has a rich mix of traditional Arab and Islamic culture. Fish, meat and rice are a regular part of the UAE's cuisine, some of which are Al Majboos, Al Madrooba, Al Salona and fish. Popular cultural practices in the UAE include falconry and horse riding (especially with Arabian horses).

Traditionally, UAE citizens dress in long flowing gowns, which are practical given the heat of the region. Music and dance are popular and, during celebrations, singing and dancing, which has been passed down from generation to generation, can often be seen and heard.

Venezuela

Stand No 12

Member Country day: September 29

The Bolivarian Republic of Venezuela lies along South America's Caribbean Coast. It is bordered by Brazil, Colombia and Guyana. The country covers an area of 916,000 sq km, excluding the Esequibo area, and has a population of more than 28m. Around 4m people live in the capital, Caracas. Spanish is the country's official language with the bolivar being the national currency. Venezuela has no state religion, though the country is predominantly Catholic-Christian.

Venezuela has a thriving art scene, which features a state-sponsored symphony orchestra. Graphic and performing arts are also popular, as is music. The country has produced many of the world's leading salsa bands.

Venezuelan cuisine is varied and delicious. A meal at home with a Venezuelan will often include arepas — cornmeal that is either fried or baked and served with a variety of fillings, such as ham and cheese. Empanadas (deep-fried pasties) and cachapas (a pancake-like dish) are also popular, as is bistec a caballo (steak with fried egg).

Venezuela's other natural resources, apart from oil, include natural gas, iron ore, gold, bauxite, diamonds and other minerals. The Country has 43 national parks in Venezuela, making up 15 per cent of the country's land mass.

Profiles of other exhibitors

OPEC Fund for International Development

Exhibition day: September 27

The Sovereigns and Heads of State of OPEC Member Countries may not meet as a Summit regularly. However, when they do meet, the impact is felt beyond the confines of the Member Countries and for decades too. Such meetings also have a tendency to affect people's lives in a positive way. This could be said to be the effect on the world's poor of their first Summit Meeting in Algiers, in March 1975, through the OPEC Fund for International Development (OFID). Established in 1976 as a multilateral development finance institution to promote cooperation between Member Countries and other developing countries, OFID was conceived at the previous year's Summit.

A Solemn Declaration issued by the Summit "reaffirmed the natural solidarity which unites OPEC MCs with other developing countries in their struggle to overcome under-development, and called for measures to strengthen cooperation with these countries." In this spirit, OFID was established in January 1976, as a collective financial facility to consolidate the assistance extended by its Member Countries, namely Algeria, Gabon, Indonesia, IR Iran, Iraq, Kuwait, SP Libyan AJ, Nigeria, Qatar, Saudi Arabia, the UAE and Venezuela *(for more information, visit www.ofid.org)*.

City of Vienna

Exhibition day: September 27

Vienna's development into one of Central Europe's largest and most important cities is largely attributable to its favourable geographical location, in the northwest of the Vienna basin amid the northeastern foothills of the Alps. The city lies at the junction of all major traffic arteries, such as the east-west course of the Danube and the historic north-south Amber Route. The city has developed into a pivotal point for European traffic.

The city of Vienna covers an area of more than 414 sq km and has a population of 1.66m (2007). It is one of Austria's nine federal provinces and, at the same time, serves as the federal capital of the Republic of Austria. Although it is the smallest federal province in terms of surface area, it is the largest with respect to population. Vienna is, therefore, Austria's largest municipality. It also has an international standing as a centre for congresses, conferences and trade fairs, and it is the seat of some two dozen international and intergovernmental organizations *(for more information, visit www.wieninternational.at/en/node/3664)*.

The perfect partnership

***Sylvia Smetiprach** retired from OPEC in 2009 after 35 years with the Organization. The OPEC Bulletin's Steve Hughes finds out what kept her with the Organization for so long, how OPEC has shaped her life and hears about some of the more extraordinary events she experienced…*

I meet Sylvia Smetiprach in the lobby of Helferstorferstrasse 17, OPEC's new Secretariat. It's strange to see her sign in and receive a visitor's pass; when I joined OPEC a little more than two years ago, Sylvia was already in her 34th year with the Organization, and was one of the people that helped me learn the ropes. But because she retired last year while the Secretariat was still located at Obere Donaustrasse 93, she is new to this place. It is a little like seeing a fish out of water. Sylvia has moved on, but OPEC has shaped her life considerably since she joined in 1974 and she's agreed to share some highlights – and lowlights – with me.

We leave the building and head for a coffee, but not before Sylvia has been accosted by dozens of OPEC staff members, all keen to say hello and catch up. Out on the street, I ask if there's any particular place she'd like to go. She knows Vienna intimately. Born near Graz in Styria, a couple of hours south of the Austrian capital, she moved to Vienna when she was three years old. She has remained here ever since, apart from a short stint as an *au pair* in England. Sylvia chooses a historic coffeehouse just 100 metres or so from the office. Although it's now called Café im Schottenstift, it was previously known as Café Haag and has been a meeting place for artists and politicians for many years.

Looking back

This coffeehouse has a special meaning for Sylvia: "I used to come here often, because the old OPEC building was just around the corner," she says, referring to the very first OPEC Secretariat located in Vienna on Dr Karl Lueger Ring. Today, the café is quiet — it's 10.30 on a weekday morning — but it's not difficult to imagine the wheeling and dealing that must have occurred here in the past. It's also easy to imagine a youthful Sylvia, drinking hot chocolate, giddy after gaining a job with one of the best-known international organizations in the world.

Sylvia joined OPEC shortly after turning 26. "It was two days after my birthday," she recalls. "I said I'd never work on my birthday and I never did in over 30 years." Previously, she worked with ORF — Austria's radio broadcaster — but then joined OPEC's Administration division where she remained in various roles until her retirement. "I knew very little about the Organization when I came for the initial interview and I certainly never thought I'd remain here for such a length of time."

Back then, Vienna was even more serene than it is today, she explains. It was an 'island of calm'. The OPEC Secretariat was smaller, too, with just 48 people. "We were a real family — everyone knew everyone else. We worked hard but we had lots of fun as well." Over the years there have been many interesting personalities that have stuck in her mind. "There have been a lot of brilliant brains that have worked at OPEC," she says. "And there have also been many people who knew how to throw a party." But she's too much of a seasoned professional to mention any names.

Not long after Sylvia joined though, and while the Secretariat was still based at Dr Karl Lueger Ring, the Organization experienced one of its most extraordinary — and tragic — events. On December 22, 1975, a group of terrorists led by the infamous 'Carlos the Jackal' overran the building. "It was a very cold, snowy Sunday and I was in the office because of the [46th] Ministerial Conference," she explains. "At around 11:15 in the morning I heard shouting and gun shots." Sylvia was manhandled into the Conference room by the terrorists, where everyone — including Member Country ministers — was being held. "I couldn't even breathe — I was paralyzed with fear," she says.

Fortunately, Sylvia was released not long after, and remembers being escorted from the building by the police among a throng of TV crews and journalists, before being taken to hospital in an ambulance. She watched the remainder of the debacle on television, still in a state of shock. Three people were killed and the terrorists took the oil ministers and their aides hostage, making them endure a harrowing air journey that ended in Algiers. The ordeal lasted more than 40 hours in total and culminated in the release of all hostages in the Algerian capital. I ask her if it's difficult to talk about her experiences. "No," she replies. "It was a long time ago."

Sylvia has much happier memories though. To work for OPEC has been an honour, she says. "I have been very privileged. I really am very thankful because I've been able to build up a very good life for myself. It has allowed me to follow my interests outside of work — travelling and learning about different cultures." She explains how she learned about Jamaica in school geography lessons and had always wanted to visit. "This I must see, I said to myself. And in 1982, I fulfilled my wish and I visited Jamaica. It was really something and I felt like a film star. I could afford it only because of my job." Asia had always been a fascination too, she says, and she has since visited Indonesia, India and Thailand, among other countries.

Different worlds

But over and above everything else, it's the friendships that have made working for OPEC so special. She's still in regular contact with many OPEC people and she's learned much about other cultures as a result. "I've been able to dip my feet into different worlds," she says. "I've been invited to the homes of many Member Country officers — and this is what I really miss. A Libyan colleague of mine even taught me how to cook couscous and other Middle Eastern dishes." Even now, Sylvia has a penchant for the cuisine of OPEC Member Countries.

Sylvia has experienced many endings and new beginnings in the past few months. As well as retiring from OPEC, her mother has recently passed away after a short illness and she is currently helping her elderly father to adapt. "I miss talking with her, but she had a very happy life," she says. She continues to travel, visiting 'my beloved' India often to meet with two youngsters — a boy and a girl named Jack and Meera respectively — who she has sponsored for the last six years to help them afford an education. She also plans to become more involved in charity work in the months and years ahead.

Although she misses OPEC — a constant in her life for a very significant period — Sylvia is now reveling in a new-found freedom. "I'm doing so much it's hard to tell you what it is I'm doing," she laughs. She's recently returned from Germany and a walking holiday in Italy. "You'll have to email this article to me quickly, because I'm travelling again in a couple of weeks," she adds.

"I'm proud of being a cog in the OPEC wheel," she says. "There have been ups and downs, but this is normal — like a marriage, perhaps."

Hungry for results

***Kanayo Nwanze** (pictured above) is President of the International Fund for Agricultural Development (IFAD), a UN agency dedicated to eradicating rural poverty and that owes its existence in large part to the foresight of OPEC Member Countries. He talks to the Bulletin's Steve Hughes about shared concerns, the importance of agriculture and how there is still a long way to go before rural poverty is a thing of the past.*

Nigerian-national, Kanayo Nwanze, has been employed by the United Nations since 2007, but this — coupled with his crisp white shirt, well-cut suit and matching tie and handkerchief — somewhat belies his versatility. Nwanze is equally at home in the field — quite literally in his case — among the farmers and rural communities of developing countries. "These people are itching to improve their lives," he says, his voice raising an octave and his hand gestures becoming ever more pronounced. "When you see a community benefiting from one of our projects — maybe they have just received $20,000 for a micro irrigation scheme and they are growing vegetables — and you see how proud they are because they are earning four times what they did before and can now afford to send their children to school, you cannot but remain passionate."

Nwanze is President of the Rome-based International Fund for Agricultural Development (IFAD) — a specialized UN agency dedicated to eradicating rural poverty in developing countries. I have come to meet him during OPEC's 50th Anniversary year because his organization owes its existence in no small part to the foresight and generosity of OPEC Member Countries.

Pictured above is IFAD's headquarters: a 25-minute drive from the centre of Rome.

Above and right: Equally at home in the field — IFAD President, Kanayo Nwanze, on a recent project visit to Guatemala.

IFAD at a glance

- focuses on agriculture and rural development
- is an international financial institution and a specialized United Nations agency dedicated to eradicating poverty and hunger in rural areas of developing countries
- is a unique partnership of Member States from OECD, OPEC and other developing countries
- is one of the largest sources of development financing for agriculture and rural development in many developing countries
- works with partners to empower poor rural women and men to improve their food security and increase their incomes
- is among the top three multilateral institutions working in agriculture in Africa, with almost 50 per cent of its funding going to the continent
- supported 829 programmes and projects in 117 countries and territories
- mobilized close to $18 billion in co-financing and funding from domestic sources for rural development, in addition to IFAD's contribution of almost $12bn in loans and grants
- empowered more than 350 million people to grow more food, better manage their land and other natural resources, learn new skills, start small businesses, build strong organizations and gain a voice in the decisions that affect their lives

IFAD was established following the 1974 World Food Conference in Rome, against a backdrop of the food crises of the early 1970s. OPEC Member Country delegates attending the Conference believed that the formation of an international fund was vital to help finance food production in the world's poorest nations. While IFAD Member States also include OECD and other developing countries, OPEC Member Countries agreed to provide nearly half of the Fund's starting capital, such was their belief and desire to demonstrate leadership.

Since this year marks OPEC's Golden Jubilee and the Organization is taking some time to reflect on the achievements during the last half century, it seems an appropriate time to take stock of how far IFAD has come too — now itself 33 years old. As I arrive at the organization's headquarters, a 25-minute drive from the centre of Rome, there is much evidence of the involvement of OPEC Member Countries. Prominently located in the atrium is the Qatar Information Centre — a comprehensive library. The office where loans are signed is known as the Saudi Arabia Room. There is also a Kuwait Lounge situated on the top floor where I have come to meet Nwanze.

As I am shown into his office, Nwanze remains seated behind his desk, putting the finishing touches to something at his computer. He apologises, strikes a key with a final flourish and welcomes me with a friendly handshake. We sit at a large table where he arranges his notes. Despite his fondness for the field, he appears equally at home in an office environment, as he shuffles his papers into order. I thank him for agreeing to the interview. "The pleasure is mine," says Nwanze, who began his term as IFAD's fifth President in April 2009.

Massive contribution

I ask how important IFAD's relationship with OPEC has been over the years. He explains how OPEC contributed a massive 42.5 per cent of the total commitments to the establishment of IFAD in the 1970s and adds that even after this initial pledge, OPEC Member Countries contributed a significant amount to another round of funding soon after. Addressing an OPEC Fund for International Development (OFID) Ministerial Council meeting during 2009, Nwanze's opening statement expressed a debt of

Good listener: IFAD President, Kanayo Nwanze, on a project visit to China.

gratitude in no uncertain terms: "I am delighted to be here among you this morning representing IFAD, an institution whose very existence owes so much to the vision and leadership of OPEC Countries." Today, he explains how OFID, which he refers to as a 'sister organization', is IFAD's third-largest co-financing institution after the World Bank and the Asian Development Bank. "It is a very strong partnership," he adds.

But IFAD needs all the help it can get. Nwanze explains how the international community disinvested in agriculture during the 1980s and 1990s, and how national governments have neglected agriculture over the same period. Today, 75 per cent of the world's poorest people — 1.05 billion women, children and men — live in rural areas and depend on agriculture and related activities for their livelihoods. Since the more recent food shortages during 2007 and 2008, Nwanze says that agriculture and food security are thankfully hitting the top of the international agenda again.

Continuing struggle

Testimony to this, he says, is the L'Aquila Initiative on Global Food Security, approved at the 2009 G8 Summit by the leaders of 40 nations and international organizations.* The objective is to invest $20 billion over three years to encourage the rural development of poor countries. But Nwanze is not taking anything for granted. Not all of the $20bn represents new money, he says, and he also questions whether all those involved will remain true to their word. And then there is the potential impact on aid of current global economic conditions. "I think the struggle continues," he says, with a wry smile.

Similarly, while Nwanze has nothing but praise for the historical contributions of OPEC Member Countries to the IFAD cause, he urges them to take up the reins again. He acknowledges the effect that reduced oil prices have had on their economies during the past decades, but draws attention to what he calls a "very, very disturbing" drop in the proportion of total funding forthcoming from them in recent years. In the most recent round of funding completed in 2008, OPEC Member Countries contributed just six per cent, versus the already mentioned 42.5 per cent of initial capital they provided for IFAD's start-up.

While Nwanze acknowledges that engagement between OFID and IFAD continues to increase in terms of co-financing projects in developing countries, he calls on OPEC Member Countries to take a more pro-active role in terms of the IFAD governing council, in the political dialogue that the organization is engaged in, in the executive board and more. "Their voices should be heard," says Nwanze. "My message is they have to re-engage with the institution that they created. It is the only organization of its type in which OPEC and other developing countries hold the major voice."

Common concerns

OPEC and IFAD have many shared concerns. OPEC, for example, fights hard to raise awareness of the plight of the 2.5bn people in developing countries that rely on biomass for their cooking and heating needs, while about 1.6bn live with no access to electricity. In sub-Saharan Africa alone, it is estimated that over 130 million people rely on firewood, cow dung and crop residues for their cooking and heating needs. This has enormous health and environmental implications.

Like OPEC, IFAD is also concerned about oil prices. Nwanze sees alternative forms of energy as important to bring power to out-of-the-way rural communities. But he worries that if oil prices ever return to the extreme highs experienced during 2008, for example, the production of biofuels from corn or other crops would become more attractive; something that would significantly hinder food security, rather than contribute to the solution.

Another of Nwanze's objectives is to increase awareness of how fundamental agriculture — especially smallholder farming — and the eradication of rural poverty are to a well-functioning global society. People have become disengaged with agriculture, he says. It is a huge industry, which many of us know very little about. Vast numbers of people, particularly in the industrialized world, have taken their food for granted for too long.

This disengagement has increasingly been picked up by the media in recent years. A recent study reported in the UK press, for example, showed that 29 per cent of under 16-year-olds believe that oats grow on trees. Less dramatic, perhaps, but similarly telling, was my journey to IFAD on the overnight sleeper train from Vienna. Not long after leaving the Austrian capital, the landscape changed from freight yards and industrial parks to vast tracts of fertile-looking farmland. Throughout the 14-hour journey, I saw tractors and machines harvesting vast acreages as the train rushed past field after field of crops. Some — like corn, sunflowers and olives — I recognized, but the majority of crops were as unfamiliar to me as the cuisine of some far off land, despite the fact that they probably make up a major part of my diet.

Facts and figures: IFAD President, Kanayo Nwanze, talks to the OPEC Bulletin's Steve Hughes.

Pivotal issues

Food security and agriculture, however, are pivotal to the well-being of any nation, argues Nwanze. "Any nation that is not able to feed its own population begins to question its sovereignty," he says. We do not have to look too far for examples of what happens when food security comes under severe pressure. "Let us just go back to the food crisis of 2007–08," says Nwanze. "Forty countries went through severe riots and it brought down two governments. There are strong linkages between food security and political stability."

If you want to ensure that populations in cities do not increase because of migration from rural areas, the solution is very simple, he suggests. "Increase agricultural activity and invest in rural development." Otherwise, he argues, new migrant populations may continue to cause destabilization. "Look at what is happening now in France," he says. "And we know in Italy it is a big issue because of the large migrant population from North and West Africa."

Improving global food security must involve supporting smallholder farmers, says Nwanze. "Eighty per cent of all food consumed in the developing world is produced by around 500m small holder farmers," he says. "Now how can you ignore such a number when it comes to food security?" If this sector of our population is not given the right opportunities to maximize production, then food security will remain out of reach.

Nwanze seems far too passionate about this cause to allow this to happen without a fight. "This is IFAD's business," he says. "This is why we focus on rural populations. We cannot ignore the pivotal role of smallholder agriculture in the developing world. We believe that we have a responsibility to help them become more profitable, to increase productivity and to help them achieve access to markets."

I ask if the battle against rural poverty and food shortages is being won. "The answer is yes and no," he says. During 2008–09, the number of people living in poverty surpassed the 1bn mark for the first time. But he also takes some solace from his belief that without developmental assistance from organizations such as IFAD, there would probably be closer to 1.5bn people living in poverty. We could be doing much better though, and with OPEC's help — as well as renewed commitment from IFAD's other member states — Nwanze remains hopeful about the future.

* *The decision has been subscribed to by all of the countries represented in L'Aquila, as well as the G8 and G5 countries, Egypt, Australia, South Korea, Indonesia, Denmark, The Netherlands, Spain, Turkey, Algeria, Angola, Ethiopia, Libya, Senegal, and Nigeria, along with the African Union and all of the international organizations.*

Saudi Aramco head points to "wake-up" call for oil industry

Macondo rig tragedy will have repercussions on global oil sector

The Deepwater Horizon oil rig catastrophe in the United States Gulf of Mexico in April this year will have ramifications for the way the energy industry conducts its business in the future, as well as on the cost of operations in the sector.

That was the view put forward by the Chief Executive Officer of Saudi Aramco, Khalid A Al-Falih, to the Oxford Energy Forum in August.

He was quoted as saying that the explosion at the Macondo well, off the coast of Louisiana, which resulted in the death of 17 people, and the resulting oil spill, the largest in US history, was a "wake-up" call for the industry and there were lessons to be learned from the tragedy.

However, in comments posted on Aramco's website, Al-Falih stressed that it would be a mistake to assume "the rest of us are not immune to such tragic incidents, or that such a disaster could only involve just one particular set of companies and service providers.

"As with any such industrial incident, we will find that there were specific conditions and actions, human and mechanical, which lead to such accidents," he affirmed.

Al-Falih said that BP, which was being held responsible for Deepwater Horizon, and the relevant US authorities, would be conducting in-depth investigations, "and I am sure there will be valuable lessons there for all of us to learn."

He maintained that it was likely there would be tighter regulations on petroleum activities in many markets "with ramifications for both the way we do business and for the cost of industry activities."

The Aramco head's comments came days before top officials of the White House's oil spill commission announced that the accident off Louisiana was a massive "failure" in government oversight and that administrations should be forced to consult with experts in the field before making expansive drilling policy.

Al-Falih said that, in the long term, the world would continue to rely on oil and gas for essentially all of the energy used for transportation and much of what fuelled and fed the industry.

He dismissed, as baseless, the "on-and-off" fears expressed in the industry that the world's hydrocarbon resources were about to be exhausted. Geological evidence, he explained, showed that the world had vast quantities of reserves yet to be tapped and additional resources yet to be discovered.

Studies estimated that 6–8 trillion barrels of conventional oil and natural gas liquids and around seven billion

Reuters

barrels of unconventional oil were still in place and the ability to exploit these resources depended on the technology available, coupled with economic, environmental and regulatory considerations.

Al-Falih said it was important to continue developing these resources without causing environmental damage, while maintaining dialogue within companies to ensure that operational excellence and safety was maintained.

In this regard, he said it was important for company executives to lead and communicate with their subordinates, especially with regard to operational safety.

"Executives cannot just delegate operational safety responsibilities to their subordinates without providing adequate supervision. Senior management must lead visibly and remain engaged with the issues and operations that, taken together, constitute what we call operational excellence," he affirmed.

Open dialogue between executives and employees over operational safety, he continued, was an essential part of corporate leadership and an integral responsibility for senior management.

"If senior management primarily talks about the bottom line and financial performance, then employees will look first and foremost at ways to cut or contain costs and juice profitability.

"In short, if as a leader you put pressure on people, either by design or through inadvertent signals, they will go to great lengths to fulfill what is implied by such signals — even if that means putting themselves, or their colleagues, at risk," he said.

Al-Falih noted that the global petroleum industry faced trying times as a confluence of factors — demographic, political, business, macroeconomic and operational, as well as public perceptions of the industry — presented significant challenges and, possibly, tremendous opportunities.

Some of the more serious challenges, he said, included negative public perceptions of the industry and doubts about its ability to supply energy responsibly and reliably.

In some countries, national security, the environment and economic growth were being mixed together in an attempt to turn away from petroleum. And, of course, the industry was in the headlines because of the Macondo well incident in the Gulf of Mexico.

Al-Falih stressed the importance of serious dialogue between consumer nations and oil-producing countries about preserving the environment.

Some countries, he said, were taking unilateral steps to provide alternatives to oil and implement strict controls. That would only make it more difficult to develop long-term strategies for oil infrastructure and producing facilities.

Said Al-Falih: "In my view, the perspectives of all stakeholders have a place in the discussion and that includes a well-articulated case for petroleum as a fundamental enabler of economic prosperity and social development.

"Of course, to be successful in that effort we need to address not only global concerns like greenhouse gas emissions, safety and security of supply, but also market-specific issues, like taxes and import tariffs, and the wisdom of subsidies and other incentives for alternative energy sources," he said.

Greater challenges

Al-Falih warned that the industry would face greater challenges in skill development with ever more complex activities requiring higher degrees of training.

Keeping the workforce motivated would require companies renewing their commitment to employees to guarantee the tools and training they needed for the future, as well as to attract young, brilliant people to the oil industry.

"We need to make young people aware of the reality of the petroleum industry and the prospects it offers," he said. "We also have to give more attention to the role advanced technology and research and development play in our operations, and to let young people know that a career in oil and gas can be personally, as well as professionally, rewarding."

The Aramco head said the oil industry — and particularly Saudi Aramco, with the role it played in the market — could not determine with any degree of certainty what future demand would look like.

"But we are required to make multi-billion dollar investment decisions now, given the long lead times involved for oil and gas projects," he observed.

Al-Falih concluded by reaffirming that operational excellence, especially caring for the safety and health of employees, and protecting the industry's reliability as energy suppliers to the world, was an indispensable key to sustained success

"With the dawn of every new day, hard work is needed to achieve that kind of performance. In my experience, there is no more rewarding, more exciting, or more worthwhile business, to be in," he added.

Left: Aerial photograph shows continuing preparations to drill a relief well at the Macondo oil spill site in the Gulf of Mexico.

Ecuador renegotiates contract terms with private oil companies

Ecuador's President, Rafael Correa.

The Ecuadorean government has entered into contract negotiations with private oil companies operating in the OPEC Member Country, with a view to improving current terms, specifically increasing the revenue it accrues from the nation's petroleum resources.

In future, the Government wants its share from the proceeds earned from Ecuador's oil to be at least 85 per cent. That compares with 65 per cent at present.

Oil is Ecuador's major export earner and the government of President Rafael Correa wants foreign oil operators to give up their current profit-sharing deals and sign new contracts to become service providers.

The country's Minister of Non-Renewable Natural Resources, Wilson Pástor-Morris, said the government aimed to have a final contract model outlining terms to be included in the new agreements formulated by mid-September.

The new conditions would affect companies such as Italy's Eni, Petrobras of Brazil and Spain's Repsol, who have operations in Ecuador. They will have until November or December to agree to the new terms.

Pástor-Morris, who is OPEC Conference President for 2010, pointed out that, under the new proposals, profit margins for investment in new oil fields would be 18–22 per cent, while profitability would be 15–18 per cent for investments in producing fields.

The Minister said that early in the negotiations he had already rejected a proposal from the companies that the per-barrel fee they would receive under the new contract terms should be linked to the price of crude oil.

Ecuador is aiming to boost its domestic state oil production to around 384,000 b/d by 2013, from 264,000 b/d currently. With the signing of new contracts, the private companies operating in the country would continue to supply a stable 200,000 b/d of the output. These firms account for around 44 per cent of the country's total oil production of about 460,000 b/d.

Ecuador's state-run oil company Petroecuador said on Tuesday that its oil exports in July fell by 3.4 per cent to 218,585 b/d, compared with 226,203 b/d in the same month last year.

President Correa has already stipulated that companies that failed to sign the new deals once the conditions had been agreed would be paid for their assets and asked to leave the country.

The Government has already taken over the local assets of United States oil firm, Occidental Petroleum, and France's Perenco.

"The companies have until November or December. It will be their problem if they take too long because if this is not ready by the deadline that the government has set, they will leave the country," Correa was quoted as saying.

OPEC's smallest Member first joined the Organization in 1973. It then suspended its Membership in 1992 and rejoined in 2007.

The Government recently enacted a law aimed at increasing state control over the oil sector.

"We had to recoup public oil production because it was in decline," Correa said at the time. "We had to invest some $5 billion to reverse this declining curve and make it go up. We have made investments to reach public production of some 384,000 b/d of oil," he was said to have told the country's lawmakers.

Iran looking to double its petrochemical production

Iran is aiming to double its production of petrochemicals over the next five years, according to a report carried by the Iranian news agency, IRNA.

It quoted Abdolhossein Bayat, Managing Director of the National Petrochemical Company (NPC), as saying that annual petrochemical production would reach 100 million tons at the end of the country's fifth five-year development plan.

Plant construction

He pointed out that in the latest plan, investment totalling $25 billion had been earmarked for 46 projects with an output capacity of 50 million tons.

Iran has been in discussions with countries such as Oman, India, Russia, Turkey and South Africa for the construction of urea, ammonia, methanol, olefin and polyethylene plants.

Bayat pointed out that Iran had a 2.4 per share of global petrochemical production and 26 per cent of output in the Middle East.

Iranian Petroleum Minister, Masoud Mir-Kazemi, was quoted as saying that the country was currently producing 50m t of petrochemicals and exporting $9.2bn worth of products.

In the IRNA report, Bayat also spoke of the effect of international economic sanctions against his country, stating that they had only had a minor impact.

He said that despite the situation, none of the petrochemical industry's expansion plans had suffered delays.

Meanwhile, Bayat also disclosed that Iranian experts were currently working on a proposal for establishing an organization for petrochemical exporters.

Quoted by the government-owned newspaper, *Iran,* he said the proposed group would adopt policies covering "presence in target markets, the pricing of products and a mechanism for production of each petrochemical product by different countries."

Bayat, who said that setting up such a group would take time, noted that Iran, Saudi Arabia, Russia, Qatar, Turkey and a few other countries would qualify for membership of the new group.

Nigeria moves to reform power generation sector

Nigeria has announced the launch of a major policy drive aimed at ending the country's acute power shortages.

The country's President, Goodluck Jonathan, meeting investors and business leaders in Lagos, unveiled his 'road map' for reforming the domestic power sector.

It comprises the privatization of power generation and distribution activities and the provision of a new transmission network.

Nigeria estimates that it will require investment of around $10 billion a year over the next decade to meet its domestic energy needs. It is already looking for private investors to help fund its plan.

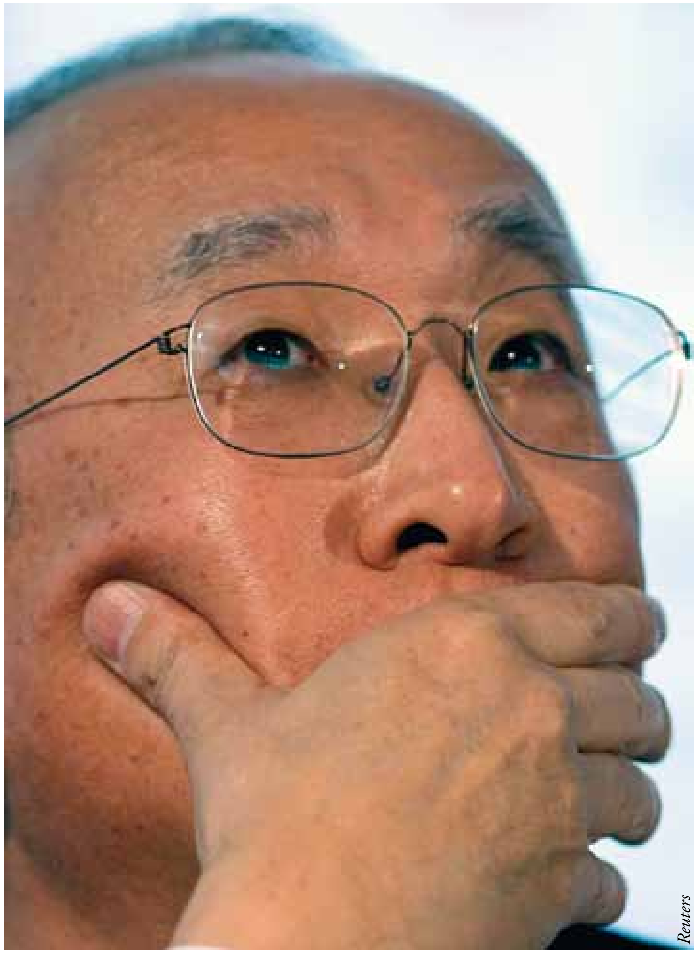
"The government is convinced that it is only by constructively engaging the private sector as partners in this journey of national transformation that we can be assured of success," Jonathan was quoted as saying at the meeting.

The move aims to boost electricity generation to 14,000 megawatts by the end of 2013. Plans for a $3.5bn 'supergrid' transmission service, to be financed with the private sector, have already been announced.

At the same time, the country's privatization agency was said to be seeking investors for 11 state-run electricity distribution firms.

The entire programme involves a period of transition of some three years as the government hands over funding and managerial responsibilities to the private sector.

Future dependence on OPEC oil "inevitable" — Tanaka



Nobuo Tanaka, Executive Director of the IEA.

The Executive Director of the International Energy Agency (IEA) has stated that the world's dependence on crude oil from OPEC Member Countries will continue to increase in the foreseeable future.

Nobuo Tanaka, in an interview with *Market News International,* a Deutsche Borse Group publication, said such a situation was inevitable, given the fact that crude oil production from countries outside the Organization was stagnating.

He said that even additional production from such areas as Canada's giant oil sands would not prevent a decline in overall non-OPEC production.

"Dependency on Middle East countries, especially OPEC Member Countries, will increase in the medium to long term," he affirmed.

Tanaka pointed to the cooperation established between the Paris-based IEA, the OECD energy watchdog, and OPEC, which he said was progressing.

"There is new cooperation with OPEC concerning the outlook — how we can calibrate our forecasts and compare notes on our assumptions," he said.

"This is very new … aiming to give transparency. Certainly, it is a very important and good way to further strengthen our cooperation," he professed.

Tanaka was quoted earlier as saying that the Agency's ties with OPEC were very important because the problem of the market was uncertainty, "which we have with climate, or the weather, or long-term challenges from economic prospects, or geopolitical uncertainty."

He continued: "We must try to avoid as much as possible these uncertainties and that is a common interest for us all, and we will continue to do this."

In his interview with MNI, the IEA head also warned of an "unsustainable" future, both economically and environmentally, if more investment was not made in alternative energy resources.

Concerning current oil production, he said it was worrying that each year output from existing oil fields declined by around one million barrels, while demand increased by 1m b.

To match those kind of statistics, he said, the oil sector would need substantial investment of $5 trillion between now and 2030.

However, Tanaka said that even with a "radical revolution" in energy resources, the world's reliance on fossil fuel would remain at about 46 per cent by 2050, a fact that made investment in both conventional and non-conventional oil resources all the more important for future economic growth.

Meanwhile, in its latest *Oil Market Report,* the IEA forecasts that world oil demand will set a new record next year when it exceeds the pre-recession high. It also warns that the era of cheap oil is over.

It predicts that global oil demand will reach 86.6 million barrels/day this year, surging to 87.9m b/d in 2011, assuming the global economic will continue to recover. The all-time high for oil demand — 86.9m b/d — was set in 2008, before the global economic downturn.

Oil-hungry China now world's biggest energy consumer

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With growing uncertainty over the pace of the global economic recovery, there is growing evidence that China, at least, will continue to see strong growth for the rest of this year and into 2011, which is translating into firmer oil demand.

The country's National Development and Reform Commission's State Information Centre has upped its forecast for China's economic growth this year to 9.5 per cent, compared with the prediction of 8.5 per cent it made late last year.

China's economic growth slipped to 10.3 per cent in the second quarter of this year, compared with 11.9 per cent in the first three months.

And according to the latest government figures, the country's oil demand increased by 2.6 per cent in July from the same month last year to 8.25 million barrels/day as higher crude throughput offset a sharp drop in net product imports.

Official data also showed that China's refinery production rose by 6.7 per cent in the same month over a year earlier to 8.3m b/d.

Oil imports down

Plant maintenance was said to be the main reason refinery throughputs in the country slipped from the record 8.6m b/d set in June. China also saw a reduction in its crude imports in July from the previous month's record high.

Meanwhile, National Statistical Bureau figures showed that domestic crude oil production expanded in July by 6.4 per cent to 4.06m b/d, compared with 4.11m b/d in June.

According to an analysis by Platts, based on figures released by the government, China's oil demand in July was down by 2.5 per cent from the June level of 8.98m b/d. It put the country's apparent oil demand in the first seven months of this year at an average of 8.32m b/d, up by 11.4 per cent from the same period in 2009.

China is now the world's biggest energy consumer, according to the Paris-based International Energy Agency (IEA).

The Agency's Chief Economist, Fatih Birol said that in overtaking the United States in energy consumption, China's position represented "a new age in the history of energy." The US had held the mantle since the early 1900s.

IEA figures showed that China consumed 2.25 billion tons of oil equivalent last year, around four per cent higher than the US total of 2.17bn t of oil equivalent.

Birol pointed out that China overtook the US at a breakneck pace. China's total energy consumption was just half that of the US ten years ago, but in many of the years since it saw annual double-digit growth rates.

China, he explained, had initially been forecast to pass the US in energy consumption about five years from now, but took the top position earlier because the global recession affected the US more acutely, hitting American industrial activity and energy use.

In taking stop spot, China has required enormous amounts of energy, especially since much of the recent growth has come from heavy industry and the provision of infrastructure, not consumer demand, as in the US.

The surge in energy use was supported by data released by the China Securities Journal which showed that domestic power consumption in July increased by around 15 per cent from a year earlier. The figure was nine per higher than in June.

The China Petroleum and Chemical Industry Federation has forecast that China's apparent demand for refined fuels will rise by 6.7 per cent this year.

It said that demand for natural gas would increase by 11.4 per cent from 2009.

In tandem, the country's power generation increased by 11.5 per cent from a year earlier to reach a record 377.64 billion kilowatt hours in July as demand peaked amid soaring temperatures in many parts of the country.

The data, released by the National Bureau of Statistics, showed that power output from hydropower stations surged by 26.6 per cent, while thermal power plant generation increased by 7.5 per cent. In addition, electricity output from wind farms rose by 37.7 per cent.

In the first seven months of 2010, overall power production increased by 17.9 per cent, compared with last year, with wind power output surging by 88.3 per cent.

OFID points to "shame" of disturbing figures on global hunger

Over one billion people undernourished – and it could get worse

Children selling crafts in the Simien mountains of Ethiopia.

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The OPEC Fund for International Development (OFID) has highlighted the apparent failure of the international community to meet the first of the United Nations Millennium Development Goals (MDGs), adopted by world leaders in September 2000, to reduce global hunger by half by 2015.

"Today, ten years after this lofty proclamation, we are, in fact, no closer to achieving what is arguably the most important of the MDGs. Ironically, it is further from our grasp than ever before," said the Fund in the July issue of the its *OFID Quarterly* magazine

"To the world's shame, the total number of chronically undernourished people on our planet exceeded one billion in 2009 — the first time it has pushed beyond this watershed," a comment in the publication pointed out.

It said that many experts pointed to the 2006–08 food crisis and the 2008–09 financial and economic crisis as the catalysts for thrusting millions more into poverty and hunger.

"Certainly, lower household incomes, rising unemployment and higher food prices have made life intolerably hard for the 2.5 billion people in developing countries who subsist on less than $2/day," it observed.

It noted that the food and financial crises were really just the tip of the iceberg. Behind those events lay long-term structural problems that had perpetuated chronic undernourishment and famine.

The shortcomings included poverty and gender inequalities; restricted access to land, credit and appropriate technology; water shortages; rapid population growth; and, most significantly, a systematic neglect of investment in agriculture and rural development across most of the developing world.

"Indeed, it is the failure to prioritize investment in agriculture and rural development that has left many developing countries without the wherewithal to meet that first, vital MDG."

OFID stressed that the countries affected could not compete efficiently in global markets. They were unprepared to cope with rapid climate change and they were ill-equipped to rise to the enormous challenge of increasing food supply by 70 per cent over the next 40 years, as the global population expanded to over nine billion.

It said that given the overarching importance of agriculture — not just as a source of food, but also as a major source of income — it was no coincidence that by far the bulk of OFID's development assistance had gone to the rural areas — the "bread basket" of developing countries.

As well as direct support to agriculture, such assistance included investment in rural infrastructure, especially roads, and in projects that promoted private-enterprise development, both on-farm and off-farm.

Hand-in-hand with the financial resources OFID provided was the Fund's support for training, capacity-building and institution strengthening.

At the same time, OFID had consistently channelled funding to agricultural research, to help improve the yield potential of staple crops and transfer best-practice farming to developing country smallholders.

"While these responses look to provide long-term, sustainable solutions to the question of food production, OFID is also quick to act in times of crisis and famine, regularly supporting the work of the World Food Programme (WFP) whenever emergency rations have to be delivered to starving populations, as has been the case in the past two years," said the comment.

IFAD a key partner

Alongside the WFP, OFID enjoyed strong ties with other specialized agencies of the United Nations, including the Food and Agriculture Organization (FAO) and the International Fund for Agricultural Development (IFAD).

OPEC Member Countries provided a significant portion of the funding needed to establish IFAD in 1976, channeling $861 million in pledged contributions through OFID (at the time called the OPEC Special Fund) towards the agency's initial capital and First Replenishment.

"To this day, IFAD remains one of OFID's key partners in the uphill battle against rural poverty and hunger," said the comment.

In addition, OFID had contributed $84m to the Common Fund for Commodities (CFC), an intergovernmental financial institution which seeks to improve the lot of commodity producers in developing countries.

"Working with the CFC, OFID is helping to develop improved production technologies and to secure markets for a host of small-scale subsistence farmers in around 50 countries," the publication noted.

It said that for OFID and other institutions that placed food security at the heart of their agenda, the fact that hunger continued to thrive was more than simply discouraging — it was a travesty.

"Thank goodness then that the recent food and financial crises have triggered a realization that agricultural development and food security are critical global problems requiring concerted international action.

"The renewed pledges made in this regard at the July

"... it takes more than pledges to fill empty stomachs. Just ask the billion-plus people who know what it is like to go to bed hungry every night."

"Today, a record 1.02 billion people – or 15 per cent of the world population of 6.8 billion – cannot afford their most basic food needs."

2009 G20 Summit and the November 2009 Third World Food Summit are a step in the right direction.

"But it takes more than pledges to fill empty stomachs. Just ask the billion-plus people who know what it is like to go to bed hungry every night. For many of them, 2015 might be too late," the comment concluded.

The publication, in a special focus on the issue of hunger, said in an article quoting the heads of the three specialized food agencies of the United Nations — IFAD, the FAO and the WFP — that with over one billion people going to bed hungry every night, the issue of food security had never been more urgent.

In another feature, the publication said the target of reducing by half — to no more than 420 million — the number of people suffering from hunger globally was initially set at the First UN World Food Summit, in November 1996.

Hunger and malnutrition

The target was to be reached by 2015 and was later enshrined in the first UN Millennium Development Goals (MDG1) meeting, in September 2000. Subsequent World Food Summits in 2002 and 2009, re-committed to the goal.

"Progress, however, has been zero. Today, a record 1.02 billion people — or 15 per cent of the world population of 6.8 billion — cannot afford their most basic food needs," said the Quarterly.

Of this total, the majority, some 642m, lived in Asia and the Pacific, followed by Sub-Saharan Africa (265m), Latin America and the Caribbean (53m), the Near East and North Africa (42m) and the developed market economies (15m).

OFID said that the record high number of undernourished in 2009 was the result of a combination of factors, including the 2006-08 food crisis and the global economic and financial crisis.

"Together, these events pushed millions more below the poverty threshold and into hunger and malnutrition. Worst affected were the rural landless, female-headed households and the urban poor," it said.

It noted that the dramatic rise in food prices since 2006 had exacerbated an already fragile food security situation, particularly in the world's low-income countries (LICs), most of which were net buyers and importers of food.

"Food accounts for some 60–80 per cent of household incomes in the LICs, compared with just 10–20 per cent in the advanced economies. While food commodity prices have declined substantially from their peak of mid-2008, they remain high by historical standards and are projected to rise further — by between 20 per cent and 50 per cent by 2016 — due to structural changes in supply and demand," said the Quarterly.

Food losses during harvesting, processing, handling, packaging and transport also contributed significantly to higher food prices and problems of food security, it added.

The publication pointed out that of the 2.5 billion people in the world who lived on less than $2/day, three-quarters of them were dependent on agriculture for their livelihoods.

Agriculture, it stated, was the major employer, the largest sector of the economy and the top export earner in most developing countries.

"Growth in this sector thus has enormous potential for reducing poverty and hunger. Despite its importance, however, agriculture has suffered from systematic neglect over the past few decades, particularly in those very countries where its socio-economic role is largest," it said.

The Quarterly maintained that long-term structural problems underlying chronic hunger and undernourishment also included a lack of investment and increasing problems concerning climate change, as well as war and civil strife.

Looking at possible solutions, the publication said that, to a large extent, the problems of food security could be resolved by helping the South attain modern, science-intensive and highly capitalized agricultural systems.

Such systems should be supported by increased investment in agriculture and rural development, as well as in appropriate science and technology. Equally important would be conducive policies and regulatory

A child and a baby beg for money on the roadside in Cambodia.

and institutional frameworks, as well as enhanced market access, it said.

OFID said that according to the FAO, investment in primary agriculture and downstream services in developing countries would need to increase by an estimated 47 per cent to $209 billion annually to meet the increase in global food demand by 2050.

The bulk of this investment was expected to come from the private sector, particularly in the form of foreign direct investment (FDI). The role of the public sector would be to assume responsibility for creating a broader enabling environment for FDI by improving macro-economic stability, creating conducive judicial and regulatory frameworks and by strengthening physical and financial infrastructure, social safety nets and access to safe and affordable energy.

"Measures should also be taken to boost investment in food and agricultural science and technology. Without an enabling environment and access to energy, together with strong scientifically based commercial agricultural systems, agriculture cannot achieve its full production capacity, and many countries in the South will continue to struggle to increase food production," it affirmed.

The Quarterly said particularly attention should be paid to helping the 500m or so smallholder farms around the world, which supported around 2bn people.

Enhancing access for farmers to productivity-increasing farming technology and improved seeds and fertilizers, as envisaged in the March 2010 'Montpellier Roadmap', could help them grow more and better crops, compete on global markets and increase their earnings.

"At the same time, such efforts would enable small farmers to rise to the challenge of increasing global food supply, while adapting to climate change and preserving the environment on which future food production depends. Ensuring that agricultural price increases are transmitted to smallholder producers also remains essential for raising rural incomes and creating the purchasing power required for broad-based growth," it contended.

In addition, said OFID, world trade and global food and energy security policies should be made more coherent, while progress remained to be made in delivering on the development dimension of the World Trade Organization's Doha Development Round of multilateral trade negotiations, including special and differential treatment for LICs.

"Similarly, care should be taken to ensure that policies aimed at encouraging the production of food-based biofuels do not compete with the use of increasingly scare resources for food production, such as land and water," it professed.

OFID said that the world food and financial crisis and concerns about global climate change had opened up a new era of opportunities. A first step in the right direction was taken in Italy, in July 2009, when the G8 industrialized nations committed to disbursing $20bn to tackle the food crisis over the coming three years.

"April this year saw the establishment of a Global Food Security Trust Fund, and, in July, an Investment Forum for Food Security in Asia and the Pacific was held in Manila. Issues of world food security shall be further discussed at the UN Summit on the MDGs in September, in New York," it added.

"Without an enabling environment and access to energy .... agriculture cannot achieve its full production capacity."


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Very poor houses in Parana State, Brazil.

This section includes highlights from the OPEC Monthly Oil Market Report (MOMR) for June and July 2010, published by the Petroleum Studies Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

Crude oil price movements

The OPEC Reference Basket moved between $70/barrel and $75/b in July to average the month at $72.51/b, representing a decline of 44¢/b, or 0.66 per cent, from the previous month and an increase of $7.92/b, or 12.3 per cent, over the same month a year ago.

The modest decline in the July Basket price was driven essentially by Middle Eastern crudes, which continued to suffer from ample supply and strong competition from Russia's medium-sour grade ESPO Blend. Middle Eastern crudes were also affected after China's import capacity was reduced following the closure of Dalian port, which receives more than a tenth of the country's crude oil imports.

Of the OPEC crudes, Kuwait Export, Qatar Marine and Murban led the losses, down by almost two per cent, while Arab Light and Iran Heavy declined by 1.6 per cent and 1.1 per cent, respectively, over the previous month. The exception among Middle East grades was Basrah Light, which edged up by 5¢/b.

In contrast, Brent-related crudes recovered from their previous losses to rise by more than a dollar in the month under review. Strong demand from the Atlantic Basin, following an increase in refinery runs and a cut in supply from North Sea oil fields due to maintenance, helped African crudes, particularly Saharan Blend.

US refiners lifted African premiums by securing more quantities ahead of maintenance in Canadian oil fields in September, while European refiners purchased more African crudes to cover the shortfall in North Sea supply. Support also came from Asian buyers, mainly Indian refiners, who increased their purchases of light African sweet crudes to comply with stringent product specifications expected to come into force in India in October.

Latin American crudes saw a mixed pattern with Oriente losing almost 50¢/b, or 0.7 per cent, and Merey gaining nearly 90¢/b, or 1.4 per cent.

In early August, the OPEC Basket was supported by bullish sentiment in the global oil market. It moved above the upper end of the $70–75/b range to hit a three-month high of $78.28/b on August 9.

The surge came after futures broke above $80/b, supported by strong equity markets, a weaker US dollar and positive US macroeconomic data, but then retreated below $75/b on uncertainties over economic growth prospects.

In the United States, the WTI front-month crude contract on the Nymex averaged $76.38/b in July, an increase of almost $1/b over the previous month. The gain, the second in a row, was driven more by macroeconomic sentiment and concerns about supply disruptions in the Gulf of Mexico from hurricanes, rather than by supply/demand fundamentals, where supply remained strong and inventories still high with no significant signs of an improvement in demand in sight.

Contrary to WTI, the North Sea Brent crude front-month contract fell by 30¢, the second decline in a row, to stand at $75.36/b.

In early August, the WTI and Brent contracts traded on the Nymex and ICE, respectively, moved above $80/b for the first time in three months, continuing their upward trend. September ICE Brent closed at $82.68/b on August 3, while WTI settled at $82.47/b on August 4.

Again, the rise was attributed to equity markets, which improved on the back of better-than-expected second-quarter corporate earnings.

Uncertainties over oil market developments moved some traders to the sidelines in July. For instance, the Nymex crude futures trading volume dropped for the second month in a row to hit a ten-month low of around 530,000 contracts. Similarly, trading volume for ICE Brent

1. An average of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey (Venezuela).

fell for the second consecutive month to stand at around 326,000 contracts in July, the lowest month so far this year.

Total open interest of the Nymex WTI also dropped further in July, moving from nearly 1,264,000 on the first day to around 1,230,000 at the end of the month, compared with around 1,482,000 in mid-May.

"Speculators' impact on oil prices remained strong in July as net long positions of money managers moved in tandem with oil prices," the report pointed out.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report said that the IMF commodity price index went up by 1.5 per cent month-on-month in July, mainly on the back of non-fuel markets, especially food, due to a severe drought in Eastern Europe that resulted in higher wheat prices.

Industrial metal prices also recovered, but at a modest pace. Uncertainties over the health of the global economy continued weighing on commodity and financial markets. However, the picture was mixed with US and Asian data moderating, while Western Europe was positive. In this context, some recovery in industrial metals took place, driven by supportive fundamentals.

The IMF energy commodity index (crude oil, natural gas and coal) edged up by 0.3 per cent in July, compared with a 0.9 per cent decline in June.

Henry Hub natural gas decreased by 3.6 per cent in July, compared with growth of 15.4 per cent in the previous month on increased supply, despite higher temperatures, with inventories rising by nine per cent m-o-m in July.

The IMF non-fuel commodity index gained 3.7 per cent in July, compared with a fall of 3.2 per cent in June, especially on higher agricultural prices with wheat leading the rise, owing to the drought.

The IMF industrial metal price index recovered with 2.8 per cent growth in July, which compared favourably with the decline of five per cent recorded a month earlier. The expansion was despite the fact that the industrial metal markets continued to carry the burden of slowing Chinese growth, while US macroeconomic data was weak and concerns persisted about EU debt.

Copper prices gained 3.8 per cent in July, compared with a drop of five per cent in June, due to falling copper stocks at the LME, which outpaced the moderating growth from China and the drop for the third consecutive month of imports of refined copper from China.

Highlights of the world economy

In looking at developments in the global economy, the OPEC report stated that the US economy continued to grow in July, but at a decelerating level.

Newly released GDP data showed that while first quarter growth in the country was stronger than initially realized at 3.7 per cent, second quarter expansion had slowed.

The Bureau of Economic Analysis, which provides official data for US GDP numbers, revised all growth estimates back to 2007, showing that the recent recession was deeper than previously thought. All years from 2007–09 were reported to have lower growth than the earlier official numbers.

On the positive side, the numbers had shown positive growth since the third quarter of 2009, although the pace of growth was seen declining.

"This relative uncertainty and continued fragility of the recovery in the US was recently highlighted by the Fed Chairman, who said that although the economy appeared to have stabilized and was expanding again, there was a considerable way to go before achieving a full recovery," the report noted.

It said that while the chairman had acknowledged an improvement in consumer and business spending and in exports, he considered the sustainability of these trends uncertain due to the fragility of the labour and housing markets and tighter credit conditions.

The report maintained that most important for a sustainable recovery in the US would be a pick-up in consumer spending, which constituted around two-thirds of the US economy in pre-crisis times.

This spending, it said, had shown growth of 1.9 per cent in the first quarter of 2010 and 1.6 per cent in the second quarter, a considerable improvement from the 0.9 per cent expansion recorded in the fourth quarter of 2009, but still only contributed around 50 per cent of the second quarter growth number.

"It remains to be seen how the consumer will continue to behave in the US with unemployment rates persisting at the elevated level of 9.5 per cent," the report noted.

According to the Fed, a cumulative 8.5 million jobs were lost in 2008 and 2009, of which around seven million were in the non-farm area and almost all of them in the private sector. These job-losses compared with only around 600,000 jobs that had been created since the beginning of 2010.

The services-ISM in the US stood at 54.3 in July, compared with 53.8 in June, an encouraging signal considering the services business had been responsible for more than 70 per cent of US GDP in previous years.

The ISM manufacturing index retreated slightly from its June level of 56.2 to 55.5 in July, but importantly remained above 50.

"Speculators' impact on oil prices remained strong in July as net long positions of money managers moved in tandem with oil prices."

Said the report: "Considering the expected end of most of the supportive effects of the fiscal stimulus package and the current limits to monetary support in an economy characterized by a de-leveraging by banks and private households, many uncertainties remain.

"Growth in the second half should be expected to be lower than in the first. These are the main reasons for keeping the 2010 and 2011 forecasts unchanged at 2.8 per cent and 2.5 per cent, respectively," it added.

In Japan, the positive momentum was seen continuing, benefiting from expansionary development in exports, which, along with domestic demand, constituted the main pillar of the economic recovery.

Exports in June rose by 27.7 by per cent from a year earlier, data from the Ministry of Trade and Industry (METI) showed. This came as a pleasant surprise when the median forecast had been for growth of only 23.5 per cent.

However, on a monthly basis, the number was not so impressive, as it declined by 1.8 per cent, making June growth the lowest level over the last eight months. Until May, exports had been growing for seven consecutive months.

The domestic situation in Japan remained supportive. Retail sales expanded by 3.2 per cent in June, a rebound from the minus 2.0 per cent recorded in May. For the whole of the second quarter, retail sales saw a minor increase

"In China, economic growth slowed to 10.3 per cent in the second quarter from 11.9 per cent in the first three months of the year."

of 0.1 per cent, which came after a 2.7 per cent expansion in the first quarter.

Industrial production in Japan fell by a steep 1.5 per cent m-o-m in June, while the index of manufacturing production forecast survey for July was revised down from a gain of 1.0 per cent m-o-m to a 0.2 per cent decline. On a positive note, METI's forecast for August industrial production stood at 2.0 per cent m-o-m.

"Uncertainties in the Japanese economy persist and still it seems that the high growth levels of the first quarter, which seemed to have been significantly supported by the government-led stimulus, might have marked a peak-level. The forecasts for 2010 and 2011, therefore, remain unchanged at 2.7 per cent and 1.4 per cent, respectively," the report said.

It stated that the Euro-zone had demonstrated surprising resilience in the second quarter, taking into account the serious issues the economy had to deal with, ranging from the near bankruptcy of Greece to the challenge of the Euro-zone banking system.

"After the support package for ailing Greece had been worked out and after having put in place a support mechanism for further sovereign debt issues in the Euro-zone and having stress-tested the European banking system, most of the issues seem to be contained and the Euro-zone is on an expansionary path again," it said.

The main growth support was seen coming from the biggest member of the Euro-zone — Germany, which had seen an unexpectedly strong rebound, supported mainly by its export-oriented industry, although domestic demand had also improved over the last months.

The VDMA, the German engineering association, reported that manufacturing orders in Germany saw an increase of 62 per cent year-on-year in June. Domestic orders surged by an even higher 67 per cent in the month.

Accordingly, the German manufacturing PMI had jumped from 58.4 to 61.2 in June, supporting the corresponding number for the Euro-zone from a level of 55.6 to 56.7.

The momentum in Germany was being reflected in import data, which might be an additional hint to an improvement in domestic demand and an encouraging sign. Imports grew by 1.9 per cent m-o-m in June, compared with export growth of 3.8 per cent.

While Germany still constituted the main growth engine for the Euro-zone, developments in the second biggest economy — France — seemed less encouraging. Industrial output in France fell by 1.7 per cent m-o-m in June.

"The Euro-zone continues to regain strength from very low growth levels. Most of the Euro-zone countries have announced steep cuts in spending and said that austerity packages will start to be implemented by 2011 and that they will bring their public debt levels back to the Maastricht criteria of three per cent budget deficit and gross debt-to-GDP ratios of 60 per cent in the coming years.

"This is expected to have an effect on growth. While in 2010 GDP is now estimated to grow by 0.8 per cent — an increase from last month's growth expectations of 0.7 per cent — 2011 growth levels remain at 0.9 per cent," the report stated.

In Russia, after a very solid recovery in the first half of the year, the OPEC report said that there were signs that growth in the country was moderating slightly. The Purchasing Managers' Indicator for services fell to 54.2 in July from 55.4 in June, while manufacturing PMI remained almost unchanged in July, reflecting a moderating export demand.

"While it is still too early to gauge the full impact of weather-related factors, such as the heat wave and fires, on the Russian economy, some preliminary estimates see a reduction in agriculture and other sectors of economic activity amounting to one per cent of GDP in 2010, implying a cost of around $15 billion," the report said.

The Russian Agriculture Ministry had cut its grain crop forecast to as low as 70 million tonnes, compared with 97.1 million tonnes in 2009.

To counteract inflationary pressures, the government had decided on an export ban on grain and grain products, to be imposed from August 15 to December 13. The ban may help to contain the rise in domestic prices, but not world prices. Moreover, the government had pledged to extend $1.2bn in aid to agricultural producers who suffered from the drought.

The forecast for Russian economic growth in 2010 and 2011 remained unchanged from the previous month at 4.2 per cent and 3.8 per cent, respectively.

In China, economic growth slowed to 10.3 per cent in the second quarter from 11.9 per cent in the first three months of the year. As government policies to restrain growth took hold, recent indicators pointed to a soft landing in the second half of the year with growth moderating to more sustainable levels.

Industrial production, retail sales, new lending, producer prices, fixed asset investment and money supply all increased at lower-than-expected rates in July.

Industrial output in July rose by 13.4 per cent y-o-y, the smallest rise in 11 months, from 13.7 per cent in June. Retail sales growth eased to an annual rate of 17.9 per cent, compared with 18.3 per cent in June, and new loans climbed less than estimated, adding to signs of an economic slowdown.

In China's property sector, prices rose at the slowest pace in six months in July, reflecting ongoing measures to reduce speculation. Prices in 70 major cities climbed by 10.3 per cent y-o-y in July from an 11.4 per cent increase in June, both lower than the record 12.8 per cent recorded in April.

China's trade surplus reached an 18-month high of $28.7bn in July, 170 per cent above the year-earlier level, as exports increased by 38.1 per cent y-o-y to a record $145.5bn and imports advanced at a slower pace of 22.7 per cent to $116.8bn.

Overall, the forecasts for GDP growth in China for 2010 and 2011 stood at 9.5 per cent and 8.8 per cent, respectively, unchanged from the previous OPEC report.

In India, in contrast to regional and global trends, the pace of manufacturing expansion was still showing signs of a slowing momentum.

The country's manufacturing growth accelerated in July. The manufacturing PMI rose by 0.3 per cent to 57.6 in the month. However, the PMI for the service industries, which includes telecommunication and banking and accounts for about 55 per cent of GDP, while still high at 61.7 in July, was lower than the two-year high of 64 recorded in June.

India's passenger car sales rose to a record high in July as strong economic growth fuelled confidence and demand. Sales rose by 38 per cent to 158,764 vehicles y-o-y. The Society of Indian Automobile Manufacturers forecasts sales to grow by around 12 per cent to 1.71 million vehicles for the fiscal year ending March 31, 2011.

"The strong performance of the economy has led the government to raise its GDP forecast for the current fiscal year, starting April 2010, to 8.5 per cent from 8.0 per cent and its end-year inflation target to 6.0 per cent from 5.5 per cent," the report said.

The OPEC forecast for GDP growth this year and in 2011 was put at 7.8 per cent and 7.7 per cent, respectively, unchanged from the previous month.

In Brazil, industrial production declined in June, while inflation decelerated, signalling that the strong expansion seen in the country may be losing momentum and growth may be moderating towards its long-term trend.

This was confirmed by second quarter growth, which was estimated to have fallen to 1.32 per cent from 2.45 per cent the previous quarter (nine per cent y-o-y). During the first three months of the year, the Indian economy had expanded at the fastest rate since 1995, led by domestic demand and a record rate of investment.

The Finance Minster predicted that Brazil's economy may regain its momentum in the third quarter, possibly achieving five to six per cent growth y-o-y. A central bank survey of Brazilian economists published in early August expected GDP to grow by 7.2 per cent this year.

The forecast for year-end inflation was lowered to 5.27 per cent from 5.55 per cent four weeks earlier.

The OPEC forecast for GDP growth in Brazil in 2010 stood at 5.9 per cent, 0.1 per cent above the previous month, while the forecast for 2011 remained unchanged at four per cent.

In looking at selected OPEC Member Countries, the report said that Nigeria's President had approved the construction of a $3.5bn electricity grid aimed at addressing power-transmission problems in the country.

The 700-kilovolt "super grid" was planned to be completed within four years. Electricity-generation capacity was expected to rise to over 14,000 megawatts by December 2013 from 3,000 MW currently. The national electricity grid was to be jointly financed with the private sector and development agencies.

Meanwhile, Saudi Arabia's 2010–14 development plan, approved by the cabinet on August 9, was aimed at nearly halving the unemployment rate to 5.5 per cent, from 9.6 per cent at the end of 2009.

The $385bn plan was 67 per cent larger than the Kingdom's previous development plan, according to the Economy and Planning Ministry. To achieve a higher degree of economic diversification, the plan recognized the need to invest heavily in education. About half the spending was to be dedicated to manpower, education and training, while 19 per cent was earmarked for the healthcare sector and seven per cent for housing. One million housing units were planned to be constructed.

"India's passenger car sales rose to a record high in July as strong economic growth fuelled confidence and demand. Sales rose by 38 per cent to 158,764 vehicles y-o-y."

World oil demand

In its review of the market, the OPEC report stated that demand for OPEC crude in 2010 had been revised up by 52,000 b/d to stand at 28.7m b/d.

"This upward revision comes as the higher demand figure outpaced the upward adjustment in non-OPEC supply," the report explained.

The demand for OPEC crude represented a decline of 200,000 b/d from the previous year.

"The first quarter of the year still shows a drop of 1.0m b/d, followed by a decline of 500,000 b/d in the second quarter, while both the third and fourth quarters are estimated to see positive growth of around 200,000 b/d and 400,000 b/d, respectively," the report said.

Demand for OPEC crude in 2011 was projected to average 28.9m b/d, representing an upward revision of 93,000 b/d from the previous report.

Required OPEC crude was forecast to increase by about 200,000 b/d, following three consecutive annual declines.

"The bulk of the growth is expected to be seen in the first half of the year, while the second half is forecast with a small decline from the previous year," the report maintained.

It stated that, in general, economic conditions in most OECD countries were showing signs of a slowdown.

Economic stimulus plans were becoming difficult to maintain and growth was still some way from becoming self-sustaining. Although the OECD region was not expected to achieve any growth this year in oil demand, due to a sharp decline in European oil consumption, some reduction in the decline was noticeable.

Recent June data indicated a cautiously improving picture for most OECD oil consumption, compared with the first quarter of the year. North American oil demand seemed not only to have stabilized for the year, but also achieved some growth, mainly due to an extremely low base in last year's oil demand, in addition to the minor economic recovery.

"Demand for OPEC crude in 2011 was projected to average 28.9m b/d, representing an upward revision of 93,000 b/d from the previous report."

Oil consumption in OECD Europe showed some improvement during the second quarter; although June demand was down from the previous month.

"Given the recent strength in US oil demand, OECD oil demand in the second quarter managed to move into growth mode for the first time since 2007," the report pointed out.

All the oil demand growth in 2010 was seen coming from the non-OECD region, with the figure exceeding 1.0m b/d y-o-y.

World oil demand in the second quarter grew by 1.3m b/d, leading to stronger growth exceeding 1.0m b/d in each of the following two quarters of the year.

Given the stabilized oil demand in the US, the world oil demand growth forecast was revised up by 100,000 b/d to show growth of 1.05m b/d, or 1.2 per cent.

In the US, July data showed a slight increase in the consumption of some industrial fuels, mainly distillates, and decreases in others, especially propane/propylene.

This raised doubts about the recovery mode of the US economy and thus the country's oil consumption. Furthermore, the consumption of transportation fuels in July was still at very low levels, despite the summer season, due to lower driving mileage.

"These developments in industrial and transportation fuel consumption are not attributed purely to the economic recovery, but also to a very low base in last year's consumption. This indicates challenges in the recovery of US oil consumption during the remainder of this year and in 2011, leading to additional caution in short-term projections.

"Given the above facts, US third and fourth quarter oil demand growth is estimated at 500,000 b/d and 200,000 b/d, respectively.

Oil consumption in Mexico and Canada stood at higher levels during the first six months of the year, compared with 2009, resulting from improving economies.

Most of the growth in oil demand was attributed to transportation and industrial fuels. Oil demand in both countries was forecast to show some minor growth as opposed to last year's decline.

For the whole of 2010, North American oil demand was expected to grow by 300,000 b/d y-o-y to average 23.6m b/d, with most increases taking place during the second half of the year.

In OECD Europe, the industrial and service sectors in Germany showed a strong performance in July, which in turn led to stabilized oil demand in the country.

In France, a healthy service sector performance in July was seen as a sign of a recovering economy. However, it was not strong enough to counter the country's decline in oil demand. Data showed a 3.6 per cent contraction in the country's total inland delivery of petroleum products in June.

Similarly, Italian oil demand turned negative in June, dropping by 2.6 per cent y-o-y. The slowing economy not only affected the country's industrial fuel demand, but also transportation fuel consumption.

"The risk still exists that the EU economic stimulus plans are running out and that might lead to slower economic activity, which, of course, would affect the continent's oil demand in the third and fourth quarters," the report observed.

However, given the rebound in German oil consumption, OECD Europe oil demand was revised up by 70,000 b/d, but still showed a contraction of 400,000 b/d in 2010.

In Japan, shrinking oil demand led to another reduction in the country's oil refinery capacity. The country was seen dismantling another 400,000 b/d of refining capacity, which would be followed by another 200,000 b/d in the following two years.

Japan's June oil demand data indicated a massive y-o-y decline resulting from slowing economic activity. It was the lowest consumption rate since June 1988.

"Japan has been experiencing a decline in oil demand over the past years caused by the economic slowdown, alternative fuel usage, and efficiency improvements."

The contraction in oil consumption reached 4.7 per cent, or 200,000 b/d in June, which left one-third of the country's refining capacity idle. Slowing industrial production caused Japan's fuel oil usage to decline by more than one-fifth.

In South Korea, following two months of positive sentiment, oil demand dipped into the red by 2.6 per cent in May, losing 55,000 b/d from the country's total oil demand to average 2.06m b/d.

South Korea's oil demand had been showing a healthy performance since last year; however it had been going through some turbulence throughout the year. The country's total oil consumption was forecast to show minor growth totaling 20,000 b/d y-o-y.

OECD Pacific oil demand was forecast to show minor growth in 2010, averaging 7.7m b/d.

In India, June data indicated weaker overall y-o-y demand growth than in April and May of around 90,000 b/d, or 2.8 per cent. Strong growth in the consumption of transport and industrial fuels during June — 13 per cent and seven per cent, respectively — had been partly offset by declines in fuel oil (two per cent) and naphtha (six per cent) consumption.

June gasoline sales continued their 2010 monthly upward trend, supported by the country's growth in new car registrations, which increased by 12.7 per cent y-o-y.

As a result of strong industrial production during June, diesel fuel consumption rose by around seven per cent, compared with the same month last year. Lower naphtha consumption was largely attributed to fuel switching in favour of LPG and natural gas.

India's oil demand in the first quarter was much lower than normal; however, in April and May it was extremely strong.

"In anticipation of the announced transportation fuel subsidy removals, it remains a challenge to see whether the 2010 and 2011 forecasts of three per cent growth will materialize. India's oil demand for the whole year is forecast to exceed last year's consumption by around four per cent," the report said.

In Taiwan, oil demand data for May showed the first monthly y-o-y decline in 2010, an indicator that the pace of economic growth could probably slow in the next six months.

Most of the decline in consumption for May was attributed to gasoline (12 per cent) and diesel oil (14 per cent).

May's oil demand data was also rather weak for Thailand with y-o-y growth of one per cent, almost solely attributed to LPG and with considerable reductions in transportation and industrial fuels.

However, the report said the picture looked more promising in Indonesia and Malaysia, where strong industrial May production pushed oil consumption to grow by four per cent and eight per cent, respectively.

Oil demand growth in Other Asia for 2010 was forecast at 230,000 b/d, or 2.3 per cent y-o-y, averaging 10m b/d.

Saudi Arabian oil demand continued the downward trend started the previous month, falling by one per cent in June, in which diesel accounted for the bulk of the decrease. However, cumulative growth for the first six months reached eight per cent y-o-y, or 100,000 b/d.

Gasoline and fuel oil were seen growing to a level of eight per cent and six per cent, respectively, y-o-y.

Iran's June oil data indicated a decrease of one per cent after minor growth in the country's oil consumption in May. Most of June's decrease in oil consumption was attributed to fuel oil, LPG and jet/kerosene.

The region's oil demand was forecast to grow by 220,000 b/d, or 3.1 per cent, in 2010.

In Brazil, June oil demand grew sharply by nine per cent, adding another 160,000 b/d to the country's overall figure. Gasoline and diesel oil demand improved by 14 per cent and 11 per cent y-o-y, respectively.

Due to healthy growth in both Brazilian and Venezuelan oil consumption, Latin America's oil demand was expected to grow by 2.6 per cent in 2010, averaging 6.0m b/d.

Oil demand in the group of Developing Countries was forecast at 630,000 b/d in 2010 to average 26.7m b/d.

In China, among other economic factors that might affect the country's oil demand was the appreciation of the country's currency. The yuan had appreciated by around 0.7 per cent against the US dollar since Beijing announced it had eased currency controls in June.

However, healthy growth in industrial production of 13.7 per cent was recorded in June, which was expected to strongly affect oil demand.

Although falling two per cent below May's level in June, vehicle sales in China were still likely to grow by around 20 per cent to top 1.41 million units in 2010.

China's over-heating economy had limited the country's oil demand growth, which had reached 7.8 per cent and was currently averaging around four per cent year-to-date. The country's oil demand was expected to maintain the same trend for the rest of the year.

"There are some concerns that might affect the country's oil consumption, such as adjustments in the value of the currency and government efforts to cool down the economy," the report observed.

"Oil demand in the group of Developing Countries was forecast at 630,000 b/d in 2010 to average 26.7m b/d."

Given the strong economic activity, China's oil demand growth was forecast at 450,000 b/d in 2010 to average 8.7m b/d.

In Russia, the improved economic situation was seen positively affecting the country's oil demand, adding another 50,000 b/d to consumption.

"However, the recent natural disaster might have a negative impact on Russia's overall oil usage," the report noted.

Looking ahead, it stated that the global economic recovery was expected to continue through the whole of 2011 with an even distribution between the first and second half of the year.

The bulk of the recovery in oil demand was forecast to occur at approximately the same pace throughout the entire year. As in 2010, next year's oil demand growth was expected to take place in the non-OECD region, mainly China, India, the Middle East and Latin America.

With regard to oil products, demand for industrial fuel would likely be strong, due to the continuing economic recovery. In addition, healthy demand for transportation fuels and petrochemicals was also expected.

US transport fuel demand was slated to return to its normal growth mode, but would remain a wild card in 2011 since it could also be negatively influenced by factors such as the country's economic turbulence, state policies and retail petroleum product prices.

"It is anticipated that any further delay in the country's economic recovery will of course lead to a downward revision in total world oil demand. Other variables that might play an important role in next year's oil demand are retail product prices, taxes, and removal of retail price subsidies worldwide, which will lead to a moderate oil demand recovery," maintained the report.

World oil demand was projected to continue rising during the second half of 2010 with growth of 1.05m b/d y-o-y, averaging 86.6m b/d in 2011.

World oil supply

Preliminary figures indicate that global oil supply increased by 810,000 b/d in July to average 86.36m b/d. Non-OPEC supply experienced growth of 690,000 b/d, while OPEC crude production increased by 120,000 b/d.

The share of OPEC crude oil in global production remained steady at 34 per cent in July. The estimate was based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

"... global oil supply increased by 810,000 b/d in July to average 86.36m b/d."

Meanwhile, non-OPEC oil supply in 2010 was forecast to grow by 790,000 b/d over the previous year to average 51.92m b/d. The projected increase represented an upward revision of 60,000 b/d, compared with the previous month.

On a quarterly basis, non-OPEC supply this year was expected to stand at 52.18m b/d, 52.06m b/d, 51.56m b/d and 51.91m b/d, respectively.

Total oil supply from the OECD was forecast to remain relatively steady with a decline of 20,000 b/d from the previous year to average 19.61m b/d in 2010, broadly unchanged from the previous month.

The forecast for the US and Norway encountered upward revisions, while supply projections for the UK, Mexico and Australia were adjusted downwards.

On a quarterly basis, OECD oil supply in 2010 was expected to average 19.94m b/d, 19.68m b/d, 19.29m b/d and 19.56m b/d, respectively.

North America's oil supply was slated to average 14.54m b/d in 2010, an increase of 250,000 b/d over the previous year. The supply forecast indicated an upward revision of around 60,000 b/d, compared with the previous month. The upward revision came from the US, while the Mexico supply estimate encountered a downward revision.

North America's supply forecast remained broadly unchanged with the US leading growth, in addition to a minor increase from Canada, while Mexico supply was seen to decline.

On a quarterly basis, North America's oil supply in 2010 was estimated to stand at 14.64m b/d, 14.70m b/d, 14.40m b/d and 14.42m b/d, respectively.

"While the effect of the deepwater moratorium remains a major uncertainty factor for US oil supply in both the short and medium term, the healthy level of production, based on preliminary data in the second quarter and July, necessitated an upward revision to the forecast," the report observed.

US oil supply was foreseen to average 8.37m b/d in 2010, representing growth of 300,000 b/d over the previous year and an upward revision of 80,000 b/d from a month earlier.

On a quarterly basis, US oil supply this year was expected to average 8.44m b/d, 8.46m b/d, 8.27m b/d and 8.30m b/d, respectively. According to preliminary data, US oil supply in July stood at 8.46m b/d.

Canada's oil supply was seen to average 3.26m b/d in 2010, representing limited growth of 20,000 b/d over the previous year.

Growth was supported mainly by oil sands developments, while conventional oil production was expected to decline.

On a quarterly basis, Canada's oil supply this year was predicted to average 3.21m b/d, 3.27m b/d, 3.24m b/d and 3.30m b/d, respectively.

Mexico's oil supply was forecast to average 2.92m b/d in 2010, a decline of 60,000 b/d over the previous year and a downward revision of 20,000 b/d from a month earlier.

On a quarterly basis, Mexico's oil supply this year was expected to average 2.99m b/d, 2.97m b/d, 2.88m b/d and 2.82m b/d, respectively.

Total OECD Western Europe oil supply was expected to drop by 270,000 b/d from 2009 to average 4.44m b/d in 2010, flat from the previous month's assessment.

On a quarterly basis, supply from this region in 2010 was expected to stand at 4.68m b/d, 4.37m b/d, 4.25m b/d and 4.47m b/d, respectively

Norway's oil supply was foreseen to decline by 150,000 b/d over 2009 to average 2.20m b/d in 2010, representing an upward revision of 10,000 b/d from the previous month.

On a quarterly basis, Norway's supply in 2010 was expected to average 2.31m b/d, 2.10m b/d, 2.11m b/d and 2.27m b/d, respectively.

The UK's oil supply was seen to decrease by 100,000 b/d over 2009 to average 1.38m b/d in 2010, representing a downward revision of less than 10,000 b/d from the previous month.

On a quarterly basis, UK oil supply in 2010 was seen to stand at 1.51m b/d, 1.38m b/d, 1.28m b/d and 1.34m b/d, respectively.

The OECD Pacific's oil supply was slated to average 630,000 b/d in 2010, flat compared with 2009 and indicating a downward revision of 20,000 b/d from the previous month.

On a quarterly basis, total oil supply from the OECD Pacific in 2010 was estimated to average 610,000 b/d, 610,000 b/d, 640,000 b/d and 670,000 b/d, respectively.

Australia's oil supply was projected to remain relatively flat in 2010, compared with 2009, with a decline of 10,000 b/d to average 530,000 b/d.

On a quarterly basis, Australia's oil supply in 2010 was expected to stand at 510,000 b/d, 510,000 b/d, 540,000 b/d and 570,000 b/d, respectively.

The group of Developing Countries oil supply was expected to average 12.87m b/d in 2010, representing growth of 320,000 b/d over 2009 and indicating an upward revision of 10,000 b/d from the previous month's report.

Latin America and the Middle East remained the only two regions with forecast growth, while Other Asia and Africa were now projected to experience minor declines.

Latin America remained the region with the highest anticipated growth in supply among all non-OPEC regions, supported by both Brazil and Colombia.

On a quarterly basis, total oil supply from the Developing Countries in 2010 was seen to average 12.88m b/d, 12.91m b/d, 12.83m b/d and 12.87m b/d, respectively.

Malaysia's oil supply was forecast to average 690,000 b/d in 2010, a decline of 40,000 b/d from 2009 and a downward revision of less than 10,000 b/d from the previous month.

On a quarterly basis, Other Asia's oil supply was expected to stand at 3.73m b/d, 3.70m b/d, 3.68m b/d and 3.68m b/d, respectively.

Latin America's oil supply was forecast to increase by 300,000 b/d over 2009 to average 4.71m b/d in 2010, steady from a month earlier.

Brazil's oil supply was anticipated to increase by 210,000 b/d over 2009 to average 2.72m b/d in 2010, while Colombia's oil supply was expected to average 790,000 b/d in 2010, representing growth of 100,000 b/d over 2009, flat from the previous month.

On a quarterly basis, Latin America's oil supply in 2010 was expected to stand at 4.64m b/d, 4.71m b/d, 4.71m b/d and 4.77m b/d, respectively.

The Middle East's oil supply was projected to increase by 30,000 b/d over 2009 to average 1.75m b/d in 2010, representing an upward revision of 10,000 b/d over the previous month.

Despite the revision, the supply profile in the Middle East remained relatively unchanged with Oman the only country forecast to grow, while Yemen and Syria were expected to see declines.

Oil supply from Yemen was forecast to average 280,000 b/d in 2010, a decline of 20,000 b/d over 2009 and an upward revision of 10,000 b/d from the previous month.

On a quarterly basis, the Middle East's oil supply in 2010 was seen to average 1.77m b/d, 1.78m b/d, 1.74m b/d and 1.73m b/d, respectively.

Africa's oil supply was foreseen to remain relatively flat over 2009 to average 2.71m b/d in 2010, a decline of 10,000 b/d, indicating an upward revision of 40,000 b/d from the previous month.

Egypt's oil supply experienced the highest upward revision in Africa, mainly on the back of historical data updates. The country's oil supply was expected to remain flat in 2010 from 2009, averaging 710,000 b/d.

On a quarterly basis, total oil supply from Africa in 2010 was estimated to average 2.74m b/d, 2.72m b/d, 2.69m b/d and 2.69m b/d, respectively.

The FSU's oil supply was projected to increase by 250,000 b/d over 2009 to average 13.20m b/d in 2010, unchanged from the previous month's estimate.

Preliminary data put FSU oil supply at 13.16m b/d in the second quarter, representing growth of 230,000 b/d over the same quarter a year earlier.

On a quarterly basis, total oil supply in the FSU in 2010 was foreseen to average 13.12m b/d, 13.16m b/d, 13.22m b/d and 13.32m b/d, respectively.

Preliminary data indicated that Russia's oil supply reached a new record high in July, supported by increased production, not only from new fields, but from existing ones.

The continued strong performance required an upward revision to the supply forecast. Russia's oil supply was projected to increase by 140,000 b/d to average 10.07m b/d in 2010, indicating an upward revision of 20,000 b/d over the previous month.

Compared with the previous year, Russia's oil supply saw an increase of 280,000 b/d in the first half of 2010.

On a quarterly basis, Russia's oil supply in 2010 was seen averaging 10.09m b/d, 10.12m b/d, 10.05m b/d and 10.01m b/d, respectively.

Kazakhstan's oil supply was forecast to increase by 70,000 b/d over 2009 to average 1.60m b/d in 2010, unchanged from the previous month.

Quarterly supply figures were estimated at 1.61m b/d, 1.56m b/d, 1.59m b/d and 1.65m b/d, respectively.

"Latin America's oil supply was forecast to increase by 300,000 b/d over 2009 to average 4.71m b/d in 2010."

Azeri oil supply was anticipated to increase by 40,000 b/d over a year ago to average 1.10m b/d in 2010, representing a downward revision of less than 10,000 b/d over the previous month.

The quarterly forecast for 2010 was put at 1.01m b/d, 1.06m b/d, 1.13m b/d, and 1.19m b/d, respectively.

FSU Others' oil supply was forecast to remain steady in 2010 over a year earlier, averaging 440,000 b/d, representing a downward revision of 10,000 b/d from the previous month.

Oil supply from China was anticipated to average 4.02m b/d in 2010, showing growth of 170,000 b/d over the previous year and indicating an upward revision of 20,000 b/d, compared with the previous month's evaluation.

The upward revision came on the back of better-than-expected output in the second quarter.

"China's oil supply continues to be strong, compared with a year earlier, supported by new and existing fields. During the first half of the year, supply from the Changqing and Henan fields indicated healthy growth," noted the report.

China's oil supply in the first half of year increased significantly by 230,000 b/d.

On a quarterly basis, China's oil supply in 2010 was estimated to stand at 4.02m b/d, 4.09m b/d, 4.00m b/d and 3.96m b/d, respectively.

Turning to 2011, the report said that non-OPEC supply was projected to grow by 350,000 b/d to average 52.27m b/d.

Although the growth remained broadly unchanged, the total level saw an upward revision of almost 100,000 b/d over the previous forecast.

On a quarterly basis, non-OPEC supply in 2011 was expected to average 52.18m b/d, 52.06m b/d, 52.09m b/d and 52.74m b/d, respectively.

Oil supply forecasts for the US, Norway, the UK, Russia and China experienced some upward revisions in 2011, while downward revisions were encountered in the supply forecasts of Canada, Australia, Malaysia, Trinidad and Tobago, Kazakhstan and Azerbaijan.

The US oil supply forecast continued to show a decline of 20,000 b/d in 2011 from the previous year, yet the introduced upward revision in 2010 was carried over and the level of anticipated production increased, while the annual decline remained relatively unchanged.

OPEC oil production

Total OPEC crude oil production averaged 29.20m b/d in July, up by 120,000 b/d from the previous month, according to secondary sources.

Output saw a considerable increase from Nigeria and Saudi Arabia, while production fell in Angola.

According to secondary sources, OPEC crude production, not including Iraq, stood at 26.86m b/d in July, an increase of 140,000 b/d over the previous month.

Output of OPEC NGLs and non-conventional oils in 2010 was expected to increase by 490,000 b/d over the previous year to average 4.84m b/d.

In 2011, production of OPEC NGLs and non-conventional oils was forecast to grow by 530,000 b/d to average 5.36m b/d.

Refinery activity

Looking downstream, the OPEC report stated that the driving season in the US produced the highest gasoline demand in July since the summer of 2007. This encouraged refiners to increase utilization rates to 90.7 per cent, the highest level in the last two years. However, a saturated global market and limited arbitrage opportunities resulted in an increase in gasoline and middle distillate stocks.

"Uncertainties in the pace of economic growth, product stock-builds and high global spare refining capacity combined to create a bearish perception in the product markets. Fuel oil was the only exception, providing some support to margins due to driving demand in Asia as well as bunkering and power generation, and thus avoiding a deeper drop in margins," it noted.

"The persisting situation in the product markets could change with an improvement in economic indicators and the potential for hurricane disruptions. Run cuts by refiners seeking to balance the market could provide a further supportive factor."

Refining margins for WTI crude oil on the US Gulf Coast lost the ground that was gained earlier in the year, dropping to $5.25/b in July from $7.10/b the previous month.

In Europe, the refining industry reduced crude runs in an effort to protect margins; however, margins for Brent crude in Rotterdam fell to $2.37/b from $3.83/b in June.

In Asia, naphtha sentiment was bearish, due to an oversupplied market and weak demand. This exerted pressure on refining margins, which could not be compensated by the healthy fuel oil market. Refining margins for Dubai crude oil in Singapore fell by $2.24/b to $1.73/b in July, from $3.97/b in June.

"Looking ahead, the market is expected to remain bearish on continued ample distillate and gasoline stocks across the globe, the end of the refinery maintenance season in China and projected low risk of supply disruptions by hurricanes in the US," commented the report.

Refinery utilization rates in the US continued the increase that began in January, adding two per cent to reach 90.7 per cent in July, the highest refining level in the last two years.

European refiners have been cautious about increasing their utilization rates in an effort to protect margins; however the objective was only partially achieved, due to the pressure of a higher Brent price and higher distillate exports from Russia.

According to preliminary data, European refinery utilization rates fell by one per cent in July to 83.8 per cent from 84.8 per cent in June.

In Asia, with the completion of seasonal maintenance, refinery throughputs increased. Japanese refinery utilization rates rose to 73 per cent in July, while China lifted rates to 88 per cent from 82 per cent in June.

"Looking ahead, with the end of the maintenance season and despite being in the peak driving season, refining operations are not expected to increase significantly," the report observed.

Higher demand during the peak of the driving season was balanced out by output as the earlier healthy margins encouraged refiners to boost their throughputs.

According to the Energy Information Administration (EIA), US gasoline demand rose to over 9.4m b/d in July — the highest level since the summer of 1997.

However, refinery runs were also at the highest level of over 90 per cent. Following these developments, the gasoline crack spread in the US Gulf Coast fell from $14/b in June to $12.8/b in July.

Middle distillate demand in the US slowed to 3.58m b/d in July from 3.77m b/d a month earlier and higher refinery runs — amid mild tropical storm Bonnie and limited arbitrage to Europe due to higher freight costs — increased distillate stocks, exerting pressure on market sentiment.

The US gasoil crack on the Gulf Coast fell to below $6/b in the latter part of July from about $10/b in June.

Fuel oil cracks got some support from regional demand and trading opportunities to Singapore. However, they were influenced by the outright price of crudes on the US Gulf

Coast and dropped to around minus $7.5/b in July from minus $7.0/b the month before.

In July, the anaemic recovery in the gasoline market collapsed amid weak local demand and limited arbitrage opportunities as gasoline stocks in the US were reported to be at their highest seasonal level since 2001.

The gasoline crack spread against Brent crude oil in Rotterdam dropped to $11.5/b on average in July from $14.3/b the previous month.

"Given the current market situation and the high stocks in the Atlantic basin, gasoline market sentiment may be further undermined over the coming months," the report warned.

The European naphtha market remained under pressure, due to oversupply in the Asia-Pacific and Europe.

"With the persisting sluggish economic recovery, it appears the European naphtha market, will remain weak in the next months."

Supply restraints by European refiners were not able to provide support for distillate markets, given the sharp uptick in Russian exports. The gasoil crack spread against Brent crude at Rotterdam dropped to $10/b in July from $13/b in June.

"High stock levels and increasing exports, mainly from Russia, could continue to exert pressure on the European distillate market next month," the report said.

Jet fuel demand increased at a seasonal peak; however, imports from Asia and the Middle East continued to weigh on sentiment, causing differentials to drop.

European high sulphur fuel oil market conditions improved, compared with the previous month, supported by open arbitrage to the Asia-Pacific. The low sulphur fuel oil market performance was also better in July, supported by regional demand. The low sulphur fuel oil crack spread against Brent gained $1/b in July to stand at minus $4.5/b.

"Climate conditions and higher arbitrage flows may lend more support to the European fuel oil market next month," the report said.

Asian naphtha market sentiment was further undermined in the month under review. A supply overhang and limited demand for naphtha crackers exerted pressure on prices. Asian naphtha prices fell to their lowest levels in the last nine months, causing traders to look for other markets, with an unusual arbitrage to the US becoming an option.

Asian gasoline market sentiment was somewhat bullish, supported by higher demand from India, Indonesia and Vietnam; however, some pressure came from naphtha oversupply.

The gasoline crack spread against Dubai crude oil in Singapore remained at around $8/b in the last weeks of July, a similar value as seen in the same period a month earlier.

"With refineries returning to normal operation following the completion of maintenance and the oversupply of naphtha, Asian gasoline output is expected to outpace regional demand and to exert pressure on gasoline prices," the report observed.

The gasoil market was relatively strong amid higher regional demand from India and Vietnam and tight supplies because of strong demand for power generation. The gasoil crack spread in Singapore against Dubai remained unchanged from the previous month at around $14/b in the latter part of July.

The high sulphur fuel oil crack spread in Singapore against Dubai crude jumped from minus $5/b in the last week of June to minus $3/b in the last weeks of July.

"Looking ahead, due to the possibility of substitution of natural gas for fuel oil at power plants and more arbitrage flows from the west, as a result of high refinery runs, the Asian fuel oil market is expected to come under pressure and be slightly bullish," the report stated.

Oil trade

According to preliminary data, US crude oil imports averaged 9.97m b/d in July, up by 3.1 per cent from the month before and 9.6 per cent higher than the same month a year earlier.

Most of the increase came in the week ending July 23 when US crude oil imports hit a six-year high of 11.15m b/d, contributing to an unexpected build in stocks.

"The high level of crude oil imports was supported by increased refinery runs, resulting in higher motor gasoline inventories, despite the peak-demand summer driving season," the report pointed out.

During the first seven months of the year, US crude oil imports averaged 9.35m b/d, an increase of 1.3 per cent over the same period in 2009. During the year, US crude oil imports experienced mixed patterns as declines in May, April and June kept the annual increase moderate.

"US crude oil imports averaged 9.97m b/d in July, up by 3.1 per cent from the month before and 9.6 per cent higher than the same month a year earlier."

US product imports rose by 139,000 b/d m-o-m to 2.56m b/d in July. The increase was led by gasoline, but was offset by other non-traditional products that saw import decreases.

From January to July, US product imports averaged 2.54m b/d, down by 14.5 per cent from the same period last year.

Gasoline imports experienced significant growth of 207,800 b/d in July m-o-m, to stand at 1.13m b/d, reflecting increased domestic demand during the summer season.

Jet fuel imports rose by 27.8 per cent to 81,200 b/d, due to strong aviation demand in July. US fuel oil imports grew to 529,400 b/d as a result of higher refining activities. The rest of the product imports experienced a decline on a monthly basis.

US oil product exports in July increased by 8.14 per cent to 2.06m b/d, reflecting higher refining activities, as well as stronger external demand. Most of the increase could be attributed to fuel oil exports to Asian refineries. Fuel oil exports increased by 142,300 b/d to 1.1m b/d, while product exports also experienced growth over the previous month.

In the first seven months of the year, US product exports averaged 2.08m b/d, up by 7.2 per cent from the same period last year.

As a result, US crude oil and product net imports averaged 10.44m b/d in July, up by 2.75 per cent from June and ten per cent higher than in the same month last year.

Net crude oil imports were 296,000 b/d higher than in June, reaching 9.94m b/d. Net product imports averaged 497,000 b/d, a drop of 3.11 per cent from the previous month.

According to the latest data, US crude oil imports from OPEC Member Countries averaged 4.7m b/d in May, 6.4 per cent down from April, but 19 per cent higher than in May 2009.

Canada remained the top supplier of crude to the US in May with 2.0m b/d, 6.1 per cent higher m-o-m. Mexico rose to second place, surpassing Saudi Arabia with crude deliveries that amounted to 1.29m b/d, an increase of 13.8 per cent over April. Saudi Arabia's exports to the US decreased by 12.2 per cent to 1.09m b/d. Venezuela, Nigeria, Angola and Iraq were next on the list with deliveries of 1.01m b/d, 1.0m b/d, 423,000 b/d and 394,000 b/d, respectively.

"During the first half of the year, Japanese crude oil imports averaged 3.73m b/d, 1.2 per cent up from the same period last year."

Canada also remained the top oil product supplier to the US in May, with deliveries averaging 530,000 b/d, down 12.1 per cent m-o-m. Russia's product exports to the US increased by 62,000 b/d to 361,000 b/d, while product supplies from the Virgin Islands declined by 38.9 per cent to 193,000 b/d.

Algeria continued as the top oil product supplier to the US among OPEC Member Countries, maintaining fourth place on the general list with deliveries of 166,000 b/d, a decline of 3.5 per cent m-o-m. OPEC product exports to the US in May stood at 335,000 b/d, down 71,000 b/d from April.

Ecuador was the top importer of oil products from the US among OPEC Member Countries. It imported 75,000 b/d of products in May, an increase of 23 per cent over a month earlier, while Venezuela imported 17,000 b/d and Qatar 3,000 b/d.

Japan's crude oil imports dropped in June to their lowest level since 2000, reaching 3.19m b/d and representing a 7.9 per cent drop from May and 1.5 per cent less than a year ago, according to preliminary official data.

"The drop underscores the continued decrease in domestic demand, as well as the strong refinery maintenance season. An important increase in Japan's crude oil imports is expected during July and August after the heavy maintenance season ends," the report stated.

During the first half of the year, Japanese crude oil imports averaged 3.73m b/d, 1.2 per cent up from the same period last year. The decrease in February and June mostly offset the increases recorded in the other months.

OPEC crude oil deliveries to Japan dropped by 9.4 per cent m-o-m in June to 2.63m b/d. Most of the decrease came from the UAE with 153,700 b/d, compared with a month earlier.

Despite a 4.23 per cent monthly drop in imports from Saudi Arabia, the Kingdom remained Japan's top crude oil supplier with deliveries of 982,000 b/d. The UAE continued in second place with 616,000 b/d, followed by Qatar (437,000 b/d) and Iran (307,000 b/d). Qatar's deliveries were the only ones showing growth over the previous month, supplying 18.1 per cent more oil to Japan than a month earlier.

During the first half of the year, five OPEC Member Countries were the top suppliers to Japan. Saudi Arabia supplied 1.09m b/d, down by 0.7 per cent from the same period last year. The UAE and Qatar, with 771,800 b/d and 457,800 b/d were next, with both experiencing a small increase in their deliveries to Japan.

Average crude imports from Iran and Kuwait decreased by 17 per cent and 21.4 per cent, respectively.

Russia, the sixth top supplier during the first six months of the year, exported 44.9 per cent more oil to Japan than in the same period last year, with deliveries reaching 211,600 b/d.

Oman's oil deliveries also showed significant growth during the first half, jumping from 72,600 b/d to 136,700 b/d y-o-y.

Japan's oil product imports in June fell by 4.9 per cent to 981,000 b/d, but were up 14.5 per cent from the same month last year. The decreasing trend was partly the consequence of weak domestic demand, which was also reflected in higher product exports.

In the January to June period, Japanese oil product imports averaged 946,700 b/d, up by 16.3 per cent from the same period last year.

Gasoline imports decreased in the month by 39.3 per cent to 22,000 b/d, as exports rose by 8.5 per cent to 29,000 b/d, reflecting fragile domestic demand.

Diesel imports improved by 3,300 b/d to 11,000 b/d and exports grew by 28.4 per cent to 173,000 b/d as a result of increasing demand in Asia and high international prices.

Japan's June naphtha imports dropped to 430,000 b/d from 495,000 b/d in May, partly due to lower refining runs. Fuel oil imports and exports were also impacted by poor refining activities. Fuel oil imports declined by 28.7 per cent to 42,000 b/d, while exports fell by 1.7 per cent to 138,000 b/d.

The country's LPG imports grew by 10.2 per cent in June to 472,000 b/d as a result of poor refining activities and higher domestic demand.

Despite the decline in refinery runs, Japan's product exports increased by five per cent in June to 518,000 b/d. The gain was the consequence of fragile domestic demand, as well as an increase in international gasoline and diesel prices, which contributed considerably to the increase in total product exports.

As a result, Japan's net oil imports in June stood at 3.65m b/d, representing a decrease of 347,000 b/d, or 8.7 per cent, over the previous month and 196,000 b/d, or 5.7 per cent, higher than in the same month last year.

During the first half of the year, Japan's net oil imports averaged 4.17m b/d, 5.3 per cent higher than in the same period last year.

China imported a record 5.44m b/d of crude oil in June, breaking the previous record of 5.17m b/d set in April. This represented an increase of 29 per cent over the previous month and 34.1 per cent over a year ago.

"The growing appetite for crude oil in the country reflects the increased refining capacity, as well as bigger strategic stockpiles," the report observed.

For the first half of the year, China's crude oil imports averaged 4.78m b/d, up by 30 per cent from the same period last year.

China imported 1.09m b/d of oil products in June, down by 8.9 per cent from the same month last year, but 6.7 per cent more than in the previous month, while product exports reached 626,000 b/d, representing a 9.2 per cent drop from a year ago.

Year-to-date, China's oil product imports decreased by 9.4 per cent to average 982,000 b/d as a result of higher refinery runs.

Fuel oil imports in China increased by 16 per cent in June to 566,600 b/d. The growth in fuel oil demand was mostly due to expanding bunker markets, in combination with increased demand from independent refineries. Strong demand for bitumen also contributed to the increase.

Venezuela became the top supplier of fuel oil to China with a 22 per cent share of total imports. It was estimated that during July, fuel oil imports plunged, due to higher import costs.

In the first half of 2010, China's gasoline exports more than doubled — from 59,800 b/d to 124,350 b/d, as domestic production rose. Singapore was ranked the top importer of Chinese gasoline in the period. However, these flows were expected to drop, due to rising pump prices in Singapore.

China's diesel exports increased by 33 per cent to 96,790 b/d in the same period, while imports decreased by 12 per cent to 28,300 b/d. South Korea was the top supplier of gasoil in the first six months, while Russia was the leading supplier in June.

China's naphtha imports and exports rose sharply during the first half of the year, with imports increasing by 33.5 per cent to 51,260 b/d and exports rising by 361.9 per cent to 22,820 b/d. Nevertheless, June naphtha exports declined by 29.9 per cent and imports increased by 49.5 per cent from May.

China's jet fuel imports during the January to June period dropped by nine per cent from a year earlier to 89,500 b/d. The decline was attributable to a rise in kerosene output over the same period.

China's crude oil imports from OPEC Member Countries increased by 45.19 per cent in June m-o-m, representing the most important contribution to total crude oil imports.

Angola replaced Saudi Arabia as the top crude supplier to China, following an increase of 21.59 per cent in crude exports amounting to 912,770 b/d. Saudi Arabia's crude exports to China increased by 1.18 per cent m-o-m in June to 896,510 b/d.

China also saw a significant increase in crude imports from Venezuela, Iran, Kuwait and Nigeria, which more than doubled over the previous month. Libya was the only OPEC country with negative growth, as its exports to China declined by 36.82 per cent in June from the previous month.

Non-OPEC countries contributed only 39 per cent of total Chinese crude oil imports in June.

During the first six months of the year, OPEC's exports to China averaged 3.20m b/d, an increase of 45.15 per cent over the same period last year. OPEC supplied 56 per cent of total Chinese crude oil imports, and Angola surpassed Saudi Arabia as the top supplier of oil. Angola, Saudi Arabia and Iran were the three top suppliers of oil to China.

China's net oil imports in June stood at 5.88m b/d, indicating an impressive increase of 1.41m b/d, or 31.7 per cent, over the previous month. On an annual basis, China's net oil imports increased by 1.38m b/d, or 30.8 per cent. From January to June, the country's net oil imports averaged 5.04m b/d for a gain of 22.2 per cent over a year ago.

India's crude oil imports in June increased to 3.06m b/d, exceeding 3m b/d for the second time since May 2009 when crude oil imports stood at 3.18m b/d. India's crude oil imports expanded by 12.2 per cent over the previous month and 12.7 per cent over a year ago.

"The monthly increase in imports is partly attributed to increased domestic demand, as well as growth in refining runs, which offset strong domestic crude oil output during the year. The rise in imports also reflected an impressive increase in product exports," said the report.

During the first six months of the year,

"For the first half of the year, China's crude oil imports averaged 4.78m b/d, up by 30 per cent from the same period last year."

India's crude oil imports averaged 2.79m b/d, 1.4 per cent higher than in the same period last year. "This moderate increase is partly attributed to the rise in domestic production, as well as moderate product exports."

India's oil product exports surpassed 1m b/d to stand at 1.04m b/d in June to mark a new record high. The significant increase of 143 per cent over the previous month was attributed partly to the increasing run in private refineries. On an annual basis, product exports rose by 132 per cent.

Compared with the previous month, almost all product exports in June increased, led by gasoil exports, which rose from 64,960 b/d to 382,840 b/d, followed by gasoline, which increased by 139.5 per cent to 287,840 b/d. Naphtha exports also improved, recovering to April levels, to stand at 201,200 b/d after declining in May. Only fuel oil exports declined in June.

Indian oil product imports increased in June by 2.1 per cent to 417,700 b/d from the previous month. Diesel imports rose by 62,200 b/d m-o-m, while gasoline imports increased by 67.9 per cent to 32,320 b/d. LPG imports increased to 79,550 b/d.

"The growth in oil product imports, despite strong refinery output, was due mostly to private refineries exporting their products without much impact on the domestic market," the report noted.

Naphtha, kerosene and fuel oil imports declined to 24,860 b/d, 14,920 b/d and 12,430 b/d, respectively. The import of these products decreased partly due to the rise in domestic production.

In the first half of the year, India's oil product imports averaged 335,000 b/d, a drop of 7.4 per cent from the same period last year, while product exports decreased by 11.3 per cent y-o-y to stand at 587,000 b/d.

India's net crude imports dropped to 2.44m b/d in June, down by 9.9 per cent from May and 2.6 per cent lower than a year ago. Net products imports plunged, reflecting the significant increase in product exports.

FSU crude oil exports fell by four per cent in June from the previous month to around 6.73m b/d. The decline reflected a significant drop in Black Sea Urals loadings and lower exports along the Baku-Tbilisi-Ceyhan (BTC) and Caspian Pipeline Consortium (CPC) routes.

"During the first half of the year, FSU crude exports amounted to 6.79m b/d, up by 2.3 per cent from the same period last year."

During the first half of the year, FSU crude exports amounted to 6.79m b/d, up by 2.3 per cent from the same period last year.

Pipeline exports of Russian crude oil to CIS destinations were up by 61,000 b/d to 523,000 b/d in June.

Overall oil product exports from the FSU declined by 9.4 per cent m-o-m in June to 2.81m b/d. The export of all products was down, despite increased activity along the FSU's river system, due to higher water levels than in previous years.

"The expectation of a reduction in Russian export duties in July is the main reason for the decline, as exporters stored the product and decided to wait until July, which they hope would boost the profitability of shipments outside the country," the report stated.

The FSU's gasoline exports declined by 29.1 per cent in June, becoming the strongest contributor to the decline in total oil product exports, while fuel oil and gasoil decreased by 6.1 per cent and 6.7 per cent, respectively.

During the first half of the year, overall oil product exports from the FSU reached 6.80m b/d, an increase of 1.2 per cent over the same period last year. Gasoil exports in the same period rose by 4.2 per cent to 934,000 b/d.

Stock movements

Concerning stock movements, US commercial oil inventories at the end of July continued their upward trend for the fourth consecutive month, increasing strongly by 23.4m b and accumulating nearly 60m b over the period.

At 1,124.9m b, US commercial stocks were at their highest level since August 2009. With the build, the surplus with the five-year average widened to 102m b, from 87m b the previous month. All the build came from oil products which increased by 23.6m b, while crude oil inventories experienced a small draw of 200,000 b.

At 358.0m b, crude oil stocks remained at very comfortable levels, representing an overhang of 43m b, or 14 per cent, above the five-year average and 13m b, or 3.6 per cent, above a year ago.

"It is worth noting than during the week ending July 23, crude oil stocks were above 360m b, increasing by more than 7m b above the previous week, driven by strong imports, which averaged 11.5m b/d," observed the report.

During July, US crude imports averaged nearly 10.0m b/d, almost 300,000 b/d higher than in the previous month.

At the same time, crude oil inputs to refiners increased by almost the same amount to 15.58m b/d, leaving crude stocks broadly unchanged. At the end of July, crude oil stocks in Cushing reached 37.7m b, bringing inventories close to the record levels seen two months ago.

US oil product stocks rose significantly in July for the fourth consecutive month, ending the month at 766.9m b, the highest level since November 2009.

With the exception of fuel oil, all other products saw a build. Gasoline stocks rose by 3.5m b to 223.0m b. This rise came mainly from higher imports and increased output, as gasoline demand saw a minor increase, averaging 9.4m b/d. Gasoline stocks stood at 7.3 per cent above the seasonal norm and 3.5 per cent higher than a year ago.

Distillate stocks saw a considerable build of 10.0m b to 169.7m b, leaving them at very comfortable levels, around 30 per cent more than the average for the last five years. Higher utilization rates, combined with depressed demand, have helped to boost the overhang in distillate stocks.

Distillate demand declined by nearly 300,000 b/d in July to average 3.48m b/d. Overall, total stocks have reduced the deficit with a year ago to only 1.7 per cent, but widened the surplus with the five-year average to almost 60m b, or 8.4 per cent.

The latest data for US commercial oil stocks during the week ending August 6 showed a small increase of 140,000 b to stand at 1,125.0m b. The build was mainly driven by oil products as crude declined. In fact, US crude oil stocks fell by 3.0m b to 355.0m b, a drop that was larger than the market expected.

The draw in crude stocks could be attributed to a large decline in imports of 1.7m b/d to 9.4m b/d from the peak seen two weeks ago. The draw occurred despite a contraction in throughputs of just 500,000 b/d, which kept crude runs at over 15m b/d. Crude oil stocks stood 11.7 per cent above the five-year average.

Gasoline stocks posted a moderate build of 400,000 b/d to 223.4m b with a decline in demand outpacing lower domestic output. Stocks were 7.5 per cent above the seasonal norm. The rise of 3.5m b in distillate stocks was the second highest in over a year.

At 173.1m b/d, distillate stocks remained at very comfortable levels showing a surplus of 34.4 per cent with the historical average.

"This is matter of concern when the driving season is over and attention is shifted towards the distillate market," the report pointed out.

European total oil inventories (EU plus Norway) declined by 6.0m b to 1,139.7m b for the third consecutive month. Both crude and oil products indicated draws of 1.3m b and 4.7m b, respectively.

The draw narrowed the surplus with the seasonal norm from 14 per cent to only 1.3 per cent, although European stocks were seen at almost the same level as a year ago.

Crude stocks ended the month at 483.3m b, the lowest level since March. The draw could be attributed to lower supply in Europe, reflecting North Sea maintenance, which reduced Norwegian production.

The draw occurred despite lower crude runs, which fell by 170,000 b/d to average 11.1m b/d. At the end of July, crude oil stocks were almost in line with a year ago and the seasonal norm.

On the product side, lower refinery runs impacted all major products, indicating a stockdraw for six consecutive months. Despite the draw, total product stocks remained 2.1 per cent above the five-year average and were in line with the year-ago level.

Gasoline stocks saw the bulk of the draw, declining by 3.0m b to 108.6m b, representing a deficit of 14.5 per cent with the seasonal average and 2.7 per cent over the previous year.

"This draw could be attributed to lower refinery output, combined with stronger US demand, which boosted transatlantic trade. Weaker demand in Europe and expected higher throughputs will help gasoline stocks to move higher in the coming months," the report maintained.

Middle distillate inventories fell by 1.4m b to 403.5m b, almost 10m b, or 2.3 per cent, below the same month a year ago, but 10m b, or 7.3 per cent, above the five-year average. The draw could be attributed to stronger demand, especially in Germany, France and the UK.

Residual fuel stocks declined by less than 1m b in July to 110.1m b, despite the fall in demand, and remained higher than a year ago.

In Japan, commercial oil inventories reversed the increase observed over the last three months and declined by 200,000 b in June to end the month at 175.5m b. Commercial oil stocks stood 2.4m b, or 1.4 per cent, above a year ago and remained 5.2m b, or 2.9 per cent, below the five-year average.

Crude and total product inventories moved in opposite directions. Crude stocks saw a build of 3.5m b, while product inventories fell by 3.8m b.

At 104.6m b, Japanese crude oil inventories stood at their highest level since February 2009 to show a build for the fourth consecutive month, accumulating around 18m b over this period.

The build came as a result of a strong decline in crude throughput of 300,000 b/d to average 3.03m b/d. This corresponded to a refinery operations rate of 63.8 per cent, 5.8 per cent less than in the previous month and 1.3 per cent below a year ago.

The build in commercial crude stocks came despite lower crude imports, which decreased by 7.9 per cent compared with a month earlier and 1.5 per cent below a year ago.

With the build, Japanese crude oil inventories showed a surplus of 1.6 per cent for the first time since June 2009. However, the build helped to narrow the deficit with the previous year to 6.8 per cent from 7.6 per cent in May.

Japanese oil product inventories in June reversed the upward trend observed over the last two months, declining by 3.8m b to 70.8m b. The draw was mainly attributed to higher domestic demand, which increased by 4.2 per cent.

However, demand remained depressed compared with the previous year, decreasing by 4.7 per cent. A five per cent drop in refinery output, to an average of 2.89m b/d, also contributed to the draw in product inventories.

Total product stocks ended June 800,000 b, or 1.2 per cent, above a year ago and 2.4m b, or 3.5 per cent, above the five-year average.

All products saw a decline with the bulk of the drop coming from gasoline and distillates, which fell by 1.3m b and 1.1m b, respectively. Gasoline stocks ended the month at 14.4m b, reversing the build seen over the previous two months, driven by higher gasoline sales, which rose by two per cent.

However, Japan's gasoline inventories remained two per cent below the same period a year ago. Despite the draw, stocks were at a comfortable level, indicating a surplus of 2.3 per cent with a year ago and 11.1 per cent with the seasonal norm.

"European total oil inventories (EU plus Norway) declined by 6.0m b to 1,139.7m b for the third consecutive month."

Distillate stocks declined to 27.5m b, remaining 12.4 per cent below a year ago and five per cent lower than the five-year average. Within distillate components, gasoil stocks saw a drop of 1.6 per cent, while kerosene and jet fuel inventories rose by 1.5 per cent and 3.9 per cent, respectively.

The draw in gasoil stocks came as domestic sales rose by ten per cent, combined with a 40 per cent increase in imports.

Lower domestic sales — by six per cent — were behind the build in kerosene inventories.

Japan's fuel oil stocks fell by 1.0m b to 16.8 b after building for three consecutive months. Fuel oil A and fuel oil B.C declined by 3.1 per cent and 6.4 per cent, respectively. The drop in fuel oil A stocks could be attributed to the 9.4 per cent increase in domestic sales, while, in contrast, a 2.7 per cent drop in demand was behind the build in stocks of fuel oil B.C.

Naphtha stocks declined by 400,000 b to 12.1m b, driven by lower output and imports as they declined by 12.8 per cent and 5.8 per cent, respectively.

Preliminary weekly data from PAJ showed that Japan's total commercial oil stocks rose by 4.0m b to 179.4m b at the end of July, the highest level since March 2009.

The build was driven mainly by oil products, which increased by 3.4m b, and to a lesser extent by a 600,000 b build in crude.

Despite the build, Japanese oil stocks remained 3.5 per cent below the seasonal norm, but were 0.5 per cent above a year ago.

The build in crude oil stocks to 105.2m b was recorded despite a rise in refinery runs as seasonal maintenance came to a close.

"In the coming months, Japanese crude oil stocks could see a further build as some refiners are expected to process less crude amid projections of weak domestic demand," the report said.

At the end of July, Japan's crude oil inventories stood 0.8 per cent above the year-ago level, but remained 7.7 per cent below the seasonal norm.

"... Japan's total commercial oil stocks rose by 4.0m b to 179.4m b at the end of July, the highest level since March 2009."

Within products, a 1.1m b drop in gasoline was the exception, as all other products showed a build.

The bulk of the increase came from distillates, which rose by 2.5m b, followed by fuel oil, which increased by 1.2m b.

Japan's total oil product stocks in July remained in line with the previous year, but showed a surplus of 3.1 per cent with the five-year average.

In Singapore at the end of June, oil product stocks reversed the draw observed in the previous month to rise by 6.3m b to 49.01m b.

The build widened the surplus with a year ago to 11.2 per cent from 4.9 per cent a month earlier. All products saw a build with middle distillates seeing the bulk, increasing by 4.6m b, while light distillates and fuel oil both indicated a slight build of 900,000 b.

At nearly 16m b, middle distillate stocks rose to record levels, driven by a sharp increase in supply, as refiners came back from maintenance. The build pushed the surplus with a year ago to 17.1 per cent.

Light distillate inventories rose by 900,000 b to 11.42m b, remaining 3.3 per cent above a year ago in the same period. The build came on the back of higher imports to Singapore, which offset some exports to Indonesia.

Singapore's fuel oil stocks rose by the same amount to end the month at 21.97m b, as western arbitrage arrivals for June remained heavy. Fuel oil stocks stood 11.2 per cent above a year earlier.

Preliminary data for the end of July, based on weekly information, showed that product inventories in Singapore reversed the upward trend observed in the previous month, declining by nearly 2m b, leaving them 15 per cent above a year ago.

Light distillate and fuel oil stocks saw a drop of 600,000 b and 1.3m b, respectively, while middle distillates remained virtually unchanged.

At 10.78m b, light distillate stocks fell mainly due to lower Chinese exports on the back of stronger domestic demand. Fuel oil stocks fell to 20.63m b to reach a seven-week low. The drop could be attributed to lower exports from the Middle East, due to a tighter domestic market.

Oil product stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region at the end of June reversed the trend observed the previous month to rise by 340,000 b to 37.84m b.

With the build, ARA product stocks remained 4.5m b, or 13.4 per cent, above the year-ago level.

Within products, the picture was mixed; fuel oil and jet oil saw builds, while gasoline indicated a draw. Gasoil and naphtha stocks were virtually unchanged.

Gasoline inventories declined by 600,000 b to 7.7m b, mainly due to higher imports to the US amid the driving season.

Despite the draw, gasoline inventories remained with a comfortable surplus of 17 per cent over a year ago.

Fuel oil stocks rose by 500,000 b to 3.89m b, due to low Asian demand for European cargos. Fuel oil stocks were almost double the level seen at the same time the previous year.

Jet fuel oil stocks expanded by 300,000 b to 5.85m b, due to open arbitrage from the Middle East pushing the surplus with a year ago to 29 per cent. Gasoil stocks were barely changed at 17.6m b, still indicating a deficit of 5.6 per cent with a year ago.

Preliminary data for the end of July, based on weekly information, showed oil product stocks in ARA falling by 2.5m b to 35.4m b to stand almost in line with the previous year.

All products saw a draw with the bulk of the drop coming from fuel oil, whose stocks fell by 1.5m b to 3.9m b, mainly on higher exports.

Fuel oil stocks remained well above the level seen a year ago, indicating a surplus of 15 per cent. Gasoline stocks saw a slight drop to end the month at 7.7m b, or 26 per cent above a year earlier.

Gasoil stocks declined by 200,000 b to 17.6m b as exports to Germany and the UK outpaced imports coming from Russia and the US.

Table A: World crude oil demand/supply balance															m b/d
World demand	**2005**	**2006**	**2007**	**2008**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**
OECD	49.9	49.6	49.3	47.6	45.5	45.9	44.7	45.0	46.0	45.4	46.0	44.7	45.0	46.1	45.5
North America	25.6	25.4	25.5	24.2	23.3	23.6	23.5	23.6	23.8	23.6	23.9	23.6	23.8	24.0	23.8
Western Europe	15.7	15.7	15.5	15.4	14.5	14.1	13.8	14.2	14.3	14.1	14.0	13.7	14.0	14.2	14.0
Pacific	8.6	8.5	8.4	8.0	7.7	8.2	7.4	7.2	7.9	7.7	8.1	7.3	7.2	7.9	7.6
Developing countries	22.7	23.5	24.6	25.5	26.0	26.2	26.7	26.9	26.9	26.7	26.8	27.2	27.4	27.4	27.2
FSU	3.9	4.0	4.0	4.1	4.0	3.9	3.7	4.2	4.2	4.0	4.0	3.8	4.2	4.3	4.1
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	6.7	7.2	7.6	8.0	8.3	8.2	8.8	9.1	8.7	8.7	8.7	9.2	9.5	9.2	9.1
(a) Total world demand	**84.1**	**85.2**	**86.4**	**85.9**	**84.5**	**85.0**	**84.6**	**85.8**	**86.6**	**85.5**	**86.2**	**85.5**	**86.8**	**87.7**	**86.6**
Non-OPEC supply															
OECD	20.4	20.1	20.1	19.5	19.6	19.9	19.7	19.3	19.6	19.6	19.6	19.4	19.2	19.6	19.5
North America	14.1	14.2	14.3	13.9	14.3	14.6	14.7	14.4	14.4	14.5	14.5	14.5	14.5	14.7	14.5
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.2	4.5	4.4	4.5	4.3	4.1	4.3	4.3
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Developing countries	11.9	12.0	12.0	12.3	12.6	12.9	12.9	12.8	12.9	12.9	13.0	13.1	13.2	13.4	13.2
FSU	11.5	12.0	12.5	12.6	13.0	13.1	13.2	13.2	13.3	13.2	13.3	13.3	13.4	13.4	13.4
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	50.0	50.5	50.4	51.1	52.2	52.1	51.6	51.9	51.9	52.2	52.1	52.1	52.7	52.3
OPEC NGLS and non-conventionals	3.9	3.9	3.9	4.1	4.3	4.6	4.8	4.9	5.1	4.8	5.2	5.3	5.4	5.5	5.4
(b) Total non-OPEC supply and OPEC NGLS	**53.5**	**53.9**	**54.5**	**54.5**	**55.5**	**56.8**	**56.9**	**56.4**	**57.0**	**56.8**	**57.4**	**57.4**	**57.5**	**58.2**	**57.6**
OPEC crude supply and balance															
OPEC crude oil production[1]	30.7	30.5	30.2	31.2	28.7	29.2	29.1								
Total supply	84.2	84.4	84.6	85.7	84.2	86.0	86.0								
Balance[2]	0.1	-0.8	-1.8	-0.2	-0.3	0.9	1.4								
Stocks															
OECD closing stock level *m b*															
Commercial	2587	2668	2572	2697	2665	2682	2761								
SPR	1487	1499	1524	1527	1564	1567	1563								
Total	4073	4167	4096	4223	4229	4249	4324								
Oil-on-water	954	919	948	969	906	873	945								
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	59	60	61								
SPR	30	30	32	34	34	35	35								
Total	82	84	86	93	93	95	96								
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.2	9.4	9.0	9.1	9.2	9.3	9.6	9.2	9.2	9.3
[(a) — (b)]	**30.5**	**31.3**	**31.9**	**31.4**	**29.0**	**28.2**	**27.7**	**29.4**	**29.6**	**28.7**	**28.8**	**28.1**	**29.3**	**29.5**	**28.9**

1. *Secondary sources.*
2. *Stock change and miscellaneous.*

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 114 while* ***Graphs 1 and 2*** *on page 115 show the evolution on a weekly basis.* ***Tables 3 to 8*** *and the corresponding graphs on pages 116–117 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2009–10 $/b

	2009						2010							Weeks 26–30 (week ending)				
Crude/Member Country	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Jul 2**	**Jul 9**	**Jul 16**	**Jul 23**	**Jul 30**
Arab Light – Saudi Arabia	64.92	71.42	67.64	73.36	76.54	74.38	76.46	73.32	77.24	82.75	75.50	73.84	72.63	72.70	70.86	73.12	73.49	73.92
Basrah Light – Iraq	64.32	70.73	67.30	72.63	75.55	73.03	75.74	72.25	77.17	81.35	73.15	72.09	72.14	71.27	70.27	72.52	73.12	73.78
Bonny Light – Nigeria	66.31	73.84	68.74	74.41	77.96	75.68	77.39	75.04	80.40	86.14	76.87	76.00	77.04	75.41	74.78	77.26	78.16	79.37
Es Sider – SP Libyan AJ	64.51	72.89	67.44	72.71	76.61	74.23	76.14	73.59	78.85	84.49	74.87	73.65	74.84	73.12	72.58	75.06	75.96	77.17
Girassol – Angola	65.02	72.66	67.69	72.97	76.89	74.53	76.78	73.95	79.45	84.38	75.53	74.85	74.78	73.92	72.99	75.06	75.82	76.51
Iran Heavy – IR Iran	64.79	71.53	66.43	72.54	76.72	74.34	75.72	72.54	76.93	82.09	74.09	71.83	71.07	70.92	69.25	71.60	71.90	72.28
Kuwait Export – Kuwait	64.74	70.97	66.45	72.50	76.54	74.03	75.69	72.27	76.29	81.64	74.23	72.03	70.69	70.92	68.93	71.20	71.44	71.83
Marine – Qatar	65.31	72.02	68.44	73.61	77.78	75.36	77.07	73.91	77.35	83.62	76.58	73.97	72.54	72.90	70.80	73.07	73.29	73.58
Merey* – Venezuela	60.11	65.78	62.88	66.90	70.09	68.63	71.27	68.47	70.65	73.12	65.86	65.10	65.99	64.33	64.15	66.51	67.08	67.58
Murban – UAE	66.80	73.51	69.79	75.06	79.00	76.84	78.19	75.22	79.18	85.38	78.57	75.90	74.42	74.86	72.70	74.99	75.10	75.42
Oriente – Ecuador	58.10	65.26	63.67	68.57	70.05	68.93	72.94	69.38	72.11	75.45	68.62	69.19	68.72	67.91	67.04	69.04	69.96	70.26
Saharan Blend – Algeria	65.21	72.94	67.84	73.36	77.16	74.98	76.79	74.54	79.70	84.99	75.67	75.05	76.49	74.62	74.23	76.71	77.61	78.82
OPEC Reference Basket	**64.59**	**71.35**	**67.17**	**72.67**	**76.29**	**74.01**	**76.01**	**72.99**	**77.21**	**82.33**	**74.48**	**72.95**	**72.51**	**72.01**	**70.63**	**72.93**	**73.43**	**74.01**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2009–10 $/b

	2009						2010							Weeks 26–30 (week ending)				
Crude/country	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Jul 2**	**Jul 9**	**Jul 16**	**Jul 23**	**Jul 30**
Minas – Indonesia[1]	67.23	75.88	70.25	76.43	80.51	78.67	79.82	76.12	81.60	90.24	82.47	78.87	75.59	78.04	74.70	76.43	75.40	75.72
Arab Heavy – Saudi Arabia	64.80	71.03	66.16	72.35	76.72	74.00	75.60	71.98	75.87	81.13	73.72	71.19	69.59	70.04	67.87	70.12	70.28	70.65
Brega – SP Libyan AJ	65.31	73.24	67.79	73.06	76.96	74.58	76.49	73.84	79.10	84.89	75.37	74.35	75.49	73.80	73.23	75.71	76.61	77.82
Brent – North Sea	64.61	72.84	67.39	72.76	76.66	74.28	76.19	73.64	78.90	84.79	75.57	74.85	75.64	74.16	73.38	75.86	76.76	77.97
Dubai – UAE	64.82	71.36	67.74	73.15	77.69	75.42	76.69	73.40	77.31	83.59	76.49	73.99	72.49	72.93	70.81	73.01	73.13	73.52
Ekofisk – North Sea	65.55	73.36	68.31	73.71	77.56	75.24	77.39	74.48	79.71	85.59	75.96	76.15	76.75	75.67	74.70	77.29	77.96	78.38
Iran Light – IR Iran	64.93	72.64	67.55	72.86	76.72	73.87	75.62	72.87	77.70	82.70	73.21	73.13	73.39	72.44	71.47	73.78	74.71	74.94
Isthmus – Mexico	63.70	71.04	67.16	72.91	75.99	73.05	76.10	74.06	79.00	83.42	73.73	73.41	74.30	72.76	72.23	74.58	75.49	76.45
Oman – Oman	65.08	71.59	68.27	73.34	77.85	75.48	77.01	73.85	77.72	83.67	76.75	74.18	72.59	73.00	70.82	73.12	73.33	73.67
Suez Mix – Egypt	62.15	69.53	64.35	69.83	73.42	70.83	73.12	70.04	74.00	79.70	70.42	71.47	70.91	70.04	69.28	71.49	71.83	72.17
Tia Juana Light[2] – Venez.	62.68	69.83	66.22	71.74	74.85	71.81	74.66	72.87	77.50	81.67	72.04	71.65	72.74	71.09	70.71	73.02	73.90	74.84
Urals – Russia	64.85	72.27	67.09	72.67	76.32	73.88	76.09	72.84	77.04	82.51	74.10	74.37	73.80	72.93	72.13	74.39	74.77	75.05
WTI – North America	64.23	71.05	69.34	75.73	77.84	74.41	78.30	76.34	81.25	84.44	73.65	75.29	76.11	74.77	73.99	76.28	77.60	78.17

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

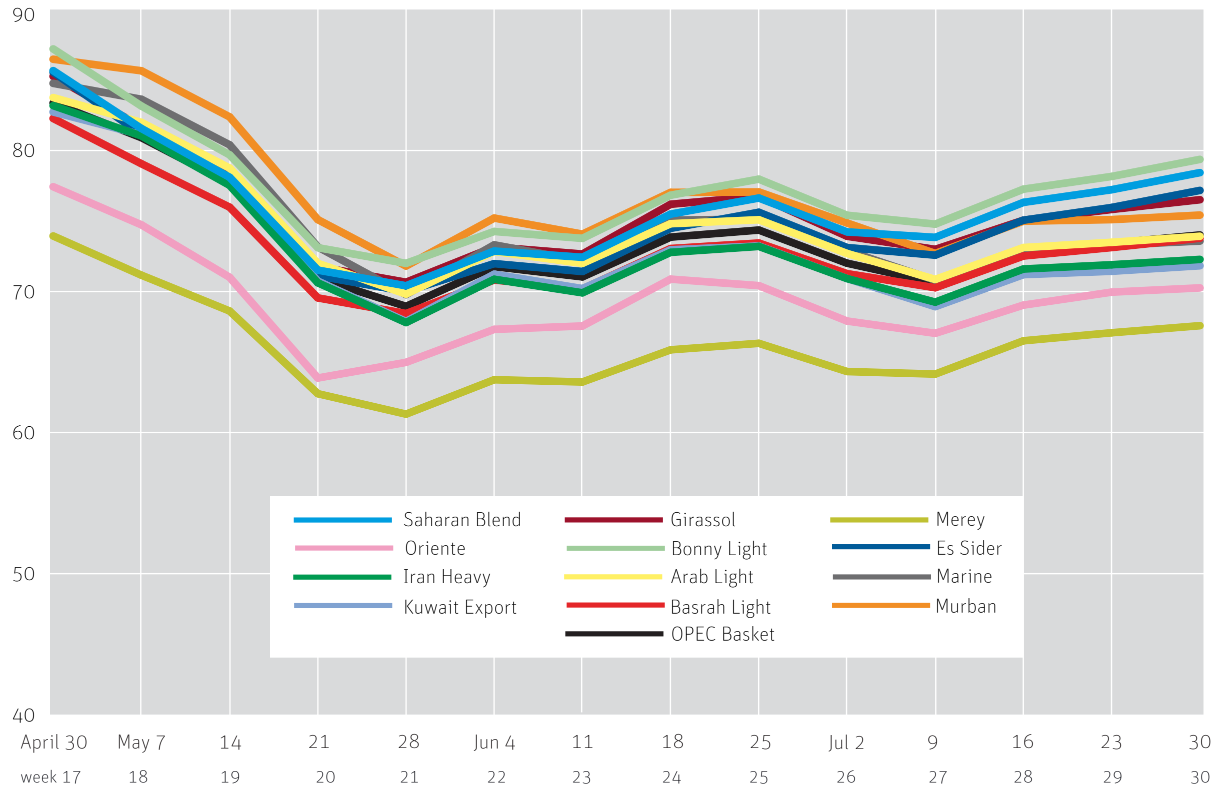
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

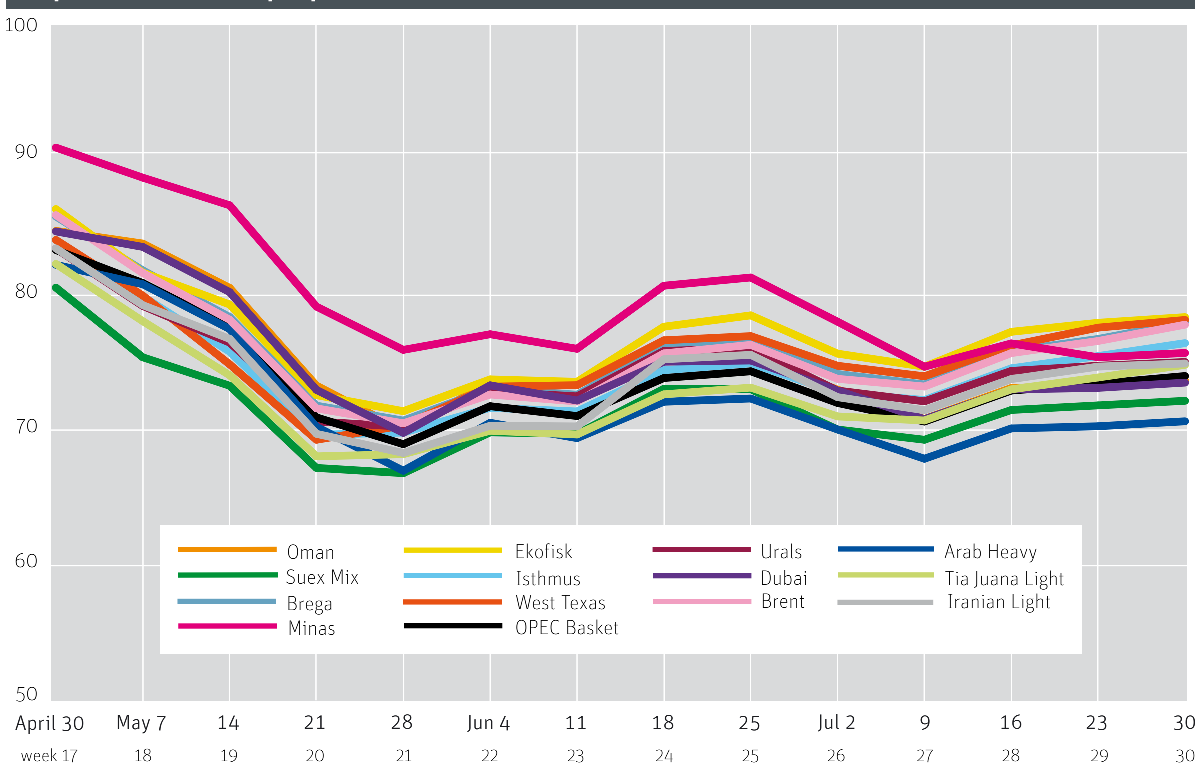
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket crudes, 2010 $/b



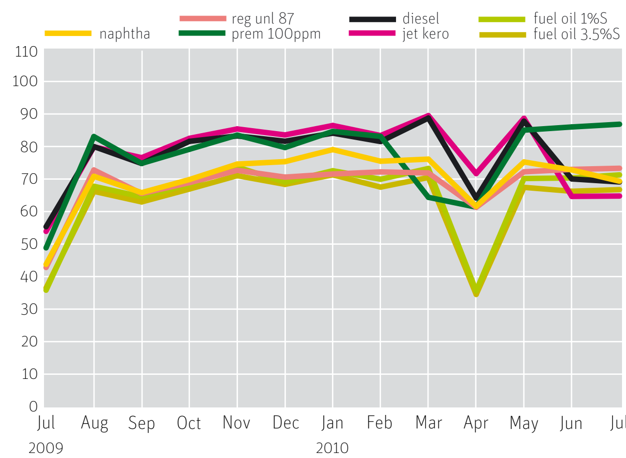
Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2010 $/b



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

Table and Graph 3: North European market — spot barges, fob Rotterdam $/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2009	July	43.75	42.79	48.83	55.32	53.89	35.81	36.50
	August	70.85	72.78	83.06	79.99	79.89	67.78	66.21
	September	65.82	65.55	74.81	74.77	76.57	64.52	62.96
	October	69.17	68.89	79.16	81.60	82.53	68.35	66.93
	November	74.60	72.67	83.50	83.25	85.40	73.68	71.03
	December	75.35	70.59	79.68	81.62	83.56	69.02	68.36
2010	January	79.05	71.54	84.65	84.11	86.46	72.55	71.29
	February	75.07	72.19	83.11	81.53	83.38	69.94	67.51
	March	80.82	71.87	92.38	88.75	89.50	73.25	70.47
	April	81.43	71.29	94.75	95.83	96.16	76.70	73.31
	May	75.25	72.22	85.03	87.79	88.68	70.16	67.44
	June	72.81	72.97	86.01	70.03	64.66	70.33	66.24
	July	69.33	73.31	86.85	69.10	64.77	71.28	66.74



Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

Table and Graph 4: South European market — spot cargoes, fob Italy $/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2009	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86
	September	64.30	22.77	29.66	64.92	63.10
	October	67.57	24.32	31.68	68.18	67.11
	November	72.83	26.21	34.15	72.97	71.00
	December	73.04	26.29	34.25	69.92	68.20
2010	January	76.30	27.10	35.18	72.10	70.82
	February	72.61	28.00	35.31	69.58	67.38
	March	78.63	27.55	35.24	72.39	68.79
	April	79.52	26.58	34.30	76.90	73.02
	May	73.26	89.27	89.27	69.78	66.58
	June	70.99	89.95	90.04	68.04	65.99
	July	66.56	89.97	90.70	70.62	65.61

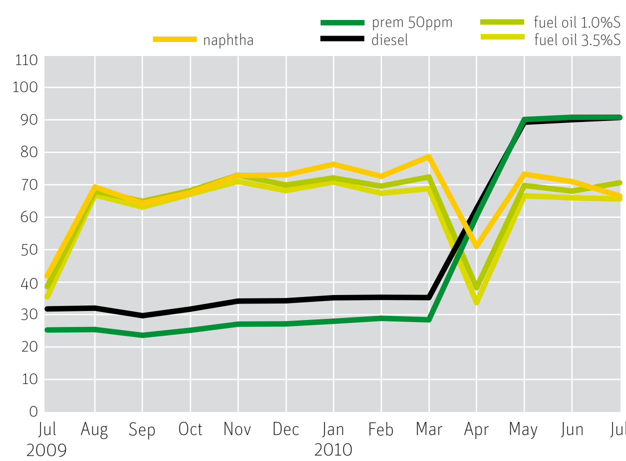
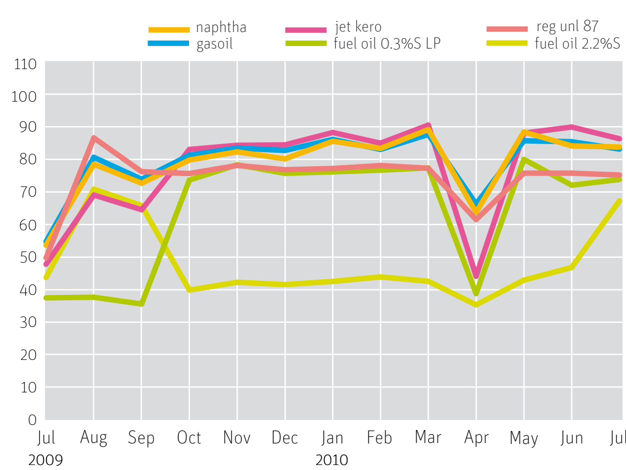


Table and Graph 5: US East Coast market — spot cargoes, New York $/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2009	July	70.12	49.78	53.68	54.79	47.82	37.52
	August	75.27	86.58	78.49	80.62	69.05	37.71
	September	68.97	76.22	72.67	73.89	64.55	35.63
	October	75.66	79.71	81.17	82.95	73.56	39.80
	November	78.12	82.30	83.42	84.31	78.34	42.29
	December	76.81	80.13	82.73	84.44	75.70	43.29
2010	January	77.68	85.54	86.11	88.23	76.17	42.67
	February	78.10	83.34	83.05	84.96	76.68	42.74
	March	77.27	89.13	87.63	90.51	77.38	42.16
	April	76.76	94.96	92.79	95.13	79.53	42.63
	May	75.77	88.39	85.69	88.03	80.00	42.95
	June	75.77	84.12	85.41	89.91	72.06	46.84
	July	75.19	83.78	83.14	86.31	73.83	67.26



Source: Platts. Prices are average of available days.

Table and Graph 6: Caribbean market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2009	July	46.49	15.95	54.21	31.66	29.92
	August	74.51	24.93	80.47	64.29	62.76
	September	68.22	23.20	74.72	60.96	59.45
	October	74.90	25.78	82.99	65.50	68.39
	November	77.85	26.46	84.70	70.04	68.39
	December	78.45	26.18	84.67	68.60	66.96
2010	January	82.37	27.12	87.67	70.31	68.83
	February	80.25	26.18	84.94	71.75	70.57
	March	85.40	27.63	89.96	74.99	73.99
	April	88.59	29.41	96.02	77.41	76.40
	May	81.08	27.03	88.07	70.78	69.65
	June	81.67	26.93	87.77	70.14	68.99
	July	79.60	26.29	86.41	70.51	69.36

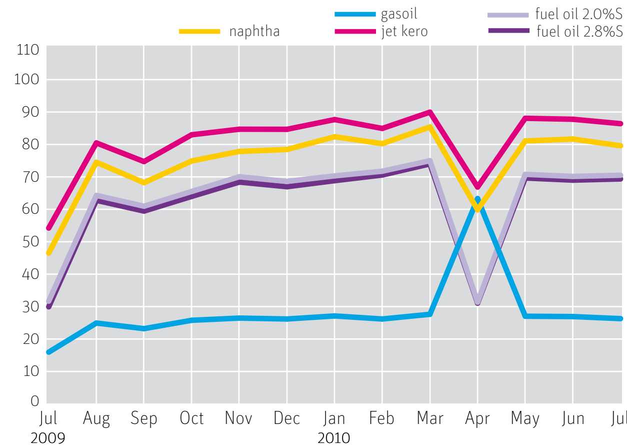


Table and Graph 7: Singapore market — spot cargoes, fob $/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2009	July	46.84	57.97	55.42	54.59	52.85	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03
	September	66.80	75.63	73.84	75.80	74.58	66.36	66.30
	October	69.20	77.71	76.05	81.95	84.95	68.85	68.86
	November	76.21	81.89	79.88	85.29	84.95	72.84	72.90
	December	78.28	81.85	78.95	82.69	83.24	72.79	72.65
2010	January	80.66	88.01	84.87	85.89	85.87	75.55	75.11
	February	75.76	86.49	83.55	83.30	82.23	71.88	71.15
	March	80.84	90.86	88.48	88.63	87.49	73.04	71.89
	April	83.13	94.06	95.24	95.91	94.82	76.33	75.57
	May	77.43	85.12	88.30	89.24	88.12	71.10	71.15
	June	72.42	83.26	81.54	87.36	86.64	71.45	68.31
	July	68.57	82.42	81.99	86.32	85.32	69.68	68.46

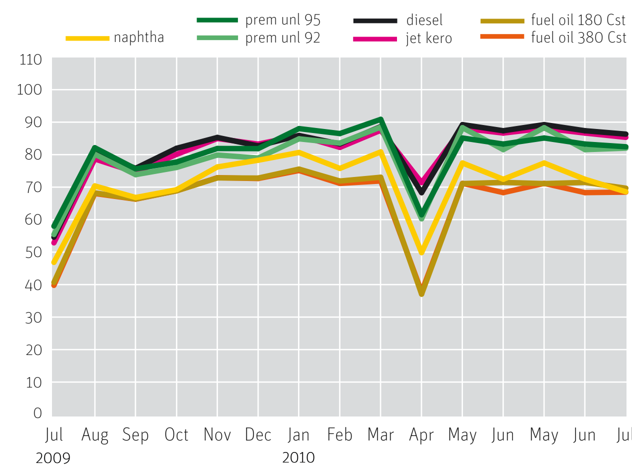
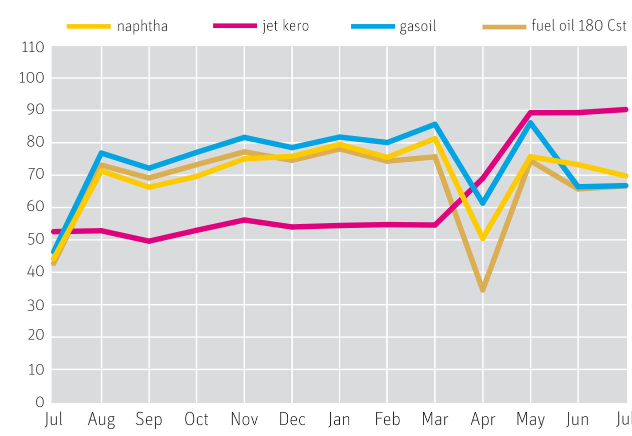


Table and Graph 8: Middle East Gulf market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2009	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11
	September	66.26	72.14	49.61	69.12
	October	69.61	77.04	52.97	73.24
	November	75.04	81.66	56.15	77.20
	December	75.80	78.51	53.99	74.57
2010	January	79.49	81.77	54.45	78.10
	February	75.51	80.07	54.73	74.31
	March	81.27	85.71	54.59	75.66
	April	81.87	93.51	54.48	79.88
	May	75.69	86.17	89.27	74.46
	June	73.25	66.40	89.31	65.72
	July	69.77	66.77	90.26	66.69



Source: Platts. Prices are average of available days.

Forthcoming events

World LNG series: Asia-Pacific summit, September 20, 2010, Singapore. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

Bioten 2010, September 21–23, 2010, London, UK. Details: Bioten Conference Team, Bioenergy Research Group, Aston University, Birmingham, B4 7ET, UK. Tel: +44 121 204 3420; fax: +44 121 204 3680; e-mail: c.a.manhood@aston.ac.uk; website: www.energysolutionsexpo.co.uk.

Natural gas dynamics, September 22–23, 2010, Bangkok, Thailand. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Climate change 2010, September 23–24, 2010, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

5th annual pipeline development and expansion, September 23–24, 2010, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Unconventional gas, September 23–24, 2010, London, UK. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

World renewable energy congress and exhibition 2010, September 25–30, 2010, Abu Dhabi, UAE. Details: World Renewable Energy Congress/Network, c/o Prof A Sayigh, PO Box 362, Brighton BN2 1YH, UK. Tel: +44 1273 625643; fax: +44 1273 625768; e-mail: asayigh@wrenuk.co.uk; website: www.wrenuk.co.uk.

Atlantic ocean oil and gas, September 27–28, 2010, Lisbon, Portugal. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

4th annual European refining markets, September 27–28, 2010, Brussels, Belgium. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Iraq 2010: future energy, September 27–28, 2010, Istanbul, Turkey. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

Energy markets and energy derivatives, September 27–29, 2010, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Global power forum summit, September 27–29, 2010, Scottsdale, AZ, USA. Details: IHS CERA Calgary, Stampede Station 200, 1331 MacLeod Trail SE, Calgary, AB, T2G 0K3 Canada. Tel: +1 403 770 4522; fax: +1 403 770 4464; e-mail: info@cera.com; website: www.cera.com.

10th annual conference on Italian energy, September 27–29, 2010, Milan, Italy. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

FPSO advanced technical course, September 27–October 1, 2010, Hampshire, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com.

International pipeline exposition, September 28–30, 2010, Calgary, AB, Canada. Details: DMG World Media, 302, 1333 8th Street SW, Calgary, AB, T2R 1M6 Canada. Tel: +1 403 209 35 55; fax: +1 403 245 8649; e-mail: michaelpeace@dmgworldmedia.com; website: www.internationalpipelineexposition.com.

The future of reservoir management, October 3–8, 2010, Paris, France. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org; website: www.spe.org.

Next-generation biofuels, October 4–5, 2010, Chicago, Il, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

The carbon show, October 4–5, 2010, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

The green forum 2010, October 4–5, 2010, London, UK. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel. +44 20 7357 8394; fax. +44 20 7357 8395; e-mail: enquiries@europetro.com; website: ww.europetro.com.

International oil trading and price risk management, October 4–6, 2010, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07–02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Platts LNG forum, October 5, 2010, Doha, Qatar. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

8th International bottom of the barrel technology conference, October 5–6, 2010, London, UK. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel. +44 20 7357 8394; fax. +44 20 7357 8395; e-mail: enquiries@europetro.com; website: www.europetro.com.

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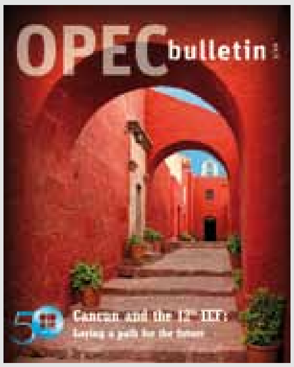

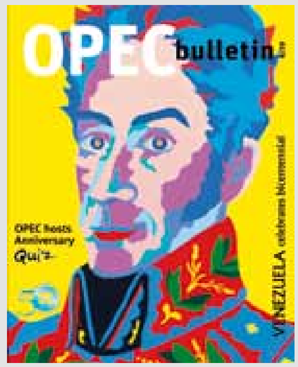

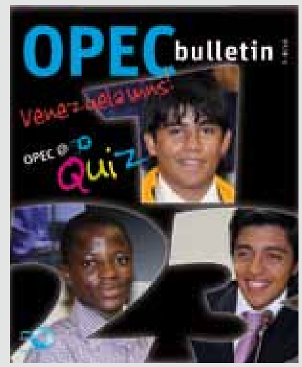

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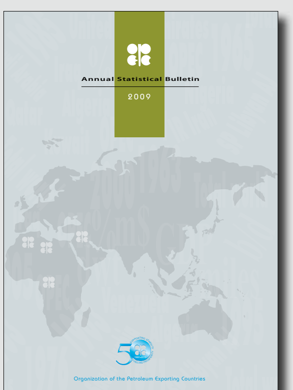

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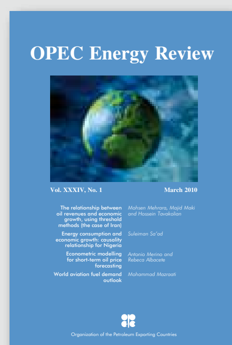

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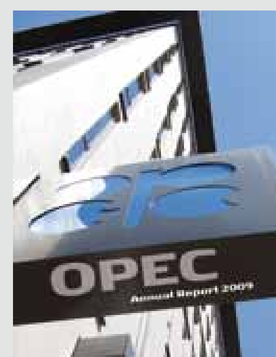

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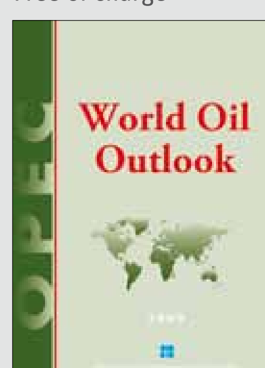

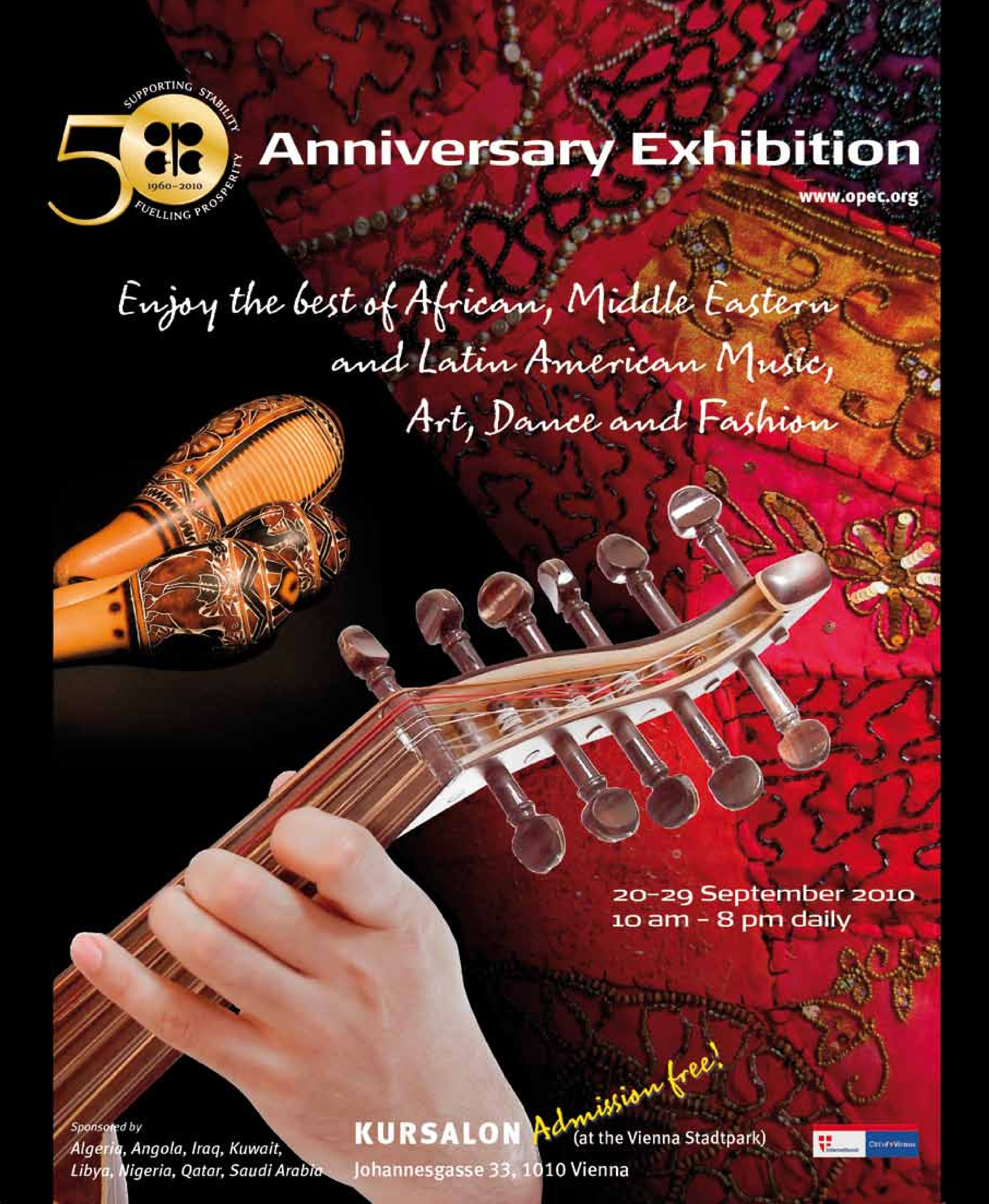
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