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Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to coordinate and unify petroleum policies among 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 the five Founding Members and six other Full Members: Qatar (joined in 1961); Indonesia (1962); SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); and Nigeria (1971). Ecuador joined the Organization in 1973 and left in 1992; Gabon joined in 1975 and left in 1995.

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Visit the OPEC Web site for the latest news and information about the Organization and its Member Countries. The URL is
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This month's cover ...

shows a well head at a gas field in Indonesia, which has just approved a new oil and gas law (see Newsline beginning on page 15).

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OPEC bulletin

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NOTICEBOARD

Venezuela appoints Dr Gloria Mirt Hernández as new OPEC Governor

Venezuela has appointed **Dr Gloria Mirt Hernández** *(pictured)* as the country's new Governor for OPEC. An economist with a Masters Degree in International Business in the USA, Dr Mirt joined the Venezuelan Ministry of Energy and Mines in 1970, and on receiving her degree in 1973, was transferred to the Department of Oil Economics.

In 1988 she was appointed Director of Hydrocarbon Economics at the Ministry, and also became Venezuela's National Representative to OPEC's Economic Commission Board. She became the country's OPEC Governor in November 2001, when she was also promoted to the post of Director General of Hydrocarbons.

She has been part of the Venezuelan Delegation to OPEC Conferences and other meetings since 1982, and is also a member of various professional societies in Venezuela, including the Chamber of Economists, the Federation of Economists and the Association of Oil and Petrochemical Economists.

She has one son who is 23 years old, and lists reading and travelling as her main hobbies.

Forthcoming events

London, UK, **February 11–12, 2002**, *E&P Data & Information Management.* Details: Smi Conferences Ltd, 1, New Concordia Wharf, Mill Street, London, SE1 2BB, UK. Tel: +44 (0)870 9090 711; fax: +44 (0)870 9090 712; e-mail: customer_services@smi-online.co.uk; Web site: www.smi-online.co.uk/data1.asp.

Cape Town, South Africa, **February 12–14, 2002**, *INADABA 2002, Investing in African Mining Conference.* Details: International Investment Conferences, Inc, 6310 Sunset Drive, Miami, FL, USA 33143-4823. Tel: +1 305 669 1963 or +1 800 282 7469; fax: +1 305 669 7350; e-mail: iiconf@iiconf.com; Web site: www.iiconf.com.

London, UK, **February 13–14, 2002**, Chem Systems' *Annual European Chemicals and Petroleum Seminar on Restructuring and Recovery.* Details: Nexant Ltd, Griffin House, 1st Floor South, 161 Hammersmith Road, London W6 8BS, UK. Tel: +44 (0)20 7950 1600; fax: +44 (0)20 7950 1550; e-mail: jkibane@nexant.com; www.nexant.com.

London, UK, **February 13–15, 2002**, *Training course on Financial Performance Management in the Oil Business.* Details: The Institute of Petroleum, 61 New Cavendish Street, London, W1G 7AR, UK. Tel: +44 (0)20 7467 7100l; fax: +44(0)20 7255 1472; e-mail: nwilkinson@petroleum.co.uk; Web site: www.petroleum.co.uk.

Houston, Tx, USA, **February 18–22, 2002**, *Training course on Drilling Practices I.* Details: GSM Training Services, Inc, PO Box 50790, Amarillo, Tx 79159-0790, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

Tehran, IR Iran
February 16–18, 2002

15th Annual APS Conference: Middle East Energy Strategies to the year 2014

Details: APS Conferences
APS House, PO Box 23896
Nicosia, Cyprus
Fax: +3572 350265
E-mail:
apsnews@spidernet.com.cy
www.aps-energygroup.com

Amsterdam, The Netherlands, **February 19–21, 2002**, *Effective Trading and Risk Strategies for the Online Energy Market* and *Emissions Trading Europe 2002: Profitable Emissions Strategies for a Sustainable Future.* Details: Eyeforenergy, 3rd Floor, Black Lion House, 45 Whitechapel Road, London E1 1DU, UK. Tel: +44 (0)20 7375 7575; fax: +44 (0)20 73757576; e-mail: hmundy@eyeforenergy.com; www.eyeforenergy.com.

Houston, Tx, USA, **February 25–March 1, 2002**, *Training course on Drilling Practices II.* Details: GSM Training Services, Inc, PO Box 50790, Amarillo, Tx 79159-0790, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

Cambridge, UK, **February 25–March 1, 2002**, *Training course on Price Risk Management in the Traded Gas and Electricity Markets.* Details: Kate Wright, Alphatania, EconoMatters Ltd, Rodwell House, 100 Middlesex Street, London E1 7HD, UK. Tel: +44 (0)207 650 1430/1402; fax: +44 (0)20 7650 1431/1401; e-mail: training@alphatania.com; Web site: www.alphatania.com.

London, UK, **February 26–March 1, 2002**, *Training course on Investment Profitability Studies in the Petroleum Industry.* Details: ENSPM Formation Industry, 232 avenue Napoleon Bonaparte, 92852 Rueil-Malmaison Cedex, France. Tel: +33 1 47 52 72 93; fax: +33 1 47 52 71 09; e-mail: Michael.howard@enspmfi.com; Web site: www.ifp.fr/enspmfi.

Frankfurt am Main, Germany, **February 26–27, 2002**, *Legal Problems of the Electricity and Gas Markets — Focus on Network Utilization.* Details: Energy Forum, Box 7222, 103 89 Stockholm, Sweden. Tel: +46 8 20 90 95; fax: +46 8 20 90 73; e-mail: info@ energyforum.net; Web site: www. energyforum.net.

Düsseldorf, Germany, **February 26–27, 2002**, *Risk Management — how to successfully apply methods to analyse the risk factors in electricity markets.* Details: Energy Forum, Box 7222, 103 89 Stockholm, Sweden. Tel: +46 8 20 90 95; fax: +46 8 20 90 73; e-mail: info@energyforum.net; Web site: www. energyforum.net.

Singapore, **February 27–28, 2002**, *7th Asia LNG & Natural Gas Markets Conference.* Details: Ms Cynthia Yeo, Centre for Management Technology. Tel: +65 346 9132; fax: +65 345 5928; e-mail: cynthia@cmtsp.com.sg.

London, UK
February 21–22, 2002

Nigeria Energy Summit

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Tel: +44 (0)1932 893851
Fax: +44 (0)1932 893893
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www.ibcenergy.com/eq1090

Dubai, UAE, **March 4–5, 2002**, *Middle East Ship Repair.* Details: Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 068645. Tel: +65 226 5280; fax: +65 226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org/iogchome.htm.

Houston, Tx, USA, **March 4–8, 2002**, *Training course on Horizontal & Directional Drilling.* Details: GSM Training Services, Inc, PO Box 50790, Amarillo, Tx 79159-0790, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

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

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Strength in unity

The attachment of conditionality by OPEC to its latest agreement to cut output by 1.5m b/d will help to promote market stability

OPEC's eternal quest — the search for oil market stability — is not, and will never be, an easy one. There are so many different factors which can influence markets — the state of the global economy, variations in supply and demand, crude and product stock levels, refinery and pipeline problems, the actions of speculators, unexpected weather patterns and many more — that sometimes, any attempt to bring order to something that, by its very nature, is subject to all manner of fluctuations, can seem a task of Herculean proportions. Nevertheless, this task is precisely what the Organization attempts to do: to stabilize the oil market at reasonable price levels, not just for the benefit of all oil-producing nations (whether or not they are Members of OPEC), but for consumers around the world, as well as for investors in the industry.

The mechanism which the Organization employs in its efforts to stabilize prices is a simple one: to increase or decrease the output of its Member Countries and thus strike a balance between supply and demand. OPEC believes that if market fundamentals are in order, then the destabilizing effect of other extraneous factors on prices (some of which are listed above) can be minimized, if not eliminated entirely. Nevertheless, as OPEC itself has acknowledged on numerous occasions, no system can ever be perfect, and the current one is no exception.

Indeed, in recent months, one such flaw had become increasingly apparent: if there is an excess of supply over demand, and oil prices begin to slide, the Organization seeks to restore stability by cutting output. But what if — as has often happened in the past — non-OPEC nations, seeing that OPEC has cut production, rush to increase their own output? The Organization's Members would then be hit by a double whammy: firstly, the sought-after market stabilization would not be achieved, because the extra non-OPEC oil perpetuates the supply/demand imbalance, and secondly, the OPEC nations, having cut their output, would end up with a lower market share and hence lower revenues. The end result would be that the OPEC Members, having acted for the benefit of everyone, would only end up suffering economically themselves.

This, essentially, was the situation facing OPEC at its 118th Conference in November: with a world economy which was showing signs of weakness even before the terrible events of September 11, oil prices had already begun to fall and there was a danger of them going into freefall. Thus, OPEC was confronted by a critical situation: a possible repeat of the price collapse of 1998-99 was on the cards if swift, decisive action was not taken. However, having already cut output by 3.5 million barrels/day in 2001, the Organization could not afford to continue with a strategy that had not borne fruit: to cut unilaterally, only to see non-OPEC boost output.

Happily, there exists a concrete solution to this dilemma: practical and effective OPEC/non-OPEC co-operation. Thus, at its 118th Conference in Vienna in November, OPEC chose a course of action that it had never before decided upon: to attach conditionality to its decision to cut output. The Organization agreed to reduce production by another 1.5m b/d, but only on the condition that non-OPEC nations also contributed 500,000 b/d of cuts. OPEC has often made the point that it cannot stabilize the market alone, and when circumstances are extreme, the need for co-operation between all parties becomes even more vital.

It is as yet still too early to say what the effect of this latest OPEC decision will be on the market. However, with cuts pledged from five nations: Angola, Mexico, Norway, Oman and Russia, the signs so far are extremely promising that genuine co-operation will be forthcoming. Only when all oil producers stand together can they realize their true potential. In the coming months, with the world economy facing a rough ride, that strength in unity is likely to be tested to the utmost. But we are confident that together, OPEC and non-OPEC will pass the test.

FORUM

Assessing today's supplies to fuel tomorrow's growth

*Until very recently it would have been hard to imagine an article by the Executive Director of the International Energy Agency, **Robert Priddle**, appearing in the OPEC Bulletin. The publication of this article is indicative of the new era of dialogue between producers and consumers.*

Photo: OECD/Darryl Evans

OPEC producers hold nearly two-thirds of the world's oil reserves. The International Energy Agency (IEA) represents the major oil consuming nations. In the past, the relationship between the two organizations has been confrontational. Today, producers and consumers openly communicate and share information in a variety of ways. For example, the OPEC Secretariat provided valuable oil supply information for the IEA's *World Energy Outlook, 2001 Insights: Assessing today's supplies to fuel tomorrow's growth.**

Findings of the supply book

The surge in energy prices during 2000 and most of 2001 has drawn attention once again to the availability and security of energy resources. *Assessing today's supplies to fuel tomorrow's growth* is the most detailed analysis of energy-supply issues currently available anywhere. The study identifies and analyses the factors that will determine global energy production and supply in the medium to long term. These factors include the costs of developing resources and taking them to market, energy prices and government policies, especially policies aimed at countering unwanted climate change.

The world has abundant reserves of energy. The supply study demonstrates that proven reserves are adequate to meet demand until 2020 and beyond. **Figure 1** illustrates one of the key findings of *WEO: 2001 Insights* that more than 95 per cent of the increase in energy production over the next two decades will occur in countries outside the OECD. The Middle East and the transition economies together will account for 50 per cent of the increase. Securing investment to finance the projected production increases present a major challenge. This is particularly the case for Middle East oil producers, who have the resources to meet expected demand but who face stiff constraints in mobilising capital.

The costs of production and transport

* *World Energy Outlook, 2001 Insights: Assessing today's supplies to fuel tomorrow's growth (2001). International Energy Agency, Paris:OECD. Orders may be directed to www.iea.org/books.*

are also key factors in the global supply outlook. Natural gas supply costs are likely to increase as near-to-market reserves are depleted. Significant infrastructure additions will be needed to bring distant gas to market and to burn coal more cleanly. The cost of renewable energy sources must fall so that they can compete with fossil fuels. The development and deployment of new technologies will be crucial to moderating supply costs in the future.

Oil market supply outlook

Oil will retain its position as the single largest source of primary energy over the next two decades. In 2020, oil demand of 115 million barrels/day will represent 40 per cent of the world's energy mix. Most of the expected growth will come in the transport sector, where the potential for replacing oil with other fuels is very limited. International oil trade is expected to double and consumers' dependence on the Middle East will continue to grow.

But, while global proven reserves of oil are ample, supply is not guaranteed. Production in ageing oil reservoirs is declining. New capacity must be built and exploited to offset expected production declines and to meet expected demand growth.

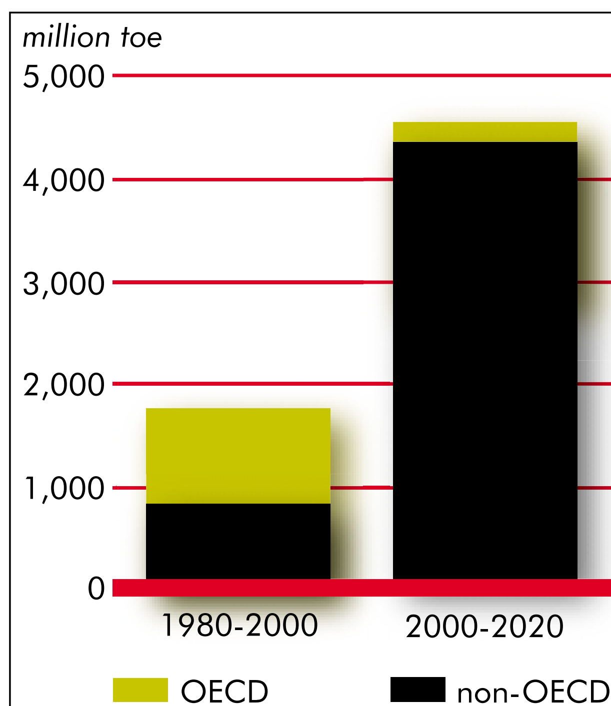
OPEC Member Countries hold some 63 per cent of the world's oil reserves. Over 50 per cent is concentrated in the Middle East OPEC Member Countries. Russia holds a further 14 per cent of world reserves and OECD countries some 8 per cent. OPEC's share in global oil *production* will rise from 40 per cent today to 54 per cent in 2020.

The major Middle East oil producers have an opportunity and a challenge to exploit their low-cost resources, but their ability to mobilise capital is uncertain. Their production and investment plans will be closely linked to their pricing policies, and they will need to attract foreign investors where domestic sources of capital are inadequate.

WEO: 2001 Insights analyses the impact of oil prices on OPEC oil revenues using high- and low-price scenarios. The results of these scenarios, shown in **Figure 2**, were compared with the *World Energy Outlook 2000* reference scenario. The analysis suggests that *neither* very high nor very low oil prices would improve cumulative revenues for the major producers over what they would earn under the moderate-price conditions envisaged in the reference scenario.

While a higher price may be profitable for exporters in the short-term, it would yield lower revenues in the longer term. In 2020, OPEC's annual revenues in the high price scenario would be about $110 billion less than in the reference case, as the loss in production over the long term would not be compensated by the high price.

Figure 1: Increase in total world energy production



Importance of investment

Future oil prices and production costs will be critical factors in attracting timely investment in new capacity. Advances in technology now allow production from new reservoirs to peak higher and earlier, thereby improving investment returns. But this trend also leads to faster rates of decline. The average size of newly-discovered fields is declining, and giant fields are being discovered less frequently, so it is becoming more difficult to replace reserves.

The impact of declining production on investment in new reserves is one of the key findings of *WEO: 2001 Insights*. A natural decline rate of only five per cent is assumed in **Figure 3**. Using this rate and demand growth of 1.9 per cent per year, the additional production capacity that needs to be brought on stream by 2010 is 61m b/d. The investment required to develop this production capacity in major Middle East OPEC Member Countries would be over $300bn in today's money, at a cost of $5bn per 1m b/d. The average investment required to add production capacity in *non*-OPEC countries is estimated to be four times higher.

Worldwide finding and development costs per barrel of oil equivalent have declined sharply over the past twenty years. Advances in the development and deployment of technology, including improved geophysical and geological interpretation, have also contributed to an increased success rate in drilling and a reduction in the total number of dry holes. The greatest near-term potential for reducing supply costs lies in technologies which aid in the identification of reservoir characteristics,

Figure 2: OPEC annual oil revenues

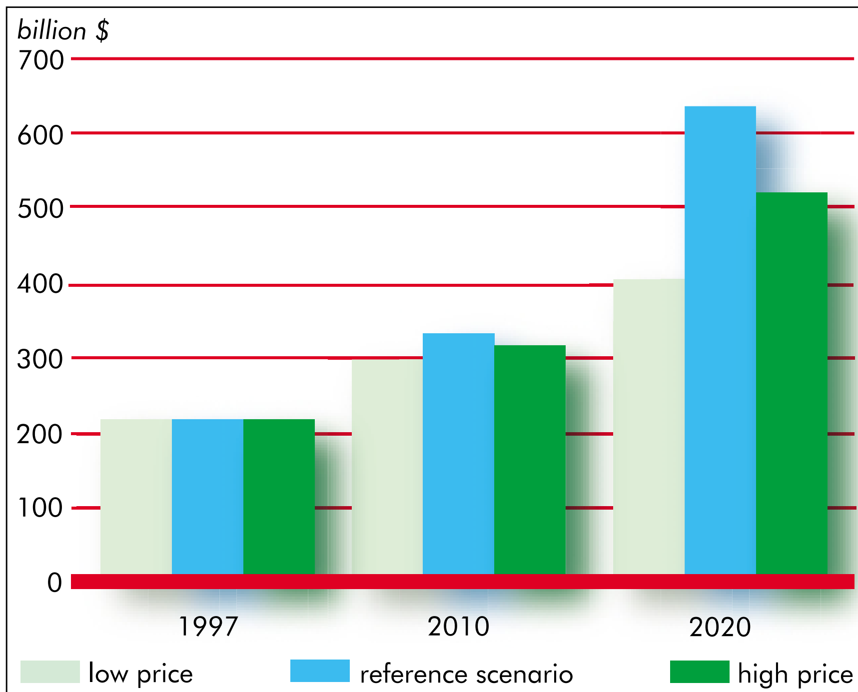
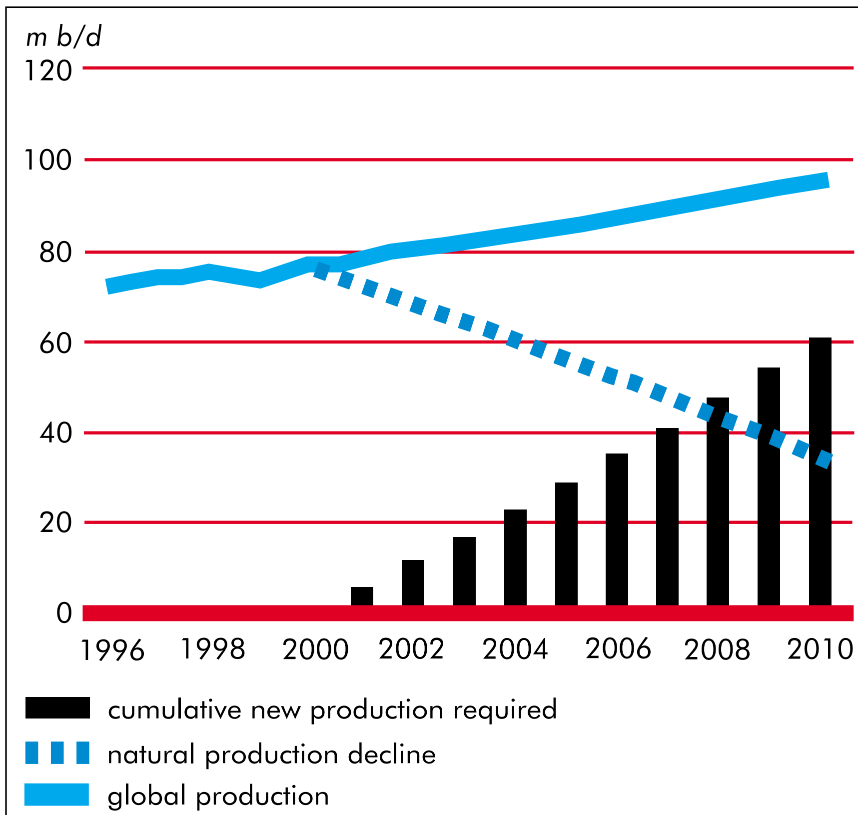


Figure 3: Impact of decline rate on investment



such as improved seismic techniques, and new developments in drilling and production engineering.

Hundreds of billions of dollars of new investment will be required to produce the abundant oil of the Middle East. Huge sums will also be needed to develop oil resources in the former Soviet Union. But foreign investment will be forthcoming only if oil prices guarantee investors a fair return and if the business climate in host countries is hospitable. The same is true for the development of the vast reserves of 'unconventional oil' resources in Venezuela, Canada and elsewhere.

'Growing international trade in energy, especially fossil fuels, will increase the interdependence of producing and consuming countries.'

The real world

Financing the development of energy infrastructure will require major capital inflows from industrialised countries. Growing international trade in energy, especially fossil fuels, will increase the interdependence of producing and consuming countries. Governments will play a key role in dealing with supply security, in creating appropriate regulatory and market frameworks and in encouraging technology development and deployment. Energy prices will play another major role in determining the timing and the amount of investment that goes into expanding energy supply capacity.

Statement by HE Dr Alí Rodríguez Araque Secretary General, OPEC

to the High-level Segment of the 7th Conference of the Parties to the UN Framework Convention on Climate Change

Marrakech, Morocco, October 29–November 9, 2001

No 22/2001
Marrakech, Morocco, November 8, 2001

Mr President, Excellencies, Ladies and Gentlemen,

On behalf of OPEC's Member Countries, I should like to extend my sincere gratitude to the Government and people of Morocco for hosting the Seventh Session of the Conference of the Parties (COP7) in this splendid and historic city of Marrakech.

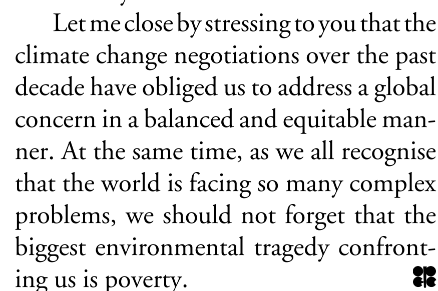
Just over a year ago, on the occasion of our 40th anniversary, the Second Summit of OPEC Heads of State and Government was held in Caracas, Venezuela. The Summit's central theme was, quite understandably, oil and its role in meeting the projected rising levels of world energy demand in the early decades of the 21st century, thereby laying the basis for long-term sustainable development. The assembled leaders also examined broader issues. In the concluding Solemn Declaration, OPEC firmly embraced the universal concern for the well-being of the global environment and declared its continued readiness to participate constructively in the climate change negotiations, so as to ensure a balanced and comprehensive outcome. We specifically urged Annex I countries to minimise the adverse social and economic impacts of their response measures on nations, whose economies are highly dependent on the production and export of fossil fuels. This is a serious and genuine concern for oil-producing developing countries, which needs to be addressed clearly as this Conference reaches its conclusion.

The reconvened COP6 (6th Conference of the Parties) in Bonn in July saw final agreement reached by many countries on the implementation of the Kyoto Protocol which increased the likelihood of its ratification. The implementation cost for oil-producing developing countries of this agreement would still be vast. Not only could this have serious and unjust economic, social and political repercussions for some of these countries, but it would also go against the spirit of the Framework Convention. So it is essential that adequate arrangements are made, as an integral part of the negotiations, to address these concerns.

It was encouraging, therefore, to see that the Bonn Agreement included the establishment of a Special Climate Change Fund, to assist with the diversification of economies in countries which may suffer from the adverse effects of mitigation measures. However, we are concerned by the fact that this agreement failed to establish the size of this fund or the strength of commitment to it. The outcome of this Conference, therefore, must include clear language with regard to this commitment.

In addition, in seeking to minimise the cost of mitigation measures, the instrument of taxation is often seen as a key tool to be used for environmental objectives. But the track record in many consuming countries is so far poor, with oil products often taxed at levels that have probably already reached a pain threshold. And, while oil is taxed so heavily, other fuels are taxed at far lower levels and are sometimes even subsidised. The time is ripe to reconsider the entire philosophy of energy taxation, by restructuring fiscal systems to address broader concerns than the financial needs of governments, and to ensure consistency with international trade rules.

Let me close by stressing to you that the climate change negotiations over the past decade have obliged us to address a global concern in a balanced and equitable manner. At the same time, as we all recognise that the world is facing so many complex problems, we should not forget that the biggest environmental tragedy confronting us is poverty.



118th Conference decides to reduce output by 1.5m b/d subject to production cuts from non-OPEC

No 23/2001
Vienna, Austria, November 14, 2001

Opening address to the 118th Extraordinary Meeting of the OPEC Conference by HE Dr Chakib Khelil President of the Conference and Minister of Energy and Mines, Algeria

OPEC Secretary General, HE Dr Alí Rodríguez Araque (r), and the Chairman of the Board of Governors, HE Abdulla H Salatt of Qatar (l), applaud the opening address by Algeria's Minister of Energy & Mines and President of the Conference, HE Dr Chakib Khelil (c).

Welcome to the 118th Meeting of the OPEC Conference.

It is with much sadness that I must begin this address with an expression of the deepest condolences from OPEC to the people of Algeria — my own country — for the terrible loss they have suffered in the worst flash floods to hit the country for nearly 40 years. Well over 500 people have been killed and tens of thousands left homeless in the capital city, Algiers, parts of which now lie devastated under a thick layer of mud and grime. At the same time, however, on behalf of Algeria, I should like to thank all those countries and international agencies that have promised to provide swift humanitarian aid, in our time of need.

Let us now turn our attention to this Meeting. The specific purpose of this Extraordinary Meeting is to review the current state of the international oil market and to decide, according to our observations, on the type of action that may be required by oil-producing nations to achieve order and stability in the months ahead. At our last Conference, on September 26–27, we decided to leave OPEC's existing output levels unchanged, with a total ceiling of 23.2 million barrels/day, excluding Iraq. We did this at a time when the deteriorating global economic outlook, exacerbated by the tragic events of September 11 in the USA, was expected to have a dampening effect on world oil demand. Our decision once again demonstrated OPEC's commitment to its longstanding role as a responsive and responsible member of the world community, by saving the global economy hundreds of billions of US dollars as a result of the Organization's determination to ensure stability in the international oil market. It also showed that, if OPEC did not exist, the world would have had to create it, in order to bring about this much-needed stability.

As you may recall, the price of OPEC's spot Reference Basket, at our last Meeting, had just fallen heavily to little more than $20/b, after averaging around $25/b during the first three quarters of this year. Since then, it has been fluctuating in a range of around $17.5–20.5/b, well below our price band level of $22–28/b and our target price of $25/b, which lies in the middle of that range. The current situation is especially discouraging to those

The Ministers line up for a group photograph.

producers — OPEC and non-OPEC — who have worked so hard in recent years to achieve stability in the market, with prices that constitute what has been widely regarded as a reasonable balance between the needs of producers and consumers. Much of the credit for that success must go to the efforts of OPEC, which has sacrificed 3.5m b/d of its production this year, together with the resulting revenue, partly to the benefit of non-OPEC producers.

As we set about our deliberations at today's Meeting, there is underlying concern about the near-term prospects for the oil market. The events of 1997–98 are still fresh in our minds and recall the dangers of letting matters get out of hand through failure to act soon enough and in the appropriate manner. In our deliberations at this Conference, we will, therefore, be faced with a threefold task.

First, we will seek to ascertain the best measures to adopt in the face of the global economic downturn, with its depressing

Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi (r), in conversation with Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh.

Venezuela's Minister of Energy and Mines, HE Alvaro Silva Calderón (r) is seen here with the country's new Governor for OPEC, Dr Gloria Mirt Hernández.

Kuwait's Minister of Oil, HE Dr Adel K Al-Sabeeh, talks to the press.

effect on the oil market, which, as the winter months approach, is already in a state of over-supply with high stock levels. At the same time, we are conscious of the need to avoid adopting any measures that will add to the current weakness facing many developed economies or impede the economic development of the long-suffering poorer nations. Let me say at this point, however, that the longer-term outlook is more favourable, with upturns already being forecast for leading sectors of the global economy in the second half of 2002, notably the USA, Japan and Europe. Therefore, we must ensure that any actions we take now will be consistent with the provision of a viable and stable oil market, which will be essential for when the economic upturns manifest themselves.

Secondly, we will endeavour to build upon the considerable progress that has been made in the international oil market over the past couple of years through the commitment and the resolution of responsible producers and other principal players. The fact that the recent sustained period of order and stability was underpinned by the establishment and successful operation of a transparent, realistic and widely accepted pricing mechanism will be uppermost in our minds. It is important, however, that, during this period of tightness in the market, we strengthen our resolve to stick to the letter of our agreements and ensure that our production policies are in strict accordance with them. Our credibility is only as good as the continuation of the effort among our Member Countries to maintain cohesion, solidarity and co-operation.

Also, we look forward to the continued co-operation of fellow oil producers from outside our Organization, whose support for our agreements have done so much to ensure their success in recent years. Non-OPEC producers and the governments of consuming countries have a clear role to play in the process of achieving and maintaining a healthy global oil sector; this will, in turn, provide a sound base for world economic growth. These governments

could help their domestic economies by reviewing the excessive levels of taxation they impose on oil products, thereby allowing consumers to more productively allocate their own resources and enhance economic growth.

The final part of our threefold task is to ensure that any decision emanating from the Meeting will be sensitive to the feelings of peace-loving, virtuous members of the world community, whose principal concern at the present time is — understandably — greater international understanding and the cessation of hostilities. The importance of this was brought home to us immediately after our last Meeting of the Conference, at the two-day energy seminar we held in Vienna. The general message that emerged from the eminent group of energy experts gathered there was that oil supply is part of a much grander matrix affecting mankind as a whole — sustainable development.

During the present period of international conflict, despite all the fears, the stresses and the distractions that this involves, we must never lose sight of the fact that sound, secure energy supply is a vital ingredient in the process of developing the economies of the poorer nations of the world. Security of supply must, in turn, be matched by security of demand. When the present crisis is over — soon, hopefully — it is up to the richer nations of the world to restore the issue of sustainable development to its proper place at the top of the international agenda, in a united effort to eradicate poverty and hardship in developing nations and stimulate their economies. OPEC will continue to play a progressive role in such an environment, with the OPEC Fund for International Development, in particular, being an important source of assistance to the poorer developing countries.

Finally, as you already know, this is likely to be the final Meeting of the Conference during which I am bestowed with the honour of being President. I have found this to be a challenging and stimulating assignment, from which I have learned many valuable lessons during the course of

Qatar's Minister of Energy and Industry, HE Abdullah bin Hamad Al Attiyah (r), talks to Libya's Secretary of the People's Committee of the NOC, HE Dr Abdulhafid Mahmoud Zlitni.

Iraq's Minister of Oil, HE Dr Amer Mohammed Rasheed (r) answers journalists' questions, watched by the country's OPEC Governor, Dr Mussab H Al-Dujayli (c).

Indonesia's Minister of Energy and Mineral Resources, HE Dr Purnomo Yusgiantoro, ponders another enquiry.

OPEC Secretary General, HE Dr Alí Rodríguez Araque (l), is surrounded by journalists and TV cameramen.

The United Arab Emirates' Minister of Petroleum and Mineral Resources, HE Obaid bin Saif Al-Nasseri (l) listens to Nigeria's Presidential Advisor on Petroleum and Energy, HE Dr Rilwanu Lukman.

the year. OPEC communicates and anticipates situations better, undertakes more coherent and coordinated discourse and engages in more open and constructive dialogue with non-OPEC producers and consumers. Overall, the Organization has become a force to be reckoned with, in the crucial area of oil market stability, and this is highly beneficial for a globalised economy, where sustainable development is taking on more and more importance.

Throughout this year, I have endeavoured to serve OPEC to the best of my ability in this post; as a result, I hope that this has helped the Organization move forward as it settles into the 21st century. I should like to thank the many generous, committed and accomplished individuals and groups who have assisted me in carrying out my duties. My successor, HE Dr Rilwanu Lukman, is already well-known to you and has unparalleled experience in the senior hierarchy of our Organization, having previously served with distinction for many years as both President and Secretary General. I am sure you will all join me in wishing him every success when he takes up the post of President again in the New Year.

The Secretary General gives an interview to selected journalists.

No 24/2001
Vienna, Austria, November 14, 2001

118th (Extraordinary)
Meeting of the OPEC Conference
Vienna, Austria, November 14, 2001

The 118th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on November 14, 2001, under the Chairmanship of its President, HE Dr Chakib Khelil, Minister of Energy & Mines of Algeria and Head of its Delegation.

The Conference extended its deepest condolences to the Government and people of Algeria for the terrible loss they have suffered in the worst flash floods to hit the country for nearly forty years, killing well over 500 persons and leaving tens of thousands homeless in the capital city, Algiers.

Having reviewed the oil market situation and supply/demand expectations for the forthcoming period, and recalling the fact that the Organization has been shouldering the full burden of maintaining oil market stability, the Conference noted that the impact of the current global economic slowdown on the oil market requires firm and concrete co-operation between OPEC and non-OPEC oil producing countries in the form of equitable sharing in further reductions, as was the case in 1999.

The Conference further noted that, as a result of the global economic slowdown and the aftermath of the tragic events of September 11, 2001, in order to achieve a balance in the oil market, it will be necessary to reduce the supply from all oil producers by a further 2.0m b/d, bringing the total reduction in oil supply to 5.5m b/d from the levels of January 2001, including the 3.5m b/d reduction already effected by OPEC this year. In this connection, and reiterating its call on other oil exporters to co-operate so as to minimize price volatility and ensure market stability, the Conference decided to reduce an additional volume of 1.5m b/d, effective January 1, 2002, subject to a firm commitment from non-OPEC oil producers to cut their production by a volume of 500,000 b/d simultaneously.

Re-emphasizing the importance of securing effective co-operation from non-OPEC oil producing countries to preserve market stability, the Conference welcomed the positive responses expressed by some non-OPEC producers, especially Mexico and Oman, to co-operate in balancing the market, and decided that contacts with non-OPEC producing countries continue. The Conference also expressed its satisfaction at the outcome of the senior Experts Working Group of OPEC and invited non-OPEC producers, held on October 29, 2001. The Conference further agreed on future similar meetings being held periodically.

The Conference confirmed the date of March 12, 2002, for its next (Ordinary) Meeting.

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

The Head of OPEC's PR & Information Department, Farouk U Muhammed mni (second l) reads the final communiqué. Watching him are HE Dr Rodríguez (second r); HE Dr Khelil (c); the Director of Research Division, Dr Adnan Shihab-Eldin (l); and the Head of the SG's Office, Karin Chacin (r).

Indonesian House of Representatives passes new oil and gas law, paving way for full liberalization of domestic energy sector

Jakarta — The Indonesian House of Representatives passed the government's new oil and gas law in October, preparing the way for the full liberalization of the domestic energy sector and ending the monopoly of the state oil corporation, Pertamina.

The new law effectively ends Pertamina's regulatory and contract-approval roles, as well as its management of foreign oil and gas contracts.

The government plans to set up a new executive body to manage Pertamina's activities, as well as a separate entity to oversee domestic fuel supplies and distribution.

The two bodies were expected to be set up within a year, while Pertamina would be turned into a limited liability company in two years' time.

However, Pertamina would continue to supply fuel in the domestic market for four years, as part of a transition period to deregulate the downstream markets.

The new law provides for other types of contractual schemes with investors, as long as they are beneficial to the country and maintain the present production contract system. It also allows contractors to choose to pay taxes based on existing rules, or to apply the tax policy in force when they signed respective agreements, according to local media reports.

Just prior to the passing of the new law, legislator Emir Luis, who is also a member of the special team set up to debate the bill, was quoted by the *Jakarta Post* newspaper as saying that the House was determined to pass it.

This was despite criticism from various parties, including the Consultative Forum of Oil-Producing Regencies and some executives of foreign oil and gas companies. Earlier, the Forum had threatened to block the passage of the bill.

"Should the bill be passed into law, we will consider holding a mass demonstration in the oil and gas fields," the East Lampung Regent and Regency Forum Secretary, Irfan N Djafar, was quoted as saying.

The Forum, which has sought a role in formulating the national oil and gas policy and its implementation, had previously sent out letters to President Megawati Soekarnoputri, legislators and Assembly members in an attempt to delay the law's passage.

The *Jakarta Post* also quoted Vice-President of Conoco Indonesia, A R Natanegara, as pointing out that at least five articles had been identified in the bill that would cause problems for foreign investors.

Natanegara said these concerned tax, the establishment of a new executive body to manage the oil and gas sector, the obligation to supply gas to the domestic market, the status of existing contracts, and the licensing of operations.

However, Emir explained that, among other things, that the new legislation would require contractors to supply gas to the domestic market to guarantee a sustainable availability of the fuel locally.

"We must realize that gas will be widely used in the future. We don't want companies to just export it — they must also meet local demand," he said.

Also last month, Indonesian legislators commenced final debate on the new petroleum mining law, due to pass into law in January or February 2002.

Senior legislator Julius Bobo said the need to review the law had become necessary to give a clear focus to the people and investors.

He pointed out that the present law had legal problems, which had forced many investors to suspend new investment in the sector.

The present petroleum mining law gave the central government full authority over the mining sector, contradicting the new regional autonomy law that allows local governments the right to issue mining licenses to investors, Bobo noted.

The central government tabled the new mining bill in the House of Representatives in August, as well as the oil and gas bill and the power bill, designed to pave the way for the privatization of the state-owned energy companies, including Pertamina and PT PLN.

The new laws, when in effect, would assist in promoting investments in the mining and petroleum sector and help attract foreign investors and expertise to aid the development of the country's downstream petroleum refining and retailing sector.

NNPC says repairs to refineries won't affect oil product supplies

Abuja — The Group Managing Director of the state-run Nigerian National Petroleum Corporation (NNPC), Jackson Gaius-Obaseki, said last month that the Corporation had made adequate arrangements to ensure that petroleum product supplies would not be affected because of the shutdown of two of the country's four refineries.

The plants, in south-western Warri (125,000 barrels/day) and northern Kaduna (110,000 b/d), were shut down because the pipeline supplying crude oil to them was vandalized and in need of repair.

Gaius-Obaseki said the NNPC had provided for at least 29 days of uninterrupted supplies of petroleum products in the country.

Speaking at a meeting between the National Union of Petroleum and Natural Gas Workers (Nupeng) and the Independent Petroleum Marketers Association of Nigeria (Ipman), he said there was no cause for alarm.

"We have built stocks, which took time, and we do not have to worry about the shutdown of the two refineries," Gaius-Obaseki said.

"We are drawing from the stocks at Port Harcourt and imports are coming in," he said, adding that between June and October of 2001, the pipeline linking the refineries with petroleum product depots was vandalized three times.

He warned petroleum product dealers against hoarding products in anticipation of a price hike during the Christmas period.

"Even with the NNPC restructuring, nobody can get any increased price margin," he observed, pointing out that the

government was aware of the current trend in the oil industry, especially the drop in the price of crude oil.

"Nobody envisaged that the price of crude would fall to below $20/b," he said, and enjoined the leadership of Nupeng and Ipman to put their differences aside and come to terms on the need to forge a common front.

"You must have a commitment to our vision of effective and efficient service delivery, believe in our cause and work in harmony in the greater interest of the nation," he said.

The NNPC invited the two bodies to the meeting "to nip in the bud" a proposed five-week strike and the withdrawal of services by petroleum product tanker drivers.

The tanker drivers have been at loggerheads with their Ipman employers over their demand for a pay rise and better conditions of service.

The meeting was attended by senior officials of the NNPC, Nupeng and Ipman, as well as representatives of the Federal Ministry of Employment, Labour and Productivity, and the Chairman of the House of Representatives committee on petroleum resources, West Idahosa.

UAE firm okays plan to boost production at Zakum offshore field

Abu Dhabi — The Abu Dhabi Marine Operations Company (ADMA-OPCO) has given the green light for the award of a major a gas injection project to expand the output of the Zakum oil field, the country's main offshore field.

The contract, signed by ADMA-OPCO management and representatives of the contractors, the National Petroleum Construction Company and Kellogg Brown & Root, involves a tie-up with the giant Umm Shaif gas field, where the gas will be collected for injection at the Zakum West complex.

"It is one of the largest offshore operations in the history of the company," said ADMA-OPCO in a statement.

It added that a new compressor at the gas injection platform, with a capacity of 200 million cubic feet/day of gas, would carry out the operation.

"The operation is challenging and the compressor itself is one of a kind, due to its huge capacity," said Project Manager, Ayman Al Makawi.

He added that the natural gas from Umm Shaif would be compressed and delivered to an existing wellhead tower for injection.

The multi-million dollar project, due for completion by 2004, includes a year-long phase of engineering, design and procurement, which is expected to drastically enhance oil recovery from the Zakum field.

The implementation of the project coincides with plans by other United Arab Emirates (UAE) oil companies to expand existing capacity, in line with the country's policy to ensure supplies to the global market.

The UAE has spent more than $15 billion over the past 10 years to increase its overall oil production capacity. The country's recoverable oil reserves are estimated at 98 billion barrels, nearly 10 per cent of the global total.

Algeria's Sonatrach signs five exploration contracts with international firms

Algiers — Algerian state oil and gas company Sonatrach has signed five exploration contracts totalling more than $93 million with international oil firms, it was reported last month.

The contracts, related to blocks awarded at the beginning of the month following an open tender, have gone to Burlington Resources and Anadarko of the US (402D, 406D), Spain's Repsol-YPF (401D), Canadian firm Calgary Petroleum (405B), and France's TotalFinaElf (432, 444S, and 403N).

All the blocks awarded are located in the Berkine basin of south-east Algeria. Under the terms of the agreements, the foreign contracting parties are committed to covering the costs related to the first stage of the schemes, including exploration, seismic research and the drilling of three or four wells on each block.

They are to invest, respectively, $17m for Burlington Resources, $15m for Anadarko, $17m for Repsol-YPF, $26.25m for Calgary Petroleum, and $18.5m for TotalFinaElf.

According to the country's Energy and Mines Minister, Dr Chakib Khelil, who attended the signing ceremony, Sonatrach would still sign two other hydrocarbons contracts before the end of 2001.

With the three deals signed in the first half of this year and the five contracts signed in October, Sonatrach would end the year with the conclusion of 10 contracts, he noted.

Venezuela's PDVSA launches PDV service stations in Argentina

Caracas — Petróleos de Venezuela (PDVSA) has launched its commercial brand PDV on the Argentine fuels market, it was announced last month.

The move represents the first stage in the registration of service stations under the Venezuelan PDV trademark outside Venezuela.

The launching ceremony was held within the framework of the World Energy Congress, organized by the World Energy Council, in Buenos Aires last month.

"I have the pleasure to announce that Argentina and Brazil will be the first two countries to have service stations under the PDV flag outside Venezuela," said PDVSA Vice-President Vicenzo Paglione at a press conference.

Through its PDV trademark in the fuels sector, PDVSA offered to the community of Argentina in general, and independent distributor chains and owners of service stations in particular, a new option for quality, product availability, and competitive costs, he noted.

The launching of PDV in Argentina was part of PDVSA's strategy aimed at strengthening its activities and presence in Latin America and the Caribbean, he added.

Through its commercial brands, the company added value and competitiveness to the regional market, derived from its wide range of resources in hydrocarbons, as well as financial, economic, technological, operational and human resources.

Paglione pointed out that PDVSA was

pursuing new markets throughout Latin America and the Caribbean, in support of its mission to help meet the energy needs of the regional community.

"We are committed to energy integration in the western hemisphere and all over the world," he affirmed.

A senior official of Citgo International Latin America, which is responsible for marketing the PDV and Citgo brands in Latin America and the Caribbean, noted that products and services of the PDV line of lubricants could already be found in 10 countries in the region.

Angel Arciniegas commented: "Citgo has begun this year to flag service stations in Puerto Rico, the first time outside of the United States. All of these constitute important steps in PDVSA's business plan for the continent.

"We are bringing to the fuels market the experience and best practices gathered by the organization in the marketing of PDV products and services in Venezuela, Latin America and the Caribbean, as well as in the US, through our subsidiary Citgo Petroleum," he continued.

"This expertise results in quality products and services, as well as in harmonious and productive relations with our partners and neighbours," Arciniegas noted.

QatarGas awards major LNG plant contract to Chiyoda and Technip

Doha — QatarGas announced last month that it had awarded the engineering, procurement and construction contract for the debottlenecking of its liquefied natural gas (LNG) plant at Ras Laffan to a joint venture of the Chiyoda Corporation and Technip.

The contract, worth about $90 million, formed part of the $200m debottlenecking programme, QatarGas said in a statement. It also included the management aspect of the other debottlenecking project contracts.

The debottlenecking scheme is an essential part of the development strategy of QatarGas. It is aimed at increasing maximum LNG production from 7.7m tonnes/year to 9.2m t/y.

Installation work for the project will involve QatarGas personnel and Qatari construction contractors. Completion of the debottlenecking project is seen as a milestone in the company's business plan and will contribute towards the company's vision of becoming the world's leading supplier of LNG, the statement said.

Debottlenecking is the process of increasing the capacity of a plant by making relatively minor modifications to individual systems.

Every large plant is made up of hundreds of smaller systems and equipment packages, such as turbines, coolers, pumps, piping and tanks.

When any new plant begins normal operations, the actual capacity is generally a bit higher than planned, because many components are oversized.

Additionally, the actual capacity is generally found to be limited only by a very few specific systems or pieces of equipment, those that have capacities closest to the design capacity. These particular systems are called bottlenecks as they restrict the total capacity or flow.

JGC-led consortium in line for new Libyan gas field development

London — A consortium led by the JGC Corporation of Japan has emerged as the frontrunner for a contract to develop the onshore Wafa gas field in block NC-169, in Libya.

The package, which is part of the $4.5 billion Western Desert gas project for the export of gas to Italy, includes the construction of a gas and oil-gathering network with associated treatment facilities.

JGC's partners are Italy's Tecnimont, with its French subsidiary Sofregaz. The group was the lowest bidder for the contract at $1.2bn, according to a report in the *Middle East Economic Digest.*

Two other groups bid for the contract. A consortium led by Italy's Snamprogetti, with ABB Lummus Global, and the Hyundai Engineering & Construction Company and LG Engineering & Construction, both of South Korea, tendered the next-lowest amount of $1.6bn. Another consortium, comprising France's

In brief

September 11 hits US oil demand

New York — The September 11 attacks on the United States, coupled with a lacklustre economy, were among the principal causes for a 3.7 per cent drop in domestic petroleum product deliveries in September, compared with a year ago, according to the American Petroleum Institute (API). Industry deliveries, a key measure of consumer demand, declined by 1.6 per cent in the third quarter, the first quarterly drop since 1997, the API's monthly statistical report showed. With commercial airlines grounded for several days, along with hesitant passengers for a few weeks, kerosene jet fuel deliveries of 1.58 million barrels/day were down by 9.7 per cent, compared with September a year ago. Jet fuel production of 1.46m b/d was lower by 11.1 per cent from a year ago.

US leaders seek energy bill passage

New York — United States Energy Secretary, Spencer Abraham, and several senators have urged the Senate to act immediately on energy legislation. They said it was important to show continued support for the immediate passage of a national energy bill that addressed many national security and economic issues facing the United States. In a press conference held outside the US Capitol, senators said that the swift passage of an energy bill, which included a provision to allow for oil exploration and development in the Arctic National Wildlife Refuge, would provide a greater measure of national security and economic stimulus for the US. Abraham also reiterated President George W Bush's support for a comprehensive national energy policy to be passed in the Senate this session, despite recent attempts by Senate majority leader Tom Daschle to push energy legislation further into the future.

Oman signs deal to boost oil output

Muscat — Oman has entered into a five-year agreement with PGS Geophysical as part of its campaign to increase domestic oil output. The accord, signed on behalf of the Omani government by Oil and Gas Minister, Dr Mohammed Bin Hamad Al Rumhy, stipulates that "PGS Geophysical will carry out a seismic survey and interpret seismic data available to assess the presence of oil in the area," which is offshore block no 41. Under the agreement, PGS Geophysical will also have the right to market and promote the block in the international market, as well as sell the information under the supervision of the Omani government, without additional cost. The aim of the exercise is to help promote a market for open blocks in the country.

In brief

Philippines mulls new naphtha cracker

MANILA — The Philippines plans to finalize a joint-venture agreement with Malaysia and Brunei later this year for the establishment of a $600 million domestic naphtha cracker. The President of the Philippines National Oil Company (PNOC), Thelmo Cunanan, said that the plant would be the first of its kind. "We are hoping to complete the joint-venture agreement by the end of the year and sign it by January 2002," he was quoted by the Malaysian news agency, Bernama, as saying. Under the proposed plan, Malaysia's Petronas would take a 20 per cent stake in the venture, while the Brunei government would hold a 35 per cent share. One of PNOC's subsidiaries, the Petrochemical Development Corporation, would possess a 35 per cent stake, with the remaining shares held by Japanese investors. The plant, to be sited north-east of the capital, Manila, would produce nearly 700,000 tonnes/year of polypropylene and polyethylene.

BP moves to develop Clair field

BRUSSELS — The British oil giant, BP, has announced plans to develop what it describes as "the largest untapped oil field in United Kingdom waters" more than 25 years after it was first discovered. The firm said it could produce up to 250 million barrels of oil in the first phase of the development of the Clair field in the North Sea, at a cost of around $1 billion. BP's North Sea Operations and Development Manager, Doug Suttles, said: "There are some who thought that the field would never be developed, but as technology has improved and smarter ways of working have been developed, we have moved steadily to the realization that the field could be economically and competitively developed." The development of phase one of the operation, which is planned to yield 60,000 b/d of oil and 15m cubic feet/d of gas from 2004, is expected to start as soon as the UK Department of Trade and Industry gives approval.

Petronas wins Bahrain oil contracts

KUALA LUMPUR — Malaysia's state-owned oil company, Petronas, has been awarded two exploration blocks in Bahrain. The two blocks, numbers four and six, are to be explored under a production-sharing arrangement. Petronas said in a statement that the blocks, for which it was the operator, were located in the eastern offshore area of the country. The award of the contracts by the government to Petronas followed the acceptance of the company's proposal in June 2001. The government had called for a tender in respect of the blocks in March 2001, which attracted several international oil companies.

Bouygues, with Argentina's Techint and the Athens-based Joannou & Paraskevaides, bid just over $1.7bn.

The contract is for the turnkey construction of a gas and oil-gathering network linking 38 wells that have been earmarked for development, located 550 km south-west of Tripoli.

The selected contractor will also build separate gas, oil and condensate treatment facilities at the Wafa field. France's Technip Geoproduction, which did the front-end engineering and design for the project, is also acting as project management consultant.

The same three bidders, plus a team of South Korea's Samsung Corporation and Germany's Linde, were also due to submit proposals last month for a contract to build the Melitah gas treatment facilities.

This work includes the installation of gas sweetening facilities, control units, and condensate treatment and sulphur recovery units.

The plant will eventually process gas, oil and condensate for export to Italy, via the planned 570-km, 32-inch diameter pipeline, from the offshore Bouri field in block NC-41.

An award for both packages is expected before the end of 2001 with work scheduled to start in 2002. Italy's ENI has already signed off-take agreements for 8bn cubic metres/year of gas, starting in 2004.

Attention is now shifting to the other main contract packages. Six groups are competing for the work to install the 520-km twin gas and oil Wafa-Melitah onshore export pipeline.

Kuwait Petroleum Italia announces nine-month pre-tax profit of Eur 49.8m

Rome — Kuwait Petroleum Italia (KPI) last month announced a pre-tax profit of Eur 49.8 million for the first nine months of the current financial year, according to the Kuwait News Agency (KUNA).

The Director of KPI's Finance and Investment Department, Fawzi Al Mkeimi, said the result was significant since the profit for the whole of last year amounted to only Eur 7.7m.

He said a very good result was realized by KPI's operations sector, with earnings totalling Eur 73.5m for the nine-month period, compared with Eur 28.9m for all of 2000.

Mkeimi said the profit rise was due to Kuwait's drive to improve marketing performance and implement better retail options, KUNA reported.

Other reasons for the improved profit originated from the growth of the refining capacity at the Milazzo plant in Sicily, which is 50 per cent owned by KPI and 50 per cent by Italy's Agip.

Indonesia's Pertamina may acquire BP stake in Singapore refinery

Jakarta — The Indonesian state oil and gas firm Pertamina is planning to acquire all or part of BP's one-third share in the Singapore Refining Company, which has a 285,000 barrels/day plant in the city state.

Pertamina was open to the possibility of buying the stake in the world-class refinery and was in talks with BP, said the Indonesian firm's President Baihaki Hakim, adding that BP had offered to sell the plant about a year ago, but Pertamina had then declined.

Baihaki said the acquisition would be part of plan to expand Pertamina's business and make it an international company. The enterprise is being privatized under a newly-passed law.

The Singapore refinery was strategically located to supply products to Indonesia's remote areas, according to industry observers.

It would give an edge to Pertamina in supplying products to those Indonesian provinces which were closer to Singapore and where refineries had not been built.

The Caltex Corporation (owned by ChevronTexaco) and Singapore Petroleum each hold a one-third share in the Singapore refinery. The $3 billion plant has not attracted buyers, due to very low refining margins for the past few years.

Baihaki also disclosed that Pertamina had secured a $250 million foreign loan out of its $1bn plan, which would be used to acquire the Indonesian oil and gas

operations of the Spanish-Argentine oil giant Repsol-YPF.

While waiting to sign the first loan contract, Pertamina was also in negotiation with the same lenders for another $400m loan to be used to build a gas pipeline from Sumatra to West Java, he said.

Pertamina had also proposed to the government to change the status of the two liquefied natural gas producing centres at Aceh, in North Sumatra, and Badak, East Kalimantan, to generate more revenue, he added.

Pertamina owned major stakes in the two plants and should be allowed to raise money by increasing production, he maintained.

Iran considers award of new gas projects for offshore fields

Tehran — Iran is considering the award of new gas development projects in the offshore fields of Parsian, Bid-Boland, and South Pars, according to the country's Petroleum Minister, Bijan Namdar Zangeneh.

He said that some of the schemes, including phases nine and 11 of the South Pars gas field, had already been tendered and that his Ministry had received proposals by some bidders.

However, the Minister did not disclose the interested parties, nor did he indicate when the tenders would be offered.

"The necessary documents for tendering other plans are being prepared," Zangeneh was quoted as saying by the official Islamic Republic News Agency (IRNA) as saying.

He said earlier that the massive South Pars gas field project, billed for August, would not commence until all relevant documents from the bidders had been examined.

Iran was said to be in negotiations with potential partners to develop phases 11 and 12 of South Pars. ENI of Italy and TotalFinaElf of France have been mentioned as among the companies with strong chances in those phases.

Each of the development phases 9-12 of the South Pars field will require an estimated investment of some $1 billion, said the Iranian News Agency.

Saudi Aramco board restructured and four new directors appointed

Jeddah — The 12-member board of Saudi Arabia's state oil firm, Saudi Aramco, has been restructured with King Fahd Bin Abdulaziz Al-Saud appointing four new directors, according to the Saudi Press Agency (SPA).

The Kingdom's Minister of Petroleum and Mineral Resources, Ali I Naimi, retained his post as Chairman of the board of directors for the next three years, effective from November 30.

The Saudi Aramco board was last reshuffled in 1998, when three new appointments were made, reported SPA.

The four new members of the board are Minister of State and President of the Saudi Seaports Authority, Abdul Aziz Ibn Ibrahim Al-Manie; the Secretary General of the Supreme Economic Council, Abdul Rahman Ibn Abdul Aziz Al-Tuwaijri; the Vice-President of King Abdul Aziz City for Science and Technology, Muhammad Ibn Ibrahim Al-Suwayel; and the former Head of US firm Marathon Oil, Victor Beghini.

Citgo's Lake Charles refinery back to full capacity following fire

Caracas — The United States-based Citgo Petroleum Corporation announced last month that its refinery at Lake Charles in Louisiana has almost resumed full operating capacity, following a fire at the plant in September.

The 330,000 barrels/day plant had been operating below installed capacity since September 21, when the fire occurred in the Unicracker, which produces turbine fuel.

Citgo, a subsidiary of Venezuelan state oil firm PDVSA, said repairs on the Unicracker unit were expected to be completed in mid-November. No serious injuries resulted from the fire.

In brief

US drilling activity up in 3Q01
NEW YORK — The number of oil, natural gas and dry wells drilled in the United States in the third quarter of 2001 increased by an estimated 24 per cent, compared with the same period of 2000, the American Petroleum Institute (API) has announced. The number of oil wells drilled in the period rose by eight per cent, while those for natural gas increased by 32 per cent, as opposed to the same quarter last year. According to the API's latest quarterly well completion report, 9,901 oil, natural gas, and dry wells were drilled in the third quarter. Of the total, the number of gas wells drilled stood at 7,987, oil wells amounted to 2,444, while dry holes numbered 914. Total exploration wells drilled in the quarter were up by 41 per cent, while development wells drilled were 23 per cent more than in the same quarter last year.

Global demand for LNG vessels up
SEOUL — Global orders for liquefied natural gas vessels hit a record high of 29 in 2001, compared with 21 in 2000, according to a report carried by the *Korea Herald* last month. Quoting industry sources, the report said the order in 2001 was nearly five times more than the six vessels placed in 1999. It said international shipping companies were planning to place additional orders for LNG tankers in the coming year. Danish shipping group A P Moller, which traditionally transports liquefied petroleum gas, joined the LNG trade when it placed a vessel order with Samsung Heavy Industries recently. The report added that the brisk LNG tanker market was based forecasts of on LNG consumption reaching 2.05 billion tonnes in 2005 and 2.27bn t in 2010, compared with 1.8bn t in 2000. South Korean shipbuilders were expected to benefit greatly from the demand for new LNG vessels, having taken orders for 18 tankers this year, or 70 per cent of the worldwide total.

Norway sees drop in oil revenues
BRUSSELS — The Norwegian government said last month that revenue from the country's petroleum operations will fall to a projected $23.5 billion in 2002, some $4.5bn less than the expected figure for 2001. It said that the reason for the decline was the impending economic recession, coupled with the reduction in industrial demand for oil. The government estimate is based on an expected average oil price of $22.86/b, down from an average of $26.29/b in 2001. Government officials have also forecast a drop of some three per cent in the total export value of the petroleum sector in 2002. Average oil production from the Norwegian continental shelf is expected to rise to 3.2 million barrels/day in 2002.

In brief

IMF says GCC needs income taxes

DUBAI — The International Monetary Fund (IMF) has urged the six Gulf Co-operation Council (GCC) states to introduce income taxes to increase their revenues and protect their economies against unpredictable oil export earnings. The IMF said the GCC states should drop their reluctance to introduce such taxes, as crude oil sales alone would not achieve sustainable economic growth. It proposed five types of taxes for the 20-year-old economic, defense and political group, including taxes on individual income, corporate profits, consumption, fees and value added. "GCC states should start introducing such taxes, which will expand non-oil revenues," said the IMF in a report on sustainable development and economic stability in the GCC, which comprises OPEC Members Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates, in addition to non-OPEC Oman and Bahrain.

Gulf capacity expansion may slow

DUBAI — Gulf countries will likely put a brake on their investments in oil output capacity expansion as global crude demand growth is set to slow down, following the September 11 attacks on the United States, according to the London-based Centre for Global Energy Studies (CGES). "Global oil demand growth will very likely slow down because of slower world economic performance, following the attacks in the US," CGES analyst Julian Lee was quoted as saying by the Dubai-based *Gulf News*. "I think this will encourage the big producers in the Gulf to scale down their expansion operations. At the same time, we expect small producers within OPEC … to continue such plans," he said.

US stripper well production up

NEW YORK — Reversing what was a long-term decline, the number of marginal oil wells and production from marginal oil wells in the US increased in 2000, according to figures released by the Interstate Oil and Gas Compact Commission (IOGCC). In 2000, the number of marginal or stripper oil wells in the US rose to 411,793, compared with 410,680 in 1999. Production in 2000 increased to 326.21 million barrels, up from 315.51m b in 1999, the first annual increase in production since 1984, according to the IOGCC's national stripper oil well survey of 28 oil-producing states. Although each individual well produces only small amounts of crude (an average of 2.16 barrels/day for 2000), stripper wells account for 29 per cent of US domestic oil. Arkansas Governor and IOGCC Head, Mike Huckabee, described it as "good news for America."

"Although none of the other refinery units were damaged, we brought those units back up slowly and deliberately to ensure the safety of our employees," said Citgo Vice-President for Lake Charles, Al Prebula.

"We are very pleased to have the refinery back up at full capacity and are working diligently to get the Unicracker back onstream," he added.

The company also said that an investigation into the cause of the incident had revealed that it occurred as a result of an internal explosion in the Unicracker hydrogen supply coalescer (filter system) in the process of being replaced, following a routine filter change.

Algeria's Sonatrach holds exploration talks over oil block in Sudan

Algiers — Algerian state oil and gas company Sonatrach is holding discussions with Sudanese authorities for the exploration of block 15 in Sudan, it was reported last month.

The talks were conducted on the sidelines of an official visit to Sudan by Algerian Energy and Mines Minister, HE Dr Chakib Khelil.

According to Sonatrach sources, the discussions relating to block 15 started a month ago and involved technical studies to determine the potential of the block.

During his visit, Khelil, together with Sudanese Industry and Investment Minister, Djalal Youcef Eddakir, co-chaired a meeting of businessmen from both countries in Khartoum.

The Algerian Minister pointed out that the holding of these talks would contribute to reinforcing bilateral relations between the two countries, including in the energy domain.

Khelil also indicated that the two countries had already engaged in discussions on joint energy projects, stating that he was optimistic about their outcome.

In a separate development, Sonatrach also signed a contract with First Calgary Petroleum covering block 405B, Menzel Lejmat, located in eastern Algeria. The deal increases First Calgary's holdings in the prolific Berkine basin to over 2,000 sq km.

Work is proceeding rapidly on block 406A, signed in June last year. An extensive 3-D seismic survey to detail several strong leads is projected to commence before December, with the first exploration well due to be drilled in mid-2002.

Block 405B is situated in the heart of the active Berkine trend and contains proven reserves of gas and liquids, together with strong exploration leads over much of the block.

Field work will commence early next year, focusing on the rapid appraisal of the MLE-1 discovery. This will be accompanied by an extensive seismic survey to define the block's key exploration prospects.

Shell Nigeria gathering and exporting more gas to help curb flaring

Abuja — The Shell Petroleum Development Company (SPDC) has begun exporting Nigerian gas, as part of a plan to stop gas flaring in the country by 2008.

The company said in the current edition of its house journal *Shell Bulletin* that the firm began sending gas into the Escravos-Lagos pipeline towards the end of last month.

"Some 40 million cubic feet/day of gas is currently being exported," the company said, adding that the associated gas being exported was from the Odidi-1 flow station, which was one of five such facilities in its western division northern swamp production area.

"A total of 80m cu ft/d of gas will be gathered and converted to economic use by the time all of them are hooked up," Shell said in the publication. It added that the Odidi project was awarded in 1988 at a cost of $300m.

"The Odidi project is based on a prefabricated modular concept which impacts little on the environment. The project involves the installation of booster compressors, central processing facilities, as well as a general facilities upgrade and electrification," the company said.

It stressed that apart from the complex compression and utilities modules, which were fabricated abroad, all the pipe rack and walkway work was done locally at the Nigerian ports yard in Warri.

"Implementation of the project has gone on simultaneously with the execution of a robust development plan for the host communities, which comprised sand filling at several locations, construction of jetties, establishment of poultry farms, a pig farm, a cassava processing mill, and ceramic farms," Shell added.

The company also said that it had acquired a well control simulator costing $200,000 to train well engineers. Company official Chima Ibeneche said the move to get the simulator was the right thing to do for Shell.

"Producing oil from a well is a hazardous and difficult business and those who engage in it need to be trained and retrained," he pointed out.

Final Dolphin gas deal due to be signed soon, says Qatari Minister

Doha — Qatari Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah, said last month that the final development and production-sharing agreement for the Dolphin gas project would be signed soon.

Qatar and Dolphin Energy Ltd (DEL) were very much on track to ink the deal for the $3.5 billion project to supply 2bn cubic feet/day of Qatari gas to the United Arab Emirates (UAE), he noted. First Qatari gas is expected to reach the UAE by late 2004.

The Minister said the deal would enable the Abu Dhabi-based UAE Offsets Group (UOG) to develop a tract of Qatar's giant North field and produce up to 2bn cu ft/d of gas.

UOG launched DEL to execute the deal. UOG holds a 51 per cent stake in DEL, with the remainder owned equally by France's TotalFinaElf and the US-based Enron Corporation.

UOG would invest $2bn in developing the upstream facilities for production of gas from the Khuff formation in the North field, which would be transported to a gas-gathering and processing plant at Ras Laffan to strip out the condensate, ethane, liquefied petroleum gas, and sulphur.

The remaining $1.5bn would be invested in laying a sub-sea pipeline and to set up receiving terminals at Taweelah in Abu Dhabi and Jebel Ali in Dubai.

The first export-oriented pipeline project in the Middle East, Dolphin would pave the way for the creation of a Gulf Co-operation Council (GCC) grid originating in Qatar.

A recent report from Abu Dhabi said DEL had received technical and commercial bids from eight international firms for the upstream and the midstream front-end engineering and design contracts for the project.

Both the upstream and the midstream contracts were expected to be signed in early December, the report noted.

Indonesia plans phased hike in fuel prices as subsidy is reduced

Jakarta — The Indonesian government plans to raise domestic fuel prices by 30 per cent from January 2002 to help support the state budget, it was announced last month.

The House of Representatives approved the government proposal to raise pump prices and reduce the subsidy.

However, the increases would be introduced gradually to avoid negative reactions from the public, said the Chairman of the Budget Committee, legislator Benny Pasaribu.

Fuel price increases had been politically sensitive as they affected all sectors of society and had led to riots and protests in the past, he noted.

The steps taken by the government to remove the subsidy, as agreed with the International Monetary Fund (IMF), would help to restructure the national economy, he added.

With the latest proposed increase in fuel prices, the government fuel subsidy for 2002 would be down from this year's 53.77 trillion rupiahs ($5.33 billion). It had previously proposed a 32.92tr rupiahs fuel subsidy for 2002.

The government would subsidize 52.77 million kilolitres of fuel during the year, down from 55.79m kl, as proposed by the state oil and gas enterprise, Pertamina.

The budget committee also approved

In brief

Petrochems industry needs higher prices
LONDON — The higher the price of crude oil, the better placed Middle East petrochemical producers are to benefit from the comparative feedstock advantage that makes the region a profitable location for such projects, according to a recent report in the *Middle East Economic Digest* (MEED). The lower the crude oil price, the slimmer their profit margins become, said the MEED report. "It must be said that if the crude oil price came down below $15/barrel, some of the competitive advantages would be diluted," commented Director at industry consultants CMAI Europe, Andrew Pettman. "When the price is $30/b, as it was in 2000, Middle East producers can enjoy a cash cost advantage of about $100/tonne for ethylene projects over European schemes," he added.

GCC oil income to fall to $107.6bn
DUBAI — Gulf Co-operation Council (GCC) states are expected to earn around $107.6 billion from oil exports in 2001, far below last year's income, according to a report by the London-based Centre for Global Energy Studies (CGES). The decline in revenues of the six-nation GCC is a result of a drop in average crude prices in 2001 compared to 2000, said the CGES. The GCC countries, which controlled 45 per cent of the world's proven crude reserves, earned $130bn in 2000 as a healthy global economy saw oil prices rise to their highest levels in 18 years. "Earnings by the GCC and OPEC as a whole will be lower because prices are lower," Dr Leo Drollas of the CGES was quoted as saying by the *Gulf News* of Dubai.

ChevronTexaco marks first day of business
NEW YORK — The newly-merged ChevronTexaco marked its first official day of business as shares of its stock begin trading on the open market in October, according to a company statement. The firm's Chairman, David J O'Reilly, together with Vice-Chairman, Glenn Tilton, and Chief Financial Officer, John Watson, marked the occasion with a ceremony at the New York Stock Exchange with the latter's Chairman, Richard Grasso. ChevronTexaco enters the global marketplace as the second-largest US-based energy company and the fifth largest in the world, based on a market capitalization of $97 billion. Among non-state oil firms, the new company ranks third in the world in oil reserves and fourth in oil and natural gas production, with exploration and production operations in all of the world's most prolific and promising regions. More than 53,000 ChevronTexaco employees work in some 180 countries around the world.

In brief

Drilling activity mixed in September

New York — The worldwide rig count for September stood at 2,276, down by 57 from the 2,333 counted in August, but up by 237 from the 2,039 recorded in September 2000, according to the latest estimates from Baker Hughes. The international rig count (world except United States and Canada) for last month was 766, up by 10 from the 756 counted in August and higher by 52 than the 714 counted in September 2000. The international offshore rig count for September was 226, up by seven from the 219 registered in August and 13 more than the 213 counted in September last year. The US rig count for last month stood at 1,193, down by 59 from 1,252 in August, but up by 182 from the 1,011 recorded in September 2000.

Gas use up 4.8 per cent in 2000

Doha — Natural gas consumption worldwide increased by about 4.8 per cent to a record 2.16 billion tonnes of oil equivalent last year, according to energy expert Dr Naji Abi-Aad. World energy demand in 2000 rose by about 2.1 per cent, Dr Abi-Aad, who is a Senior Adviser at l'Observatoire Mediterraneen de l'Energie in France, told an industry conference in the Qatari capital Doha. Natural gas had attained its highest ever global share, representing some 24.7 per cent of world primary energy demand, he said. Between 1980 and 2000, demand for natural gas had increased by an average annual rate of 2.7 per cent, compared with 0.8 per cent for oil. Natural gas had become a preferred source of energy, due to many reasons, including the fact that it was considered to be the cleanest of all fossil fuels.

US oil industry challenges diesel rules

New York — A broad coalition of trade associations representing US refiners and marketers has filed a brief which asks the Court of Appeal for the DC Circuit to send the Environmental Protection Agency's new diesel sulphur rules back to the EPA for revision. The associations are concerned that the rule, as written, would lead to shortages of diesel fuel, beginning in 2006. Diesel fuel is America's primary commercial fuel, and 70 per cent of the nation's goods are transported in diesel-powered vehicles. An adverse impact on diesel fuel supply could sharply increase fuel costs, which would result in higher prices for consumer goods, argue the petitioners, who include the National Petrochemical & Refiners Association, the American Petroleum Institute, and the Society of Independent Gasoline Marketers of America. The new rules require a 97 per cent reduction in highway diesel fuel sulphur levels by mid-2006.

the revised 2002 budget assumptions and based it on four per cent economic growth, nine per cent inflation, an exchange rate of 9,000 rupiahs to the US dollar, a Bank Indonesia promissory note interest rate of 14 per cent, and an oil export price of $22/barrel.

Nigerian agency signs deal with German firm covering Niger Delta

Abuja — The Niger Delta Development Commission (NDDC) has signed an agreement with Germany's Gesellschaft für Technische Zusammenarbeit (GTZ) for the development of an integrated regional master plan for the Niger Delta region.

The agreement was signed on behalf of the NDDC by its Chairman, Onyema Ugochukwu, and Managing Director, Godwin Omene, while GTZ Director, Heiner Wolter, and Chairman of Wilbahi Engineering, Edmund Daukoro, signed on behalf of the German outfit.

Under the terms of the accord, GTZ will be a partner with the NDDC in the development of the sector, state and regional master plans.

The German firm will also co-ordinate, manage and administer the large number of predominantly indigenous consulting companies that will implement the plans.

Some of the sectoral plans will cover infrastructure, including roads, waterways, airports and railways, water supply and sewage, electricity, telecommunications, education, agriculture, forestry, wildlife and aquaculture (biodiversity conversation); environmental, coastal dynamics and hydrology, small and medium scale industries; and large scale industries.

Others are rural, urban and regional planning and housing, sanitation and waste management, arts, culture, sports and tourism, health and social welfare, solid minerals, women, youth development and empowerment, and demographic and socio-economics.

The NDDC's Executive Director, Finance and Administration, Timi Alaibe, said in a statement: "The signing of this agreement represents a significant milestone in the operations of the NDDC, which is in tandem with the mission statement of the commission."

The NDDC is expected "to facilitate the rapid, even and sustainable development of the Niger Delta into a region that is economically prosperous, socially stable, ecologically regenerated and politically peaceful."

According to the Chairman of the NDDC, the master plan "represents the core of our operations and will form the basis for the development which the NDDC will bring to the Niger Delta.

"It will provide the NDDC with the comprehensive framework for the implementation of the programmes of the commission," he added.

Petrolera Ameriven to begin operations at its crude converter facility

Caracas — Petrolera Ameriven, one of four strategic associations engaged in the production and upgrading of extra-heavy crudes from the Orinoco oil belt in Venezuela, has announced plans to open its production facilities at Bare, Anzoategui state, in eastern Venezuela.

State oil corporation Petroleos de Venezuela (PDVSA) and ChevronTexaco each hold a 30 per cent stake in Ameriven, which is responsible for the Hamaca project in the Orinoco oil belt. Phillips Petroleum has the remaining 40 per cent.

"Petrolera Ameriven will begin its operations on November 20, 2001, following the inauguration of production facilities," commented company President Victor Estrano.

"The synergy that we have with PDVSA and the concentration of the working team on the fulfilment of the plan has allowed us to make accelerated steps and quickly bring us up to the level of the other three projects," he said.

The other three strategic heavy crude projects in the Orinoco oil belt are Petrozuata, Sincor and Cerro Negro.

The Hamaca project is designed to produce some 190,000 barrels/day of extra-heavy crude, which will be converted into a lighter synthetic crude of about 25-26° API at facilities located at Jose, Anzoategui state for export.

World's biggest ethane cracker to be built by TotalFinaElf in Qatar

Paris — French oil giant TotalFinaElf announced last month that its chemical unit, Atofina, and the Qatar Petrochemical Company (Qapco), had signed a memorandum of understanding for the construction of a giant ethane cracker facility.

Under the deal, which was signed with state oil firm Qatar Petroleum and Chevron Phillips Chemical, the unit would be built by the second half of 2006.

It said in a statement that the final contract, the details of which were not published, would be signed by the end of this year.

The cracker would have a start-up capacity of 1 million tonnes/year and a second phase would increase this to 1.5m t/y at an undisclosed date. That would make it the largest such unit in the world.

TotalFinaElf said initial production of feedstock of 400,000 t/y would be supplied to the polyethylene plant at Messaied, in south-eastern Qatar, while additional feedstock would go to supply the QVC plant opened in Qatar last June, in which Atofina had a 16 per cent stake.

Excess ethylene feedstock would be used to consolidate supply at both facilities. TotalFinaElf also has a 10 per cent share in Qapco.

Iranian official sees lower oil income this year as prices fall

Tehran — Iran's crude oil revenues for the current Iranian year (beginning March 21, 2001) are likely to be lower than the previous year, according to a senior official with the National Iranian Oil Company (NIOC).

NIOC Deputy Head, Hojjatollah Ghanimi-Fard, pointed out that crude oil revenues for the first half of the Iranian year stood at $9.8 billion, a 12 per cent decline from the corresponding period last year, when the figure stood at $11.15bn.

The export of oil derivatives in the first half of the year fetched $500 million, compared with $1.7bn in the same period of 2000.

Ghanimi-Fard blamed the drop in Iran's crude oil revenues on falling oil prices and on a reduction in oil exports by OPEC Members, as agreed upon by the Organization.

He said the average price of Iranian oil in the first half of the year stood at about $24/barrel, compared with $25.9/b in the same period last year.

Ghanimi-Fard noted that the price of Iranian crude oil had slumped to around $20/b since the September 11 attacks on the United States.

The NIOC official also said Iran had imported as much as 7 million litres/day of petrol in the first half of the current Iranian year.

He estimated the import value of petrol and additives used to produce petrol at about $600m this year, showing a $100m increase over the previous year.

UAE firm's business little affected by drop in aviation fuel demand

Dubai — The drop in demand for aviation fuel following the September 11 attacks on the United States will not seriously affect the performance of the Emirates National Oil Company (ENOC), according to a top company official.

ENOC Chief Executive, Hussain Sultan, said that recent developments following the attacks would have little adverse impact on business generally in the United Arab Emirates (UAE), or the performance.

Sultan pointed out that there would be no need for ENOC to reshape its policy and strategy to fit the recent developments.

"We have a clear policy that fits all conditions," he stressed, adding that the company was performing fairly well and was expected to show a better financial performance than the previous year.

Sultan said that ENOC was constantly searching for new investment opportunities, adding that it was exploring for more oil deposits in Turkmenistan to increase the output of the Dragon project, which was at present producing 2,000 barrels/day of oil, by end of this year.

In brief

Africa needs $10bn for power schemes

Abuja — West African countries need about $10 billion to rehabilitate and construct new electricity generating plants and update and build new high-voltage transmission lines over the next 15 years, according to a plan approved by Energy Ministers of the Economic Community of West African States (Ecowas). Under the plan, about $5.8bn would be required in new investments for a 10-fold increase in existing transmission capacity and a six-fold rise in installed generation capacity. Based on the expected electricity growth rate, the 16 Ecowas members needed more than 28,000 megawatts of new generating capacity to be added to available capacity in the region for the period 2001-20. The report added that West Africa's power sector would be constrained by its inability to raise significant capital in the near future, in view of its small size and investors' perception of the region as a high-risk zone.

Thailand's PTT mulls investment plan

Bangkok — The Petroleum Authority of Thailand (PTT) will maintain an investment budget plan worth $2.24 billion over the next five years, despite the global economic slowdown. PTT, which became a public company on October 1, with the Thai Finance Ministry holding a 100 per cent interest and planning to float about 30 per cent of its stake on the local bourse in the coming months, plans to focus on the core businesses of gas, oil, petrochemicals and refining. However, PTT wants to limit investment in non-core businesses, such as chemical fertilizers, and reduce its stake in the firm's refinery, said the firm's President, Viset Choopiban. PTT also plans to invest 80bn baht in natural gas development and reduce its consumption of oil, while indigenous gas and condensate reserves would be developed for use in the petrochemical and refining sector, said Viset.

Americans want more domestic energy

New York — A nationwide poll in the US has shown a dramatic increase in the number of Americans who see increasing domestic energy production as a key element in improving and protecting the country's national security. The poll, conducted by Wirthlin Worldwide and released by Arctic Power, came in the wake of the September 11 attacks on New York and Washington. Some 71 per cent of those polled said they favoured increasing domestic supplies of traditional energy sources, including oil, natural gas, coal, and nuclear power. Another 38 per cent cited protecting national security by ensuring a stable supply of energy for the future as the main reason for acting on a national energy plan.

In brief

Canadian firm makes heavy oil find

NEW YORK — Canadian company Blackrock Ventures has made a significant oil discovery at Seal, in northern Alberta. The firm indicated that, to date, it had drilled three successful horizontal wells at Seal, saying that the initial well had been on a production test for 130 days and was currently producing 300 barrels/day of oil. The second well, tested for 30 days, saw production reaching 375 b/d. The company said the third well had been completed and initial results were encouraging. It stressed that the three-well production optimization potential was impressive. Meanwhile, the wells have been temporarily suspended, pending down-spacing approval from regulatory authorities. Blackrock's Vice-President of Exploration, Tim Kozmyk, commented: "This play has the potential to be one of the largest primary heavy oil discoveries in western Canada in recent years."

Norway hopeful of new oil finds

BRUSSELS — Hopes have been raised in Norway of another major North Sea oil and gas discovery, following exploration of areas north of the existing Ormen Lange oil field. Norwegian firm TGS-NOPEC, which has been conducting seismic exploration between Ormen Lange and the Helland Hansen fields, has called the area quite promising. The company's seismic studies indicate hydrocarbons in an area as large as the Ormen Lange field, which has already proved to be one of the largest gas fields in the Norwegian sector of the North Sea. However, Jarn Christiansen, of TGS-NOPEC, admitted that there was no way of judging the quality of the oil and gas until drilling took place.

Shell starts gas output from Malampaya

MANILA — Shell Philippines Exploration (SPEX) said last month that it has commenced the production of natural gas from the Malampaya field in the Palawan Sea, the largest part of the country's gas to power generating project. A government official said that the $4.5 billion project would save the government as much as $670 million in oil import bills. The gas was delivered through a 504-km pipeline from the Malampaya platform to an onshore plant capable of processing 500m cubic feet/day and then transmitted to the electricity generating complex. The gas field is being exploited under a 20-year contract involving SPEX and its partners, Texaco Philippines and the Philippines National Oil Corporation. SPEX, as the field operator, spent three-and-a-half-years on designing and building the project before the start of gas production from the fields. The project will generate $8bn–10bn in revenue.

Iran and Japan agree on steps to promote oil sector co-operation

Tokyo — The Iran-Japan joint energy consultative commission agreed at a meeting last month on ways to promote the active participation of Japanese companies in Iranian oil projects.

Sources close to the meeting said commission officials had also agreed to collaborate on the expansion of gas-powered vehicles and manpower training in Iran's oil sector.

In addition, they stressed the need for ensuring oil price stability in international markets, the official Islamic Republic News Agency (IRNA) reported.

Iranian Deputy Petroleum Minister and Deputy Head of the National Iranian Oil Company (NIOC), Mehdi Mir-Moezi headed the seven-man delegation to the talks. The first meeting of the commission was held in August.

The Japanese public-private consortium in June reached an agreement with the Royal Dutch/Shell group to jointly develop the Azadegan oil field, in what would be Japan's largest investment in the country since 1979.

Iran is currently the third largest crude oil supplier to Japan, added the IRNA report.

Anadarko oil finds in Algeria estimated at 2.8 billion barrels

Algiers — United States oil company Anadarko has discovered total oil reserves estimated at 2.8 billion barrels since beginning operations in Algeria, it was reported last month.

According to Anadarko's Manager for Algeria, Anthony Meyer, the company, which started exploration activities in the country at the end of the 1980s, was still expecting to make significant discoveries, "seeing that the country possesses one of the most appreciable hydrocarbons potentials on the continent."

Speaking after the signing of an exploration deal with the Algerian state oil and gas company, Sonatrach, he also praised the new procedures set by Algeria for granting hydrocarbons contracts.

He pointed out that these new procedures were based on total transparency and greater speed of implementation.

Sonatrach recently announced in a statement that the duration for the negotiation of new contracts would be reduced to three months, instead of the previous time-span of two years.

Foster Wheeler gets engineering deal for GTL plant in Qatar

New York — The UK subsidiary of Foster Wheeler has been awarded a front-end engineering and design contract for an $800 million gas-to-liquids (GTL) project at Qatar's Ras Laffan Industrial City.

The GTL facilities will provide fuel, naphtha and liquefied petroleum gas for domestic consumption. The contract was awarded by a joint venture of Sasol and Qatar Petroleum.

Foster Wheeler Energy Ltd is the first contractor using Sasol GTL technology to be involved in a Sasol GTL plant outside South Africa.

The scope of Foster Wheeler's work includes preparation of the feed, selection of long lead package vendors and a geotechnical survey, and preparation of the invitation to bid.

It is also responsible for pre-qualifying engineering, procurement and construction (EPC) contractors and will assist in the selection of bidders, lender evaluation and the award of the EPC contract.

The project will provide 24,000 barrels/day of fuel, 9,000 b/d of naphtha and 1,000 b/d of LPG from a supply of 330m cubic feet/d of lean natural gas.

The liquid fuels produced by the GTL facility will have virtually no sulphur, a high octane number and a very low aromatic content and will enable significant reductions in noxious emissions, such as particulates, nitrous and sulphur oxide, carbon monoxide and hydrocarbons.

The complete project from contract award to operation is on a fast-track schedule with commercial production expected in the first quarter of 2005.

Available exclusively from OPEC:

The **2000 edition** of the **OPEC Annual Statistical Bulletin**, which has established itself as the standard reference work on the oil and gas industries of OPEC Member Countries, is now available exclusively from the Secretariat. Compiled by a team of statistical experts, the ASB contains an unrivalled wealth of data covering the period until end-2000 on the oil and gas sectors of OPEC's 11 Member Countries, as well as comprehensive coverage of the rest of the world.

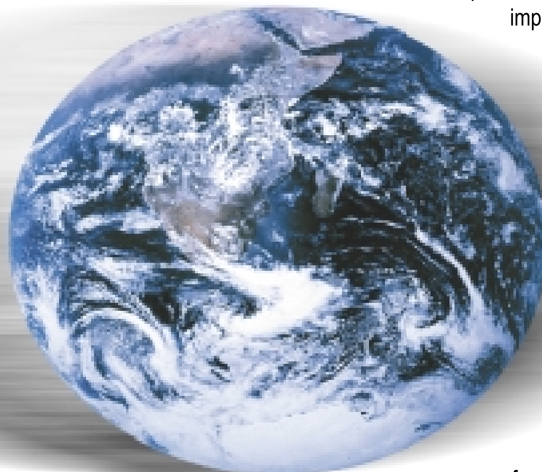
For ease of reference, the ASB is divided into five sections, which are:

1 Summary tables and basic indicators

Basic economic indicators in OPEC Member Countries (GDP, population, trade, etc) from 1980-2000. Side-by-side comparisons of fundamental information on the oil and gas industries of OPEC Member Countries and the rest of the world cover the same period.

2 Oil and gas data

More detailed information on the hydrocarbon industries of OPEC and non-OPEC countries, including oil and gas reserves, exploration and production, output and consumption of refined products, exports and imports. Most tables cover 1996-2000.



3 Transportation

A breakdown by size of the oil tanker and liquid gas carrier (LPG and LNG) fleets of OPEC Member Countries and the rest of the world, as well as freight rates for 1996-2000. Also includes data on all oil, gas and product pipelines in OPEC Member Countries.

4 Prices

Monthly average prices of the OPEC Reference Basket of crudes and its components for 1998-2000 and annual averages for 1991-2000, plus selected major crudes (OPEC and non-OPEC) for the same periods. Spot refined product prices and a breakdown of the composite barrel are also featured.

5 Major oil companies

Data on the operations of six oil majors: BP Amoco, ExxonMobil, TotalFinaElf, Royal Dutch/Shell, Chevron and Texaco. Tables show revenue, operating costs, taxation, net income and much more.

Packaged with the ASB is a 3.5-inch computer diskette (for Microsoft Windows only) containing all the data in the book and more. Many of the time series in the summary tables in Section 1 are extended back to 1960, the year of OPEC's founding, while much of the data in Sections 2-5 extends back to 1980. The application is simple to install and easy to manipulate and query. The data can also be exported to Microsoft Excel or other spreadsheets.

The OPEC Annual Statistical Bulletin 2000 book plus diskette package costs $85.
To order your copy, just fill in the form at the back of the issue, and fax it to OPEC's PR & Information Department at (+43 1) 214 98 27.

Sixth Session of the Conference of the Parties (COP6 Part II) concludes in former German capital Bonn

The OPEC Secretariat established its own Environmental Task Force (ETF) in 1994 to monitor developments in the field of energy use and the environment. Its principal objective is to keep OPEC's Ministers continuously informed about the status of the energy/environmental debate, as it affects the Organization and its Member Countries. The ETF's work is also seen as adding impetus and authority to the discusssions at high-level meetings involving OPEC.

A Quarterly Environmental Report (QER) is circulated to Member Countries, in which the ETF reviews recent activities in the various international environmental fora, monitors changes in energy taxation, and provides background information on relevant forthcoming events, etc. Although this is an internal OPEC document, selected extracts from the publication appear regularly in the OPEC Bulletin for the benefit of a wider readership.

This month's selection comes from the QER published at the end of the third quarter of 2001. It features an extract from the Executive Summary (below), which covers the outcome of the resumption of the Sixth Session of the Conference of the Parties (COP6 Part II) in Bonn in July 2001.

Executive Summary

The resumed Sixth Session of the Conference of the Parties (COP6 Part II) to the United Nations Framework Convention on Climate Change (UNFCCC) was held in Bonn, Germany, from July 18–27, 2001. COP6 was expected to complete the implementation of the Buenos Aires Plan of Action (BAPA) adopted by COP4 in 1998 in Buenos Aires, Argentina.

COP6 Part II eventually produced the 'Bonn Agreement' on a set of issues aimed at ensuring the survival of the Kyoto Protocol. Central to the debate on land use was the issue of the provision of credit for sinks, seen as the key to ratification by several countries, in particular the Russian Federation, Japan, Canada and Australia. The EU, desperate to reach a compromise, eventually agreed to the demands of this group of countries, although this was apparently a trade-off for removing nuclear energy from the Clean Development Mechanism. Additional funding for climate change activities for developing countries was also pledged, with three new funding mechanisms to be established.

Of these, the proposed 'Special Climate Change Fund' is of relevance to the concerns of the oil-producing developing countries, since it includes the objective of assisting with the diversification of economies in countries which may suffer from the adverse affects of mitigation measures. The agreement does not identify funding levels, nor is it legally binding, but it paves the way for further negotiation which should to some extent address OPEC Member Countries' concerns. The final agreement on land use, as well as the absence of a formal ceiling for the use of the Kyoto mechanisms, may lead to less downward pressure on the demand for energy in general, and oil in particular.

It has been estimated that the Bonn Agreement, together with the absence of the USA from any emissions reduction arrangement, could lead to very little change in Annex I emissions compared to Business as Usual (BAU). The key to the problem lies in the so-called 'hot air' which arises due to both the FSU and the countries of Eastern Europe having emissions targets for the year 2010 well beyond what

they are expected to reach even with the BAU paths. This would mean that the price of permits would be driven exceedingly low. The Kyoto Protocol's potential impact on global greenhouse gas (GHG) emissions will be considerably weakened if the United States does not participate, because the Protocol would have required the United States to have taken on a relatively large share of the abatement commitments. A recent study shows that, if the US was also involved in emission abatement and trading, the permit price would be $15 per tonne of carbon dioxide (CO_2) equivalent, while without the US the price would be one third less at only $5/t. The fall in the permit price in these results is thus somewhat less dramatic than that presented in a recent International Energy Agency (IEA) assessment entitled *What happened in Bonn?* which suggested a permit price of $100/t of carbon ($27/t CO_2) with the USA, falling to only one-tenth of that, at $10/t of carbon (below $3/t CO_2) without the USA. Preliminary OPEC assessments also suggest the IEA figures to be rather extreme, with initial estimates suggesting the fall in the permit price as a result of the USA dropping Kyoto to be to something like 40 per cent of the price that would prevail if the USA were included in trading.

In developments in the science of climate change, it has been estimated that the global mean temperature is 90 per cent likely to rise by 3.1–8.8° Fahrenheit (1.7–4.9º C) during the next 100 years, according to a new analysis that determines the probability of warming within any specified range based on projections made by the Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

The IPCC report, recently published, projects that the world will warm by 2.5–10.4° Fahrenheit (1.4–5.8° C) by 2100, but the report does not indicate where in that broad range the warming is most likely to occur. Researchers have found that the probability of warming at the low and high ends of the IPCC's projected range is low, but that the rate of warming is still likely to be 'very large' compared with that of the past century.

Meanwhile, the US Department of Energy announced in July that it will co-fund eight new exploratory projects to study ways to capture and store greenhouse gases. The projects involve a range of techniques, including capturing CO_2 from the exhaust of power plants, creating saleable by-products from captured CO_2, sequestering CO_2 in geological formations such as coal seams, sequestering CO_2 in forests, and capturing methane from landfills. The Energy Department's Office of Fossil Energy, which will oversee the research, has set a goal of developing sequestration approaches that cost $10 or less per tonne of carbon, equivalent to adding 0.2 cents per kilowatt-hour to the average cost of electricity.

Calendar of meetings

March 13–15, 2002
GLOBE 2002
Vancouver Convention and Exhibition Centre, Vancouver, BC, Canada. Topics include: atmosphere/climate; ecology; energy; environmental chemistry; global change policy; hydrology/oceanography. Contact: Bree Stanlake, 504, 999 Canada Place, Vancouver, BC, V6E 3E1, Canada. Tel: +1 604 775 7300; fax: +1 604 666 8321; Web site: www.globe.ca/

March 18–19, 2002
Energy: New Era, New Governance
Chatham House, London, England. Contact: The Royal Institute of International Affairs, Chatham House 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 (0)20 7957 5754/00; fax: +44 (0)20 721 2045/7957 5710; e-mail: gwright@riia.org; Web site: www.riia.org.

June 3–14, 2002
Sessions of the Subsidiary Bodies
Bonn, Germany. For more information, contact the FCCC Secretariat. Tel: +49 228 815 1000; fax: +49 228 815 1999; e-mail: secretariat@unfccc.de; Web site: www.unfccc.de.

August 26–September 4, 2002
World Summit on Sustainable Development (Rio +10)
Johannesburg, South Africa. The World Summit on Sustainable Development for the ten-year review of progress in implementing the outcome of the UN Conference on Environment and Development held in Rio in 1992 will take place in 2002. The exact dates are yet to be determined. The Summit will aim to reinvigorate the global commitment to sustainable development at the highest level. More information is available at: www.johannesburgsummit.org.

October 23–November 1, 2002
Eighth Session of the Conference of the Parties
New Delhi, India. For more information, contact the FCCC Secretariat. Tel: +49 228 815 1000; fax: +49 228 815 1999; e-mail: secretariat@unfccc.de; Web site: www.unfccc.de.

October[1]

Crude oil price movements

The monthly price of OPEC's spot Reference Basket[2] plummeted by $4.65/b during October, losing almost 20 per cent of its value during the month. On a year-on-year basis, the value of the Basket was less than two-thirds of what it was in October 2000. Obviously, all the Basket's components registered considerable losses. Leading the decline were the Brent-related crudes Saharan Blend and Bonny Light, which dipped by $5.48/b and $5.38/b, followed by Minas and Arabian Light, which fell by $5.06/b and $4.57/b, while Isthmus and Dubai were $4.55/b and $4.44/b lower than in September. Tia Juana Light posted the smallest loss of $3.06/b (see **Table A**).

On a weekly basis, the Basket continued to weaken progressively; however, the decline was more moderate than the one seen in the previous month, after the tragic events of September 11. World markets remained concerned about faltering demand for crude and petroleum products, as a result of the slowdown in the global economy. Early in the month, prices slid on worries of dwindling oil consumption, combined with ample supply. Prices came under mounting pressure on the release of the US Energy Information Administration's monthly *Short-Term Energy Outlook,* in which the Department of Energy's statistical unit slashed its world oil demand forecast for the remainder of the year and the first quarter of 2002. Rising gasoline stocks, reported by the American Petroleum Institute (API), were interpreted by the market as a sign of the slowdown in driving and economic activity. The downward path extended to the second half of the month, with benchmark crudes losing more than $2/b in the week ending October 19. Markets came under renewed pressure on concern over the global economic slowdown, which had been further exacerbated by falling consumer confidence in the USA and dwindling oil demand.

Meanwhile, a mixed API stock report, which showed a large drop in crude oil inventories for the week ending October 12 and a slight decline in gasoline stocks, failed to boost prices. The prevailing bearish market psychology focused more on a reported rise in distillate stocks, which had a more sensitive demand outlook for the coming heating oil season. Prices continued to deteriorate towards the month-end, amid negative US macroeconomic data and mild weather. News that the US Administration was considering expanding the Strategic Petroleum Reserve to one billion barrels and growing expectations that some action would be taken to remove excess supply from the market failed to change market sentiment.

US and European markets

US crude stocks continued to rise during the month, with oil being added to storage at a discount of prompt values to forward prices. By the end of October, crude oil inventories had reached 304.64m b, almost 23m b higher than in the same period last year. Reduced demand for jet fuel and lower-than-expected consumption of gasoline depressed sweet crude prices. Falling demand for light crudes in the USA left the transatlantic arbitrage for European grades barely open. On the other side of the Atlantic, refiners' demand was buoyant, as refineries came out of maintenance, on good margins as crude prices softened. With the exception of gasoline-rich crudes, all North Sea grades found outlets trading at premiums to dated Brent. West African grades found an acceptable level of demand in the Mediterranean area, where refiners' margins were strong. Russian crudes, especially Urals, met with healthy demand in North-West Europe, amid higher freight rates for North Sea grades and a lack of Flotta from the UK.

Far Eastern markets

Demand for Middle East sour grades

Table A: Monthly average spot quotations of OPEC Reference Basket and selected crudes including differentials *$/b*

	September 01	October 01	Year-to-date average 2000	Year-to-date average 2001
Reference Basket	**24.29**	**19.64**	**27.58**	**24.13**
Arabian Light	24.73	20.16	26.91	24.00
Dubai	24.37	19.93	26.25	23.78
Bonny Light	25.98	20.60	28.37	25.53
Saharan Blend	26.13	20.65	28.62	25.78
Minas	24.59	19.53	28.89	25.23
Tia Juana Light	20.72	17.66	26.26	21.31
Isthmus	23.49	18.94	27.77	23.22
Other crudes				
Brent	25.84	20.54	28.36	25.51
WTI	26.40	22.20	30.16	27.19
Differentials				
WTI/Brent	0.56	1.66	1.80	1.68
Brent/Dubai	1.47	0.61	2.11	1.73

1. *This section is based on the OPEC Monthly Oil Market Report prepared by the Research Division of the Secretariat — published in mid-month and containing up-to-date analysis, additional information, graphs and tables. Researchers and other readers may download the publication in PDF format from our Web site (www.opec.org), provided OPEC is credited as source for any usage.*
2. *An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

in the Asia-Pacific firmed slightly on the back of improving refiners' margins during the first half of the month. Murban crude gained some 20¢/b relative to its official selling price; nonetheless, it traded well into discount territory. However, sentiment deteriorated when China resumed selling part of its medium-sour crude stocks (Oman).

Towards the end of the month, Oman cargoes for December delivery came under pressure, falling to considerable discounts to its official selling price as the overhang of remaining November cargoes kept end-users (refiners) holding back in anticipation of weaker prices. Meanwhile, sentiment about Abu Dhabi grades found some support at the end of the month, following cuts of up to seven per cent in December term allocations.

Table B: Selected refined product prices *$/b*

		Aug 01	Sept 01	Oct 01	Change Oct/Sept
US Gulf					
Regular gasoline	*(unleaded)*	32.77	31.01	23.63	–7.38
Gasoil	*(0.2%S)*	30.19	30.14	25.42	–4.72
Fuel oil	*(3.0%S)*	17.67	19.79	15.59	–4.20
Rotterdam					
Premium gasoline	*(unleaded)*	29.01[R]	29.54[R]	23.28	–6.26
Gasoil	*(0.2%S)*	30.18	30.87	27.41	–3.46
Fuel oil	*(3.5%S)*	18.40	19.23	16.07	–3.17
Singapore					
Premium gasoline	*(unleaded)*	26.68	29.47	22.23	–7.24
Gasoil	*(0.5%S)*	28.71	29.44	25.53	–3.91
Fuel oil	*(380 cst)*	20.94	21.85	18.72	–3.13

Product markets and refinery operations

Product prices were sharply lower in October, driven more than anything else by tumbling crude markets amid the gloomy world economy and, with it, lower oil demand. Gasoil, however, retained its seasonal premium over gasoline. Refiners' margins were healthy in Rotterdam, turned negative in the US Gulf and fluctuated from break-even to moderate gains in Singapore. Consequently, refinery throughput fell slightly in the USA, while it increased in Europe (see **Table B**).

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*			Refinery utilization *(%)*[1]		
	Aug 01	**Sept 01**	**Oct 01**	**Aug 01**	**Sept 01**	**Oct 01**
USA	15.55	15.36	15.33	94.0	92.8	92.7
France	1.75[R]	1.80	1.77	92.3[R]	95.0	93.2
Germany	2.26[R]	1.95[R]	2.00	100.0[R]	86.2[R]	88.6
Italy	1.75[R]	1.81[R]	1.93	74.1[R]	76.8[R]	81.8
UK	1.64[R]	1.56[R]	1.60	92.8[R]	87.9[R]	90.4
Eur-16**	11.92[R]	11.84[R]	12.21	89.5[R]	86.7[R]	89.5
Japan	4.14	4.05	*na*	83.4	81.7	*na*

1. *Refinery capacities used are in barrels per calendar day.*
2. *European Union plus Norway.*
na *Not available.*
R *Revised since last issue.*
Sources: OPEC Statistics, Argus, Euroilstock Inventory Report/IEA.

US Gulf market

US Gulf product markets plummeted in October, driven mainly by the sizeable losses in crude markets in the wake of concern over oil demand, which had fallen as consequence of the world economic slowdown and prevailing light product stock-builds, most notably during the past two months.

Gasoline, for example, lost heavily, falling by $7.38/b amid plentiful supply, as a result of refiners boosting production, together with sustained strong import flows, while the monthly growth, as well as the yearly difference, in demand for gasoline, based on preliminary governmental data on a four-week moving average, were marginally up. Continuously rising distillate stocks and a 2.7 per cent retreat in demand, compared with the previous month's level, were the main reasons for the sharp decline of $4.72/b in the gasoil price. Fuel oil tracked the sharp fall in the crude market and hence fell by a significant $4.20/b, amid fairly mild weather and easing natural gas prices, which, in turn, stifled utility-buying.

Refiners' margins in the US Gulf switched to negative territory, as the steep falls in product prices, most importantly gasoline, outpaced the declines in the crude price (see **Table B**).

US refinery throughput was down, by a marginal 28,000 b/d, to around 15.33m b/d. The corresponding utilization rate was 92.7 per cent, which was one percentage point lower than the year-earlier figure (see **Table C**).

Rotterdam market

In October, the collapsing US gasoline price weighed heavily on European markets, which experienced a considerable loss of $6.26/b, as a reflection of falling crude markets and persistently sagging regional demand. Demand for distillates was relatively strong, led by two driving forces: first, Germany's switch to cleaner diesel specifications on November 1; and, secondly, robust European demand for heating oil to replenish inventories ahead of the winter season, induced by lower prices, with the gasoil price declining by $3.46/b. Fuel oil dropped by $4.20/b, on a number of depressing factors, including weak refinery demand for alternative feedstocks, as a consequence of tumbling crude prices, and lower exports to the

Asian market for the second consecutive month. The relative weakness of Brent prices, combined with less steep falls in European distillate prices, compared with other world distillate markets, were cited as the main reasons for a gain in refiners' margins (see **Table B**).

Responding to healthy margins, refinery throughput in the Eur-16 (EU + Norway) rose by 380,000 b/d to 12.21m b/d. Therefore, the utilization rate rose to 89.5 per cent, which was nearly three percentage points above the previous month's level, yet about three percentage points less than that of the preceding year (see **Table C**).

Singapore market

After gains in the previous two months, product markets in Singapore fell heavily in October. Gasoline was hit the most, with a loss of $7.24/b, undermined by sluggish regional demand. Indonesia had lower-than-usual monthly requirements and Vietnam covered its needs until the end of the year, both countries being the main two buyers. The distillate market was characterized by ample supply, at a time of waning regional demand. Furthermore, an influx of Middle East cargoes, following the closure of European destinations, exacerbated the fall in the gasoil price, which lost $3.91/b. Fuel oil plunged by $3.13/b, tracking a slumping benchmark crude. Reduced imports by China, which recently switched its favourite supplier, South Korea, added to the bearish sentiment (see **Table C**).

Unlike its impact on US refiners' margins, the enormous decline in the gasoline price had a minor effect on Dubai margins in Singapore, due to the crude's lower yield of gasoline and regional hydroskimming refineries, with their high yield of fuel oil, whose price in Singapore remained above that of the rest of the world. This, together with another steeper fall in the marker crude price, constituted the main factors for Dubai's increasing margin.

In Japan, refinery throughput reversed the uptrend it had sustained during the previous two months, falling by 88,000 b/d to 4.05m b/d, reflecting discretionary run cuts because of weak refiners' margins. Thus, the equivalent utilization rate also dipped, to 81.7 per cent, which was 1.74 percentage points below the August level, but 1.5 percentage points higher than in the corresponding period last year.

The oil futures market

NYMEX WTI remained in contango for most of October, while the outer month (12th) was near the value of the front month. After an initial rise at the beginning of the month, as war premiums were built in and short-covering was staged, WTI experienced a continuous price decline throughout the first week. The decline was caused by, first, increasing certainty that demand would be lower and decreasing certainty of supply losses, and secondly, an increase in US crude oil stocks.

WTI started the second week with a drop of 29¢/b to $22.93/b, due to fund-selling, as confusion regarding the possibility of another OPEC Meeting was overshadowed by the bad economic outlook. Prices then started a slight climb, helped by a draw on US inventories and uncertainty about the scope of US military action in Afghanistan. However, the rally was capped by pressure from weak product prices. A big jump of 81¢/b at the end of the week came in response to reports that Saudi Arabia was cutting crude allocations to European customers.

The third week witnessed a continuous decline that took WTI from $22.50/b to $21.31/b, a level not seen since October 1999. Two factors contributed to the downslide: first, an International Energy Agency report, which cut the demand forecast for the rest of this year by 400,000 b/d; and, secondly, US economic data, which showed the four-week moving average of unemployment rising. However, the main sentiment in the market was bearish, since it was clear that there would be over-supply unless producers acted.

After pre-weekend short-covering early in the fourth week, triggered by uncertainty over OPEC's action, WTI responded mainly to the US product market and API data. A build in US crude oil stocks caused a continuation of an earlier sell-off in the crude market. Data showed that refiners were still producing more gasoline than distillates, thereby preventing the seasonal build of heating oil, and this triggered a rally in heating oil that pulled crude higher with it. However, this also led to a sell-off in the gasoline market the next day, thereby removing most of the previous day's gains.

The tanker market

OPEC area spot-chartering decreased by 550,000 b/d to a monthly average of 11.66m b/d in October, affected by low oil demand and high stock levels, which weighed on prices and encouraged OPEC Member Countries to improve their compliance to prevent further price falls. Compared with the previous year's level, the current volume of OPEC fixtures was even lower, by 3.14m b/d. Meanwhile, non-OPEC fixtures compensated for OPEC's reduction, rising by 480,000 b/d to 7.83m b/d. Consequently, global spot-chartering moved slightly lower, by 70,000 b/d, to a monthly average of 19.49m b/d; however, this volume was 4.00m b/d below last year's level, reflecting the current global economic weakness. The OPEC area's share of global spot-chartering declined by 2.60 percentage points to 59.82 per cent, which was 3.18 percentage points below the previous year's share. Spot fixtures from the Middle East on the eastbound long-haul route fell by 1.14m b/d to 3.10m b/d on dwindling Asian demand, while, on the westbound route, fixtures declined by 190,000 b/d to 1.99m b/d.

Therefore, the Middle East eastbound and westbound shares of total OPEC fixtures worsened by 8.11 percentage points to 26.56 per cent and by 0.70 percentage points to 17.04 per cent, respectively; together, they accounted for 43.60 per cent of total chartering in the OPEC area, which was 8.89 percentage points lower than in the previous month. Preliminary estimates of sailings from the OPEC area rose by 1.18m b/d, or 5.29 per cent, to a monthly average of 23.45m b/d. Sailings from the Middle East improved by 1.20m b/d to a monthly average of 16.93m b/d, which was about 72.20 per cent of total OPEC sailings. Arrivals in the US Gulf Coast, the East Coast and the Caribbean declined in October by 1.12m b/d to a monthly average of 7.29m b/d. Arrivals in North-West Europe also decreased, by 570,000 b/d to 6.08m b/d, while, to Euromed, they rose by 940,000 b/d to 5.61m b/d. The estimated oil-at-sea on

October 21 was 476m b, which was 31m b above the level observed at the end of last month.

The VLCC tanker market retreated in October, after enjoying a positive trend last month, influenced by thin loading volumes of crude oil combined with surplus tonnage in the Middle East, which pushed rates down. Furthermore, the market remained in uncertainty, as the oil trade was undermined by the global economic slowdown and an expected OPEC production cut at its November 14 Conference. Thus, VLCC freight rates on Middle East eastbound and westbound long-haul routes declined steadily, achieving monthly averages of Worldscale 62 and W54, respectively, 13 points and 15 points below the respective levels of the previous month. During the first half of the month, Suezmax markets in West Africa and North-West Europe were active, boosted by reasonable levels of enquiry, which enabled tanker owners to raise rates. However, in the second half of the month, rates retreated significantly to correct the wide gaps between VLCC and Suezmax freight rates, as charterers tried to combine cargoes on cheaper VLCC tankers. The monthly average Suezmax freight rates for crude shipped from West Africa and North-West Europe to the US Gulf Coast rose by ten points to W103 and by eight points to W102, respectively. The Aframax market displayed mixed trends, remaining weaker in the Mediterranean, but picking up in the Caribbean. Freight rates on the short-haul route across the Mediterranean and from the Mediterranean to North-West Europe declined further, by five points to W136 and by three points to W133, respectively. Meanwhile, rates surged by 42 points to W211 on the route from the Caribbean to the US East Coast. Rates for 70–100,000 dwt tankers on the Indonesia-US West Coast route declined for the third consecutive month, by seven points to W111.

Seasonal winter demand for product tankers in the Asian market picked up in October and freight rates for cargoes from the Middle East and Singapore to the Far East rose by 37 points to W240 and 41 points to W246, respectively. On the route across the Mediterranean, clean tanker freight rates edged seven points higher to W236, while, on the route from the Mediterranean to North-West Europe, they softened by eight points to W230, as most European countries considered switching to ultra-low sulphur fuel. Rates also softened on the route from North-West Europe to the US Gulf Coast, declining by six points to W229. Product tanker markets in the Caribbean stabilized, as freight rates to the US Gulf Coast nearly maintained the previous month's level of W224, being only one point lower.

World oil demand

Projections for 2001

World

For the present year, the projection for world oil demand has undergone minor adjustment, compared with what was presented in the last report. Consumption is now estimated to rise by 230,000 b/d, or 0.30 per cent, to average 75.94m b/d. This very low year-on-year increment is comparable to that of 1998, when the demand growth was only 210,000 b/d, equivalent to 0.30 per cent. On a regional basis, demand is projected to decrease by 160,000 b/d in the OECD, but to increase by 190,000 b/d in developing countries and by 200,000 b/d in the 'other regions' (former CPEs).

On a quarterly basis, compared with the year-earlier figure, world demand grew by 0.74 per cent, or 560,000 b/d, to average 76.24m b/d in 1Q. It is estimated to have grown by 1.34 per cent, or 990,000 b/d, to average 74.99m b/d in 2Q. The final two quarters, however, are expected to experience negative growth. The reasons are decelerating economic growth in 3Q and 4Q and declining jet fuel consumption in 4Q. 3Q demand is now estimated at 75.94m b/d, about 220,000 b/d, or 0.29 per cent, less than that of 3Q00. Likewise, 4Q demand is expected to be 76.59m b/d, nearly 410,000 b/d, or 0.54 per cent, less than that of 2000.

OECD

Having grown by as little as 0.3 per cent last year, OECD product deliveries are projected to post a decline of 160,000 b/d, or 0.3 per cent, to 47.67m b/d in 2001. This drop would be the sum of a 40,000 b/d, a 80,000 b/d and another 40,000 b/d decline in North America, Western Europe and OECD Pacific, respectively. In addition to the weakening GDP growth rate prospects in all three OECD regions, especially the OECD Pacific, the estimated lower jet fuel consumption, particularly in the USA, will be responsible for the overall lower demand in the region. Our estimated GDP growth rates for North America, Western Europe and the OECD Pacific were revised down by 0.24 per cent, 0.14 per cent and 0.18 per cent, respectively last month. Both OECD Europe and OECD Pacific GDP growth rates have again been revised down by 0.1 per cent. These estimated growth rates now stand at 1.7 per cent and –0.2 per cent, respectively.

Inland delivery of petroleum products in North America during the first eight months of the current year, according to the latest figures, grew by 0.54 per cent, or 120,000 b/d, to average 22.39m b/d. Demand in Western Europe inched up, posting a rise of 0.81 per cent, or 122,000 b/d, during the same period. However, OECD Pacific demand displayed a 0.85 per cent decline, or 740,000 b/d, during January-August.

Developing countries

Oil demand in developing countries has again been revised down slightly for 2001. It is now expected to rise by 190,000 b/d, or 1.0 per cent, to average 18.85m b/d for the year. The estimated growth rate in consumption has been lowered for the Asian group of countries from the previous 0.3 per cent to 0.2 per cent. The fundamental factor behind the lower demand outlook is that Asian regional GDP is projected to grow at a substantially lower-than-anticipated rate. These economies are highly export-dependent and are extremely reliant upon the health of their trading partners. The demand growth rates for Latin America and Africa have also been revised down.

Other regions

Apparent demand in the former CPEs is projected to grow by 200,000 b/d, or 2.2 per cent, to average 9.42m b/d for 2001. Revisions to the trade and production data for 1Q show that apparent FSU demand grew by 7.4 per cent, or 270,000 b/d, compared with the year-earlier figure.

Table D: FSU net oil exports *m b/d*

	1Q	2Q	3Q	4Q	Year
1998	2.77	3.02	3.18	3.20	3.04
1999	3.12	3.62	3.52	3.49	3.44
2000	3.97	4.13	4.47	4.01	4.14
2001[1]	4.28	4.64	4.93	4.32	4.55
2002[2]	4.84	5.16	5.04	4.82	4.97

1. *Estimate.*
2. *Forecast.*

Table E: OPEC crude oil production, based on secondary sources *1,000 b/d*

	1999	2000	2Q01	Sept 01*	3Q01	Oct 01*	Oct 01/ Sept
Algeria	766	808	815	815	830	805	–10
Indonesia	1,310	1,279	1,220	1,197	1,209	1,187	–10
IR Iran	3,509	3,671	3,674	3,624	3,702	3,533	–91
Iraq	2,507	2,551	2,281	2,599	2,483	2,864	265
Kuwait	1,907	2,101	2,024	1,984	2,014	1,950	–34
SP Libyan AJ	1,337	1,405	1,364	1,335	1,361	1,315	–20
Nigeria	1,983	2,031	2,056	2,166	2,084	2,190	24
Qatar	641	698	693	675	695	643	–32
Saudi Arabia	7,655	8,247	7,931	7,750	7,905	7,574	–176
UAE	2,077	2,252	2,179	2,067	2,121	2,037	–30
Venezuela	2,808	2,897	2,851	2,746	2,812	2,720	–26
Total OPEC	**26,499**	**27,942**	**27,086**	**26,958**	**27,218**	**26,818**	**–140**

* *Not all sources available.*
Totals may not add, due to independent rounding.

The latest assessments indicate that there has been growth of 2.8 per cent, or 100,000 b/d, in 2Q. We anticipate a negligible rise in apparent consumption in 3Q, coupled with a minor decline of 0.7 per cent, or 30,000 b/d, in 4Q, due to a rise in the level of exports that will outpace any gain in production. During 1Q and 2Q, net exports were 320,000 b/d and 510,000 b/d higher than in the corresponding quarters of 2000. 3Q could register a 310,000 b/d gain. High international oil prices, the need for more revenue, in order to service international loans, and the switch to natural gas continue to undermine internal consumption. Indigenous production and trade data for the first three months of the year shows a considerable drop in Chinese apparent consumption. According to the latest figures, apparent demand declined by 7.5 per cent during 1Q. Even though the decline seems huge, one should not forget that this comparison is made with 1Q00, when demand surged by 17 per cent to reach a 1Q record level. 2Q apparent demand, however, demonstrated a significant rise of 12.3 per cent. This is in line with the considerable recovery in total imports, which registered an impressive 44.4 per cent rise in 2Q. 3Q and 4Q consumption are expected to register healthy gains of 2.30 per cent and 4.35 per cent, respectively. Due to the size and the importance of China in the overall demand picture, we shall continue to monitor closely further developments.

Forecasts for 2002

Due to a further downward revision to the world economic growth rate, all quarterly forecasts have been revised down. However, the anticipated lower jet fuel consumption has been applied only to 1Q figures. As a result, the 2002 world demand forecast has been revised down slightly to 76.45m b/d, compared with the previous forecast of 76.52m b/d. The average yearly increment now stands at 510,000 b/d, or 0.7 per cent, compared with 580,000 b/d, equivalent to 0.8 per cent, as noted in the previous report.

The estimated 2002 growth level is comparable to the 600,000 b/d (equivalent to 0.8 per cent) experienced in 2000, but it is significantly higher than that of 2001. However, this assessment might be subject to further adjustment, as more information becomes available on major factors, such as the economic growth outlook, the trend in air travel and jet fuel consumption, prices and the weather.

World oil supply

Non-OPEC

Figures for 2001

The 2001 non-OPEC supply figure has been revised up by 50,000 b/d to 46.40m b/d, the quarterly distribution figures for 1Q and 2Q remain unchanged at 46.28m b/d and 46.02m b/d, while 3Q and 4Q have been revised up by 70,000 b/d and 120,000 b/d to 46.43m b/d and 46.89m b/d, respectively, compared with the last report's figures. The yearly average increase is estimated at 620,000 b/d, compared with the 2000 figure.

Expectations for 2002

Our 2002 non-OPEC supply forecast has been revised up by 50,000 b/d since the last report, compared with the figure estimated for 2001. It now shows an increase of 1.00m b/d to 47.41m b/d, with a quarterly distribution of 47.27m b/d, 47.02m b/d, 47.43m b/d and 47.90m b/d, respectively.

The FSU's net oil export forecast for 2001 has been revised down by 10,000 b/d to 4.55m b/d, compared with the last report, while that for 2002 has been revised up by 30,000 b/d to 4.97m b/d.

OPEC natural gas liquids

The OPEC NGL figures for 1998–2001 remain unchanged at 2.78m b/d, 2.86m b/d, 2.98m b/d and 3.01m b/d, respectively, compared with the last report, while the forecast for 2002 stays at 3.04m b/d.

OPEC NGL production — 1998–2001 *m b/d*

1998	**2.78**
1999	**2.86**
2000	**2.98**
1Q01	3.01
2Q01	3.01
3Q01	3.01
4Q01	3.01
2001	**3.01**
Change 2001/2000	0.03
2002	**3.04**
Change 2002/2001	0.03

Table F: US onland commercial petroleum stocks[1] *m b*

	March 30, 01	June 29, 01	October 5, 01	November 2, 01	Change Oct/Sept	November 2, 00
Crude oil (excl. SPR)	**303.2**	**310.7**	**307.4**	**311.9**	**4.5**	**278.2**
Gasoline	193.0	221.6	206.1	206.9	0.8	188.3
Distillate fuel	104.0	112.8	124.6	128.2	3.6	117.2
Residual fuel oil	39.8	42.5	36.7	38.8	2.1	35.1
Jet fuel	40.1	43.0	44.0	40.5	–3.5	42.6
Unfinished oils	101.3	90.4	88.9	91.1	2.2	89.5
Other oils	142.1	191.4	219.7	206.0	–13.7	191.8
Total	**923.5**	**1,012.4**	**1,027.4**	**1,023.5**	**–3.9**	**942.7**
SPR	542.3	543.3	544.8	545.2	0.4	563.9

1. *At end of month, unless otherwise stated.*

Source: US/DoE-EIA.

Table G: Western Europe onland commercial petroleum stocks[1] *m b*

	March 01	June 01	September 01	October 01	Change Oct/Sept	October 00
Crude oil	**451.7**	**438.5**	**436.6**	**434.1**	**–2.5**	**423.7**
Mogas	158.3	155.6	144.6	142.2	–2.4	158.1
Naphtha	22.0	25.1	26.0	25.5	–0.4	23.6
Middle distillates	330.8	331.4	323.4	328.1	4.7	335.2
Fuel oils	123.6	122.2	121.0	122.3	1.3	125.6
Total products	**634.7**	**634.3**	**615.0**	**618.1**	**3.1**	**642.5**
Overall total	**1,086.3**	**1,072.8**	**1,051.6**	**1,052.2**	**0.6**	**1,066.3**

1. *At end of month, and includes Eur-16.*

Source: Argus Euroilstocks.

Table H: Japan's commercial oil stocks[1] *m b*

	March 01	June 01	August 01	September 01	Change Sept/Aug	Sept 00
Crude oil	**118.7**	**127.3**	**115.0**	**118.0**	**3.0**	**101.2**
Gasoline	14.6	14.3	13.9	13.8	–0.1	13.4
Middle distillates	31.4	33.6	43.1	45.7	2.6	43.5
Residual fuel oil	20.2	19.8	18.8	19.9	1.1	18.9
Total products	**66.3**	**67.7**	**75.8**	**79.5**	**3.7**	**75.8**
Overall total[2]	**185.0**	**195.1**	**190.7**	**197.5**	**6.8**	**176.9**

1. *At end of month.*
2. *Includes crude oil and main products only.*

Source: MITI, Japan.

Table I: Estimated stock movements in OECD[1] in 3Q01 *m b*

	June 01	Sept 01	Change Sept 01/June 01 *m b*	*m b/d*
USA	1,012.4	1,027.4	15.0	0.16
Eur-16	1,072.8	1,051.6	–21.2	–0.23
Japan	195.1	197.5	2.4	0.03
OECD total	**2,280.3**	**2,276.5**	**–3.8**	**–0.04**

1. *Includes USA, Eur-16 and Japan only. Data as at end of month.*

OPEC crude oil production

Available secondary sources indicate that, in October, OPEC output was 26.82m b/d, which was 140,000 b/d lower than the revised September level of 26.96m b/d. **Table E** shows OPEC production, as reported by selected secondary sources.

Stock movements

USA

US commercial onland oil stocks witnessed a marginal draw of 3.9m b, or 140,000 b/d, to 1,023.5m b during October 5–November 2. This draw was largely confined to a substantial decrease of 13.7m b to 206.0m b in 'other oils', while jet fuel declined by 3.5m b to 40.5m b on reduced output. However, crude oil, which rose by 4.5m b to 311.9m b, followed by other major product inventories, especially distillates, which increased by 3.6m b to 128.2m b, diminished the overall draw. Lower refinery runs, due to poor refiners' margins, were mainly behind the build in crude oil stocks, while stagnant demand pushed up distillates. Gasoline and fuel oil also registered minor builds of 800,000 b to 206.9m b and 2.1m b to 38.8m b, respectively. Total stocks were 80.8m b, or about nine per cent, higher than last year's level.

During the same period, the US Strategic Petroleum Reserve (SPR) moved up marginally, by 400,000 b to 545.2m b (see **Table F**).

Western Europe

Commercial onland oil stocks in Eur-16 in October rose by just 600,000 b, or 20,000 b/d, to stand at 1,052.2m b. This rise resulted mainly from a build in distillates of 4.7m b to 328.1m b, due to sluggish jet fuel demand. Fuel oil also contributed marginally to this build, rising by 1.3m b to 122.3m b on closed arbitrage to Asia and the USA. Draws on crude oil of 2.5m b to 434.1m b, on increasing refinery runs, and on gasoline of 2.4m b to 142.2m b, as the opened arbitrage started to attract traders to move European gasoline cargoes to US markets, nearly counterbalanced the build in distillates and fuel oil. The overall level was 14.1m b, or about one per cent, lower than the year-ago figure (see **Table G**).

Japan

In September, commercial onland oil stocks in Japan continued to show a build, as they rose by 6.8m b, or 230,000 b/d, to 197.5m b. A build in crude oil stocks of 3.0m b to 118.0m b, as refinery throughput fell due to weak refiners' margins, and, to a lesser degree, in middle distillates of 2.6m b to 45.7m b, followed by 1.1m b to 19.9m b in fuel oil, contributed mainly to this build, while gasoline declined slightly by 100,000 b to 13.8m b. The overall stock level was 20.6m b, or about 12 per cent, above last year's figure (see **Table H**).

OECD

In 3Q, OECD commercial onland oil stocks (the USA, Eur-16 and Japan) are estimated to have registered a minor contra-seasonal draw of 3.8m b, or 40,000 b/d, to 2,276.5m b, compared with 2Q. This slight draw was confined to Eur-16 stocks, as they fell by 21.2m b, or 230,000 b/d, to 1,051.6m b, while the build in US stocks of 15.0m b, or 160,000 b/d, to 1,027.4m b and, to a lesser degree, in Japanese stocks of 2.4m b, or 30,000 b/d, to 197.5m b, counterbalanced this draw, as shown in **Table I**.

Balance of supply/demand

No revisions have been made to the figure for world oil demand in 2001 since last month, while non-OPEC oil supply has been revised up by less than 100,000 b/d, and these two figures are now put at 75.9m b/d and 49.4m b/d, respectively. The yearly average difference has been revised down by less than 100,000 b/d to 26.5m b/d, with quarterly distributions of 27.0m b/d, 26.0m b/d, 26.5m b/d and 26.7m b/d, respectively. The balances for 1Q and 2Q remain unchanged at 1.1m b/d each, while 3Q has been revised up by around 100,000 b/d to 700,000 b/d. The 2000 balance remains unchanged at 1.0m b/d, compared with last month.

Table I shows a downward revision to the world oil demand forecast for 2002 of around 100,000 b/d to 76.4m b/d, while total non-OPEC supply has been revised up by around 100,000 b/d to 50.4m b/d. The expected annual difference is around 26.0m b/d, which is down by around 100,000 b/d, compared with the last report, with a quarterly distribution of 26.2m b/d, 25.2m b/d, 25.9m b/d and 26.8m b/d, respectively.

Table J: World crude oil demand/supply balance *m b/d*

	1998	1999	2000	1Q01	2Q01	3Q01	4Q01	2001	1Q02	2Q02	3Q02	4Q02	2002
World demand													
OECD	46.8	47.7	47.8	48.8	46.5	47.6	47.8	47.7	48.6	46.4	47.4	48.5	47.8
North America	23.1	23.8	24.1	24.2	23.7	24.3	24.0	24.1	24.0	24.0	24.4	24.3	24.2
Western Europe	15.3	15.2	15.1	15.2	14.8	15.0	15.1	15.0	15.2	14.6	14.8	15.3	15.0
Pacific	8.4	8.7	8.7	9.4	8.0	8.3	8.7	8.6	9.4	7.9	8.2	8.9	8.6
Developing countries	18.2	18.5	18.7	18.4	19.1	19.1	18.9	18.8	18.6	19.3	19.2	19.3	19.1
FSU	4.3	4.0	3.8	4.0	3.7	3.5	4.2	3.9	3.9	3.7	3.9	4.2	3.9
Other Europe	0.8	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	3.8	4.2	4.7	4.4	4.9	5.0	4.9	4.8	4.6	5.0	5.0	5.0	4.9
(a) Total world demand	**73.8**	**75.1**	**75.7**	**76.2**	**75.0**	**75.9**	**76.6**	**75.9**	**76.5**	**75.2**	**76.3**	**77.7**	**76.4**
Non-OPEC supply													
OECD	21.8	21.3	21.9	21.8	21.6	21.8	22.0	21.8	22.0	21.9	22.0	22.3	22.1
North America	14.5	14.1	14.3	14.2	14.3	14.4	14.5	14.4	14.4	14.6	14.6	14.8	14.6
Western Europe	6.6	6.6	6.7	6.8	6.5	6.6	6.7	6.7	6.8	6.6	6.6	6.7	6.7
Pacific	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
Developing countries	10.5	10.8	11.0	11.1	10.9	11.0	11.2	11.0	11.3	11.1	11.2	11.4	11.2
FSU	7.3	7.5	7.9	8.2	8.4	8.5	8.5	8.4	8.7	8.9	9.0	9.0	8.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.2	3.3	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Processing gains	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total non-OPEC supply	44.5	44.6	45.8	46.3	46.0	46.4	46.9	46.4	47.3	47.0	47.4	47.9	47.4
OPEC NGLs	2.8	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
(b) Total non-OPEC supply and OPEC NGLs	**47.3**	**47.4**	**48.8**	**49.3**	**49.0**	**49.4**	**49.9**	**49.4**	**50.3**	**50.1**	**50.5**	**50.9**	**50.4**
OPEC crude oil production[1]	27.8	26.5	27.9	28.1	27.1	27.2							
Total supply	75.0	73.9	76.7	77.4	76.1	76.7							
Balance[2]	1.2	1.2	1.0	1.1	1.1	0.7							
Closing stock level (outside FCPEs) *m b*													
OECD onland commercial	2698	2446	2527	2523	2600	2643							
OECD SPR	1249	1228	1210	1210	1207	1202							
OECD total	3947	3675	3738	3734	3808	3845							
Other onland	1056	983	1000	998	1018	1028							
Oil on water	859	808	864	906	834	840							
Total stock	5861	5466	5601	5638	5660	5714							
Days of forward consumption in OECD													
Commercial onland stocks	57	51	53	54	55	55							
SPR	26	26	25	26	25	25							
Total	83	77	78	80	80	80							
Memo items													
FSU net exports	3.0	3.4	4.1	4.3	4.6	4.9	4.3	4.5	4.8	5.2	5.0	4.8	5.0
[(a) — (b)]	26.5	27.7	27.0	27.0	26.0	26.5	26.7	26.5	26.2	25.2	25.9	26.8	26.0

Note: Totals may not add up due to independent rounding.
1. Secondary sources.
2. Stock change and miscellaneous.

***Table J** above, prepared by the Secretariat's Energy 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 One** and **Two** on page 40, while **Graphs One and Two** (on pages 39 and 41) show the evolution on a weekly basis. **Tables Three to Eight,** and the corresponding graphs on pages 42–47, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Graph 1:
Evolution of spot prices for selected OPEC crudes, July to October 2001

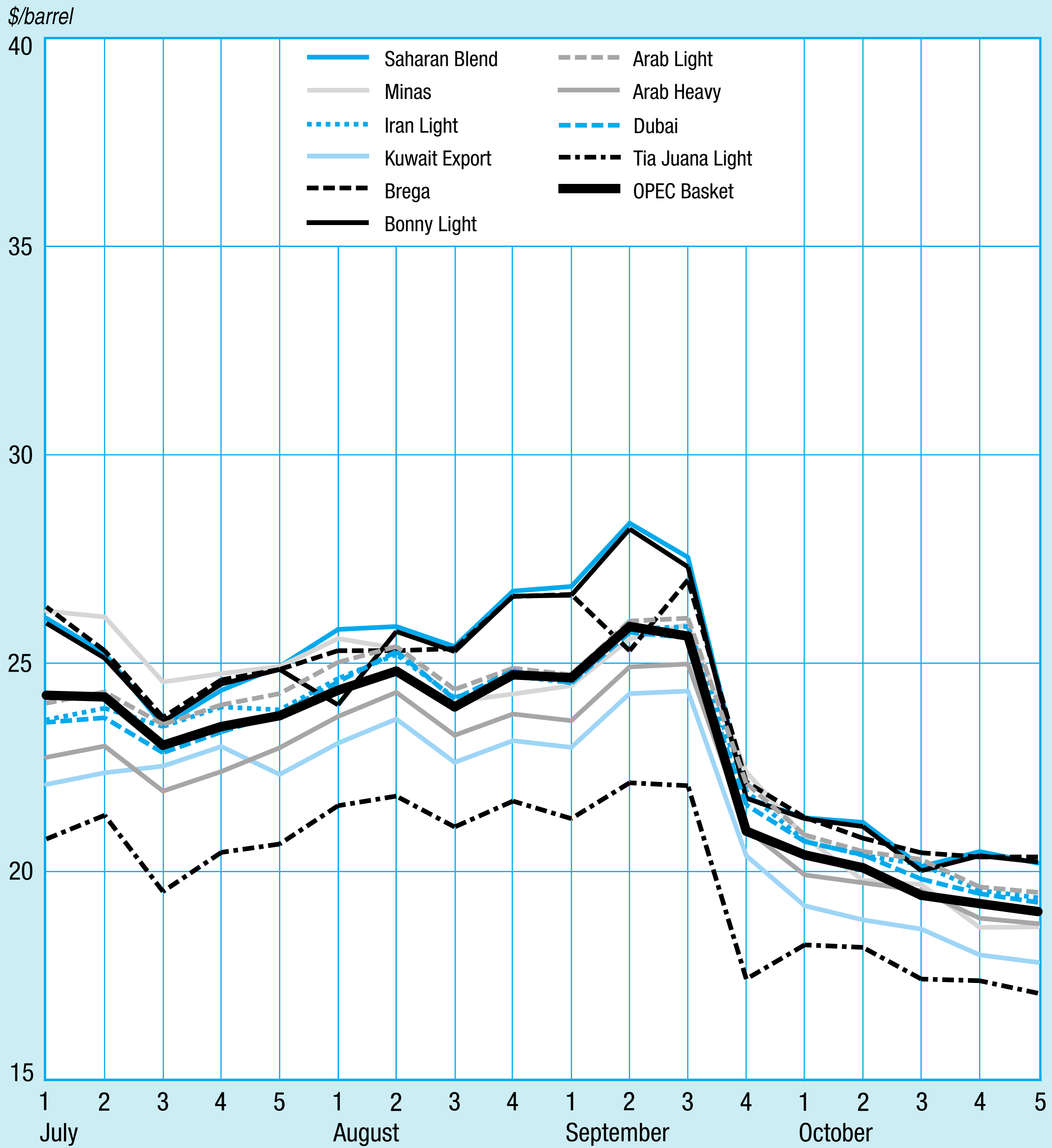


Table 1: OPEC spot crude oil prices, 2000–2001

($/b)

	2000		2001														
Member Country/	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**October**					
type of crude *(API°)*	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**1W**	**2W**	**3W**	**4W**	**5W**	**5Wav**
Algeria																	
Saharan Blend *(44.1)*	33.06	26.11	26.08	27.80	24.82	25.65	28.47	28.16	24.82	25.96	26.13	21.29	21.18	20.12	20.48	20.20	20.65
Indonesia																	
Minas *(33.9)*	31.07	24.87	24.03	25.62	25.64	27.64	28.21	27.86	25.32	24.82	24.59	20.83	19.79	19.69	18.66	18.67	19.53
IR Iran																	
Light *(33.9)*	29.75	22.66	22.63	24.65	23.58	24.05	25.58	25.80	23.78	24.68	24.54	20.73	20.39	20.17	19.55	19.37	20.04
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	28.20	21.11	21.08	23.10	22.03	22.50	24.03	24.25	22.47	23.13	22.99	19.18	18.84	18.62	18.00	17.82	18.49
SP Libyan AJ																	
Brega *(40.4)*	32.99	25.40	25.93	27.79	24.69	25.54	28.85	28.18	24.96	25.73	25.91	21.30	20.80	20.45	20.35	20.20	20.62
Nigeria																	
Bonny Light *(36.7)*	32.86	25.47	25.43	27.40	24.35	25.43	28.51	28.06	24.81	25.41	25.98	21.27	21.08	20.02	20.38	20.23	20.60
Saudi Arabia																	
Light *(34.2)*	29.81	22.65	22.31	24.82	23.77	24.24	25.77	26.17	24.03	24.92	24.73	20.88	20.48	20.29	19.63	19.50	20.16
Heavy *(28.0)*	27.94	20.83	20.74	23.32	22.57	23.15	24.60	24.88	22.61	23.77	23.63	19.92	19.73	19.54	18.88	18.75	19.36
UAE																	
Dubai *(32.5)*	30.25	22.27	22.56	24.79	23.67	24.06	25.40	25.86	23.45	24.70	24.37	20.72	20.40	19.82	19.47	19.26	19.93
Venezuela																	
Tia Juana Light[1] *(32.4)*	30.01	23.11	23.18	22.79	21.08	20.79	22.77	22.30	20.55	21.54	20.72	18.24	18.18	17.42	17.38	17.08	17.66
OPEC Basket[2]	**31.22**	**24.13**	**24.06**	**25.41**	**23.70**	**24.38**	**26.25**	**26.10**	**23.73**	**24.46**	**24.29**	**20.40**	**20.09**	**19.43**	**19.23**	**19.04**	**19.64**

Table 2: Selected non-OPEC spot crude oil prices, 2000–2001

($/b)

	2000		2001														
Country/	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**October**					
type of crude *(API°)*	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**1W**	**2W**	**3W**	**4W**	**5W**	**5Wav**
Gulf Area																	
Oman Blend *(34.0)*	28.97	22.76	22.43	24.29	23.26	23.82	25.55	25.53	23.61	24.44	24.49	20.52	20.16	20.31	19.40	19.26	19.93
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	29.06	21.11	22.09	22.61	19.73	21.58	24.56	23.83	21.37	22.48	23.11	*na*	18.15	17.85	17.75	17.25	17.75
North Sea																	
Brent *(UK, 38.0)*	32.67	25.07	25.60	27.30	24.42	25.37	28.35	27.96	24.66	25.78	25.84	21.19	21.08	19.99	20.34	20.12	20.54
Ekofisk *(Norway, 43.0)*	32.66	25.50	25.51	27.49	24.34	25.38	28.45	27.59	24.55	25.70	25.73	20.94	20.81	19.83	20.23	19.95	20.35
Latin America																	
Isthmus *(Mexico, 32.8)*	31.47	24.40	24.80	24.63	22.60	22.86	24.62	24.25	22.67	23.86	23.49	19.56	19.50	18.68	18.64	18.32	18.94
North America																	
WTI *(US, 40.0)*	34.65	28.39	29.42	29.48	27.27	27.37	28.60	27.67	26.53	27.41	26.40	22.83	22.62	22.04	21.81	21.72	22.20
Others																	
Urals *(Russia, 36.1)*	31.23	24.06	24.40	24.78	21.72	23.60	26.46	25.60	23.08	24.46	25.05	20.57	20.33	19.32	19.63	19.16	19.80

1. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*
2. ***OPEC Basket**: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

na not available

Kirkuk ex Ceyhan; 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 Oilgram Price Report; Reuters; Secretariat's calculations.

Graph 2:
Evolution of spot prices for selected non-OPEC crudes,
July to October 2001

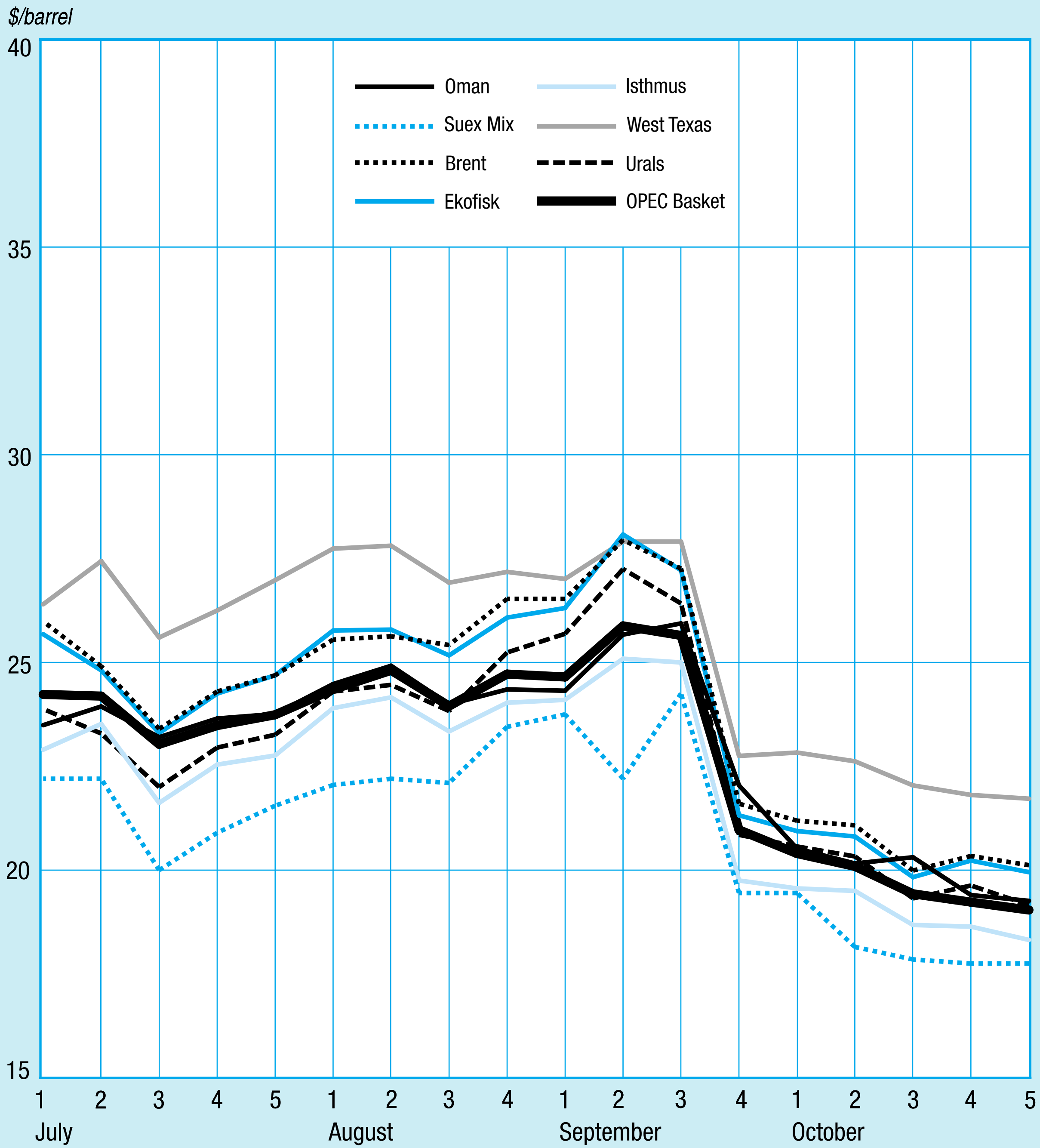


Table 3: North European market — bulk barges, fob Rotterdam *($/b)*

1999	naphtha	regular gas unleaded 87	premium gas unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
October	24.78	25.88	26.61	24.19	26.04	19.16	18.78
November	25.54	27.20	27.72	26.77	29.32	19.40	19.15
December	24.73	28.41	28.93	28.18	33.07	19.69	18.67
2000							
January	27.41	27.81	28.23	28.96	32.24	19.85	18.83
February	29.87	31.63	32.32	29.85	32.72	21.52	19.81
March	31.06	35.71	36.27	30.28	34.01	22.67	22.12
April	24.83	32.90	33.42	28.23	32.81	19.44	18.12
May	28.39	37.01	38.99	29.87	32.07	20.02	18.70
June	30.41	40.57	44.28	31.40	34.40	23.79	21.23
July	29.89	36.51	37.67	33.02	36.07	24.13	19.79
August	29.79	34.82	36.20	36.46	38.69	21.47	19.69
September	33.28	36.87	37.70	42.09	43.84	24.29	23.04
October	33.15	34.72	35.28	40.06	43.64	27.06	23.82
November	32.51	32.72	33.46	40.68	43.61	25.61	22.18
December	29.27	27.77	28.05	34.25	37.50	23.24	18.31
2001							
January	27.36	29.44	29.85	30.15	32.03	20.54	15.48
February	29.23	32.11	32.49	30.88	33.41	20.48	18.21
March	27.19	30.69	31.52	29.38	31.72	20.56	17.58
April	27.86	36.47	37.57	30.37	32.45	20.49	17.05
May	29.71	37.93	39.09	31.18	34.17	20.48	18.21
June	27.21	30.27	31.73	31.06	33.69	19.23	17.97
July	22.28	27.06	27.82	29.33	31.55	17.97	17.19
August	22.51	27.93	29.36	30.18	31.58	18.18	18.40
September	23.19	28.49	29.88	30.87	32.18	19.84	19.23
October	19.72	23.35	23.27	27.41	28.53	16.50	16.07

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 3: North European market — bulk barges, fob Rotterdam

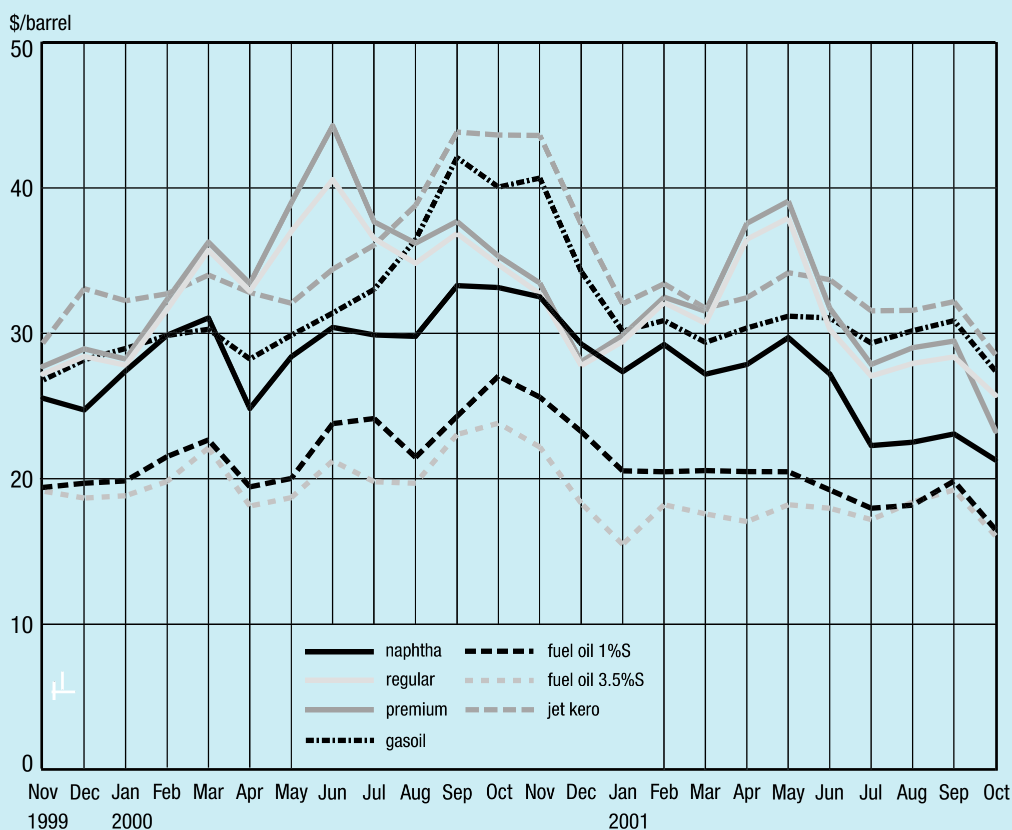


Table 4: South European market — bulk cargoes, fob Italy *($/b)*

1999	naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
October	23.88	26.46	23.56	24.51	18.42	17.65
November	24.68	27.77	26.25	27.67	17.76	17.53
December	23.83	28.82	27.86	32.52	18.23	17.44
2000						
January	26.26	27.55	28.06	31.43	20.48	17.85
February	28.57	32.11	29.97	31.28	22.12	19.05
March	29.65	36.27	29.63	32.31	22.40	21.27
April	23.41	32.77	26.69	31.16	19.28	17.09
May	27.01	38.38	29.15	29.67	20.52	16.51
June	28.93	44.06	30.14	31.99	24.50	19.95
July	28.26	38.25	32.92	34.18	23.20	18.76
August	28.14	36.67	36.09	36.60	20.85	17.85
September	31.58	37.87	41.97	41.89	25.00	21.49
October	32.48	37.20	41.53	41.85	27.16	23.58
November	32.47	33.57	40.44	40.33	24.71	19.47
December	27.74	27.79	34.92	35.99	23.46	17.96
2001						
January	26.35	28.76	27.32	28.73	20.13	14.35
February	26.04	31.89	31.32	29.11	18.80	16.86
March	24.13	30.53	27.55	27.89	18.39	16.28
April	27.07	36.43	29.00	28.28	19.23	14.96
May	29.54	39.45	29.37	29.72	19.39	15.84
June	27.15	32.21	30.98	29.40	17.71	15.89
July	21.95	25.55	27.77	27.15	17.73	15.59
August	22.26	26.60	27.58	27.74	18.20	16.93
September	23.46	29.93	27.58	29.36	18.99	17.44
October	19.14	23.55	27.58	23.61	15.61	15.07

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 4: South European market — bulk cargoes, fob Italy

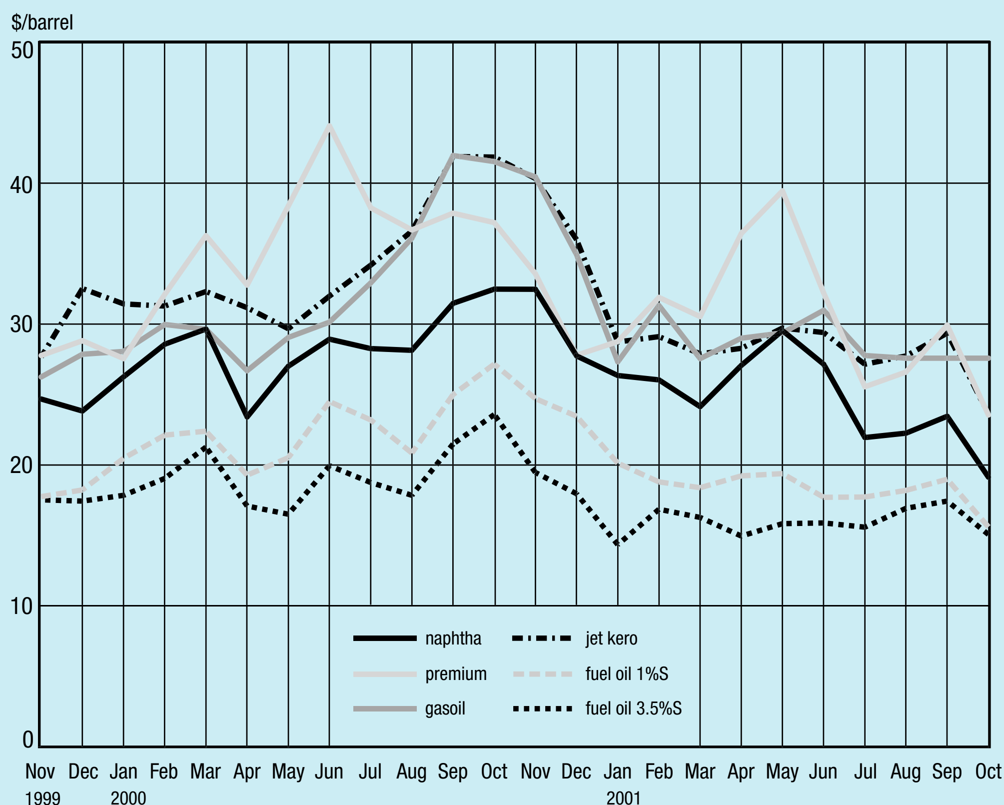


Table 5: US East Coast market — New York *($/b, duties and fees included)*

1999	gasoline regular unleaded 87	gasoil	jet kero	fuel oil 0.3%S LP	fuel oil 1%S	fuel oil 2.2%S
October	26.13	24.27	25.76	22.00	19.44	18.75
November	28.87	26.90	28.78	22.73	19.52	18.95
December	29.35	27.91	30.92	24.88	19.21	18.70
2000						
January	29.41	34.21	39.42	30.08	21.76	20.42
February	33.91	34.64	35.50	31.74	22.90	21.22
March	37.10	32.01	34.31	27.07	21.06	20.87
April	30.35	30.16	32.20	26.81	20.98	19.85
May	37.17	31.39	33.26	28.66	24.59	21.86
June	40.12	32.62	33.69	30.69	27.11	23.20
July	36.04	32.53	34.42	29.28	24.44	22.20
August	36.33	37.17	38.59	29.48	24.50	21.57
September	39.90	41.25	43.80	37.21	29.42	25.39
October	39.83	41.04	42.86	36.86	29.51	25.96
November	39.56	43.46	45.52	35.43	28.66	25.26
December	30.96	39.52	40.97	34.59	25.63	22.04
2001						
January	34.81	35.51	36.03	33.09	25.40	22.34
February	34.68	32.99	34.90	31.51	23.38	19.73
March	32.96	31.12	32.91	27.61	23.31	20.30
April	39.78	32.83	33.92	27.82	22.80	17.47
May	39.06	32.48	35.60	27.84	23.09	18.58
June	30.07	31.74	32.92	24.89	20.22	17.64
July	28.69	29.31	30.10	23.71	19.33	16.72
August	32.56	30.80	32.88	23.69	20.14	18.23
September	31.61	30.71	31.77	24.02	20.24	19.80
October	25.15	26.40	26.84	20.70	17.91	16.97

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 5: US East Coast market — New York

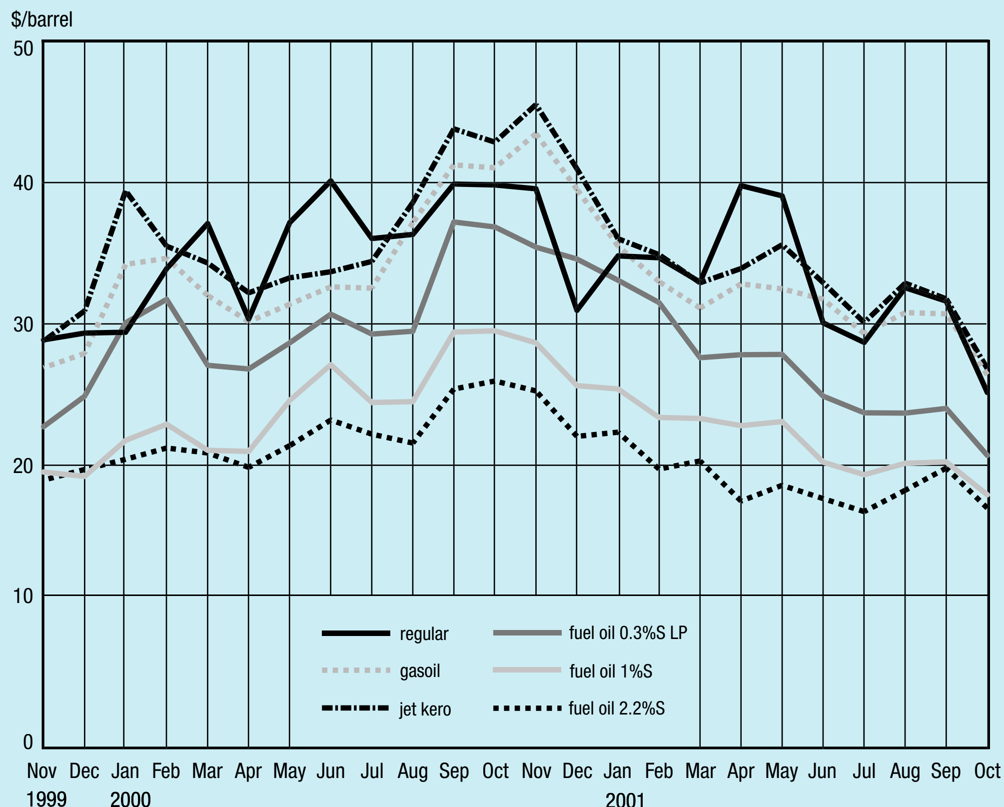


Table 6: Caribbean cargoes — fob *($/b)*

				fuel oil	
1999	**naphtha**	**gasoil**	**jet kero**	**2%S**	**2.8%S**
October	23.16	23.83	25.32	18.20	17.91
November	26.23	26.31	28.01	18.45	17.88
December	25.96	27.38	29.93	18.20	17.87
2000					
January	28.17	30.61	32.85	19.82	18.46
February	33.52	31.85	32.95	20.57	19.36
March	32.74	30.82	33.01	20.17	19.70
April	28.25	29.44	30.74	19.15	18.50
May	32.59	31.11	31.84	21.16	19.39
June	36.24	32.27	32.78	22.27	21.40
July	31.06	32.35	33.38	20.84	19.67
August	32.92	36.63	37.80	19.78	18.54
September	35.32	41.01	42.78	23.59	20.46
October	34.77	39.90	41.32	23.95	21.71
November	34.37	40.93	43.64	22.96	17.96
December	29.73	34.63	36.40	19.89	16.90
2001					
January	34.10	35.56	36.17	20.21	16.48
February	29.87	31.85	32.42	18.14	16.31
March	28.63	28.97	30.11	18.26	17.16
April	33.60	30.51	31.37	15.81	15.03
May	29.65	32.07	34.46	17.50	17.10
June	25.85	31.58	32.13	16.64	16.27
July	25.06	28.84	29.57	15.54	14.45
August	29.04	30.49	31.68	17.20	17.11
September	26.30	30.10	30.28	18.70	18.71
October	19.86	25.47	25.83	16.28	16.23

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 6: Caribbean cargoes — fob

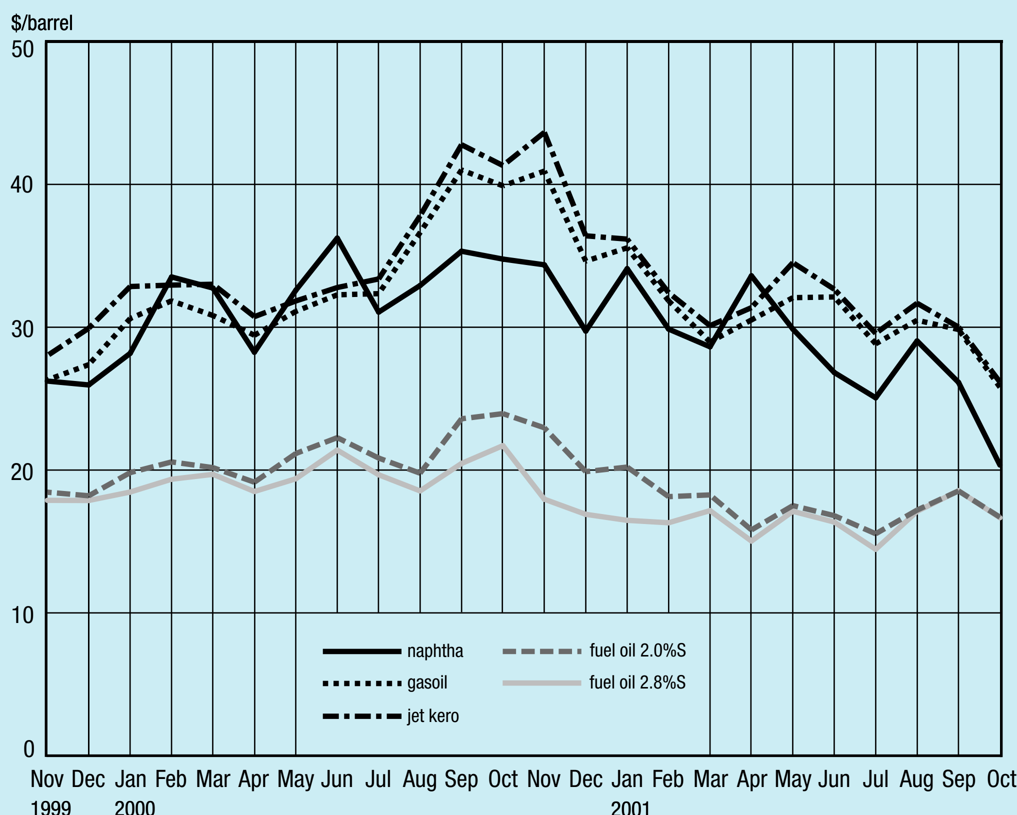


Table 7: Singapore cargoes *($/b)*

1999	naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 0.3%S	fuel oil 180C	fuel oil 380C
October	24.70	24.78	23.60	25.90	20.46	19.98	20.46
November	25.86	25.88	24.74	27.56	21.23	20.68	21.19
December	25.03	25.46	25.63	29.53	21.47	20.47	20.98
2000							
January	25.02	28.36	28.14	31.30	21.58	19.66	19.95
February	27.09	31.16	29.90	31.14	23.43	20.76	21.15
March	29.08	32.58	32.94	32.37	25.85	24.66	24.69
April	25.01	28.01	26.73	27.99	24.54	22.13	22.39
May	27.27	31.90	28.12	29.09	26.62	23.62	23.60
June	28.13	33.08	30.69	31.23	26.78	25.30	25.31
July	27.80	36.05	31.86	33.25	25.45	22.00	22.09
August	30.19	38.31	37.46	37.98	27.08	21.57	21.64
September	34.53	35.05	40.13	42.21	28.44	24.81	24.87
October	33.50	33.03	38.96	43.30	26.77	26.35	26.55
November	30.43	32.96	34.85	39.88	26.50	24.36	24.49
December	25.52	29.97	29.61	32.92	24.45	19.78	19.74
2001							
January	25.50	30.02	28.41	29.70	22.54	18.37	17.99
February	27.83	31.33	27.57	30.48	22.68	19.91	19.69
March	27.43	29.88	26.83	28.72	22.43	20.08	20.04
April	28.14	32.76	29.80	30.25	22.60	20.48	20.47
May	28.89	32.64	30.79	30.74	23.72	22.02	22.07
June	27.57	26.89	30.00	30.84	25.11	20.26	20.16
July	24.38	24.36	28.54	28.93	24.08	19.03	19.19
August	24.33	26.68	28.71	29.37	21.03	20.70	20.94
September	24.67	29.47	29.44	31.05	20.38	21.74	21.85
October	20.58	22.23	25.53	25.92	19.10	18.53	18.72

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 7: Singapore cargoes

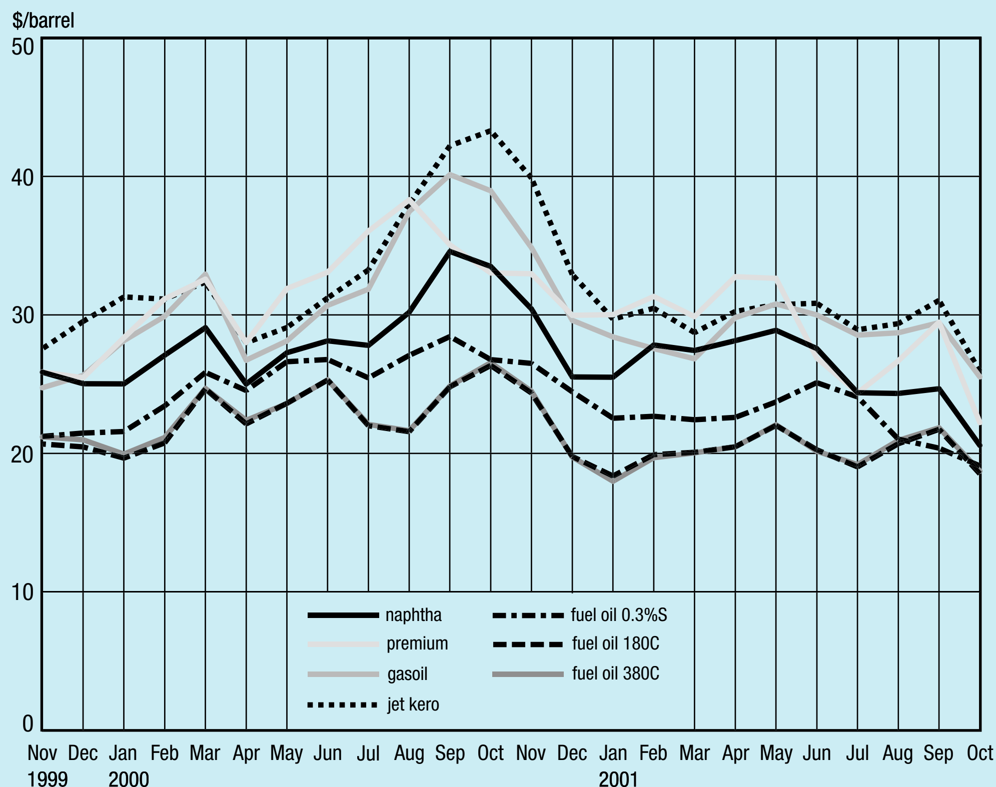
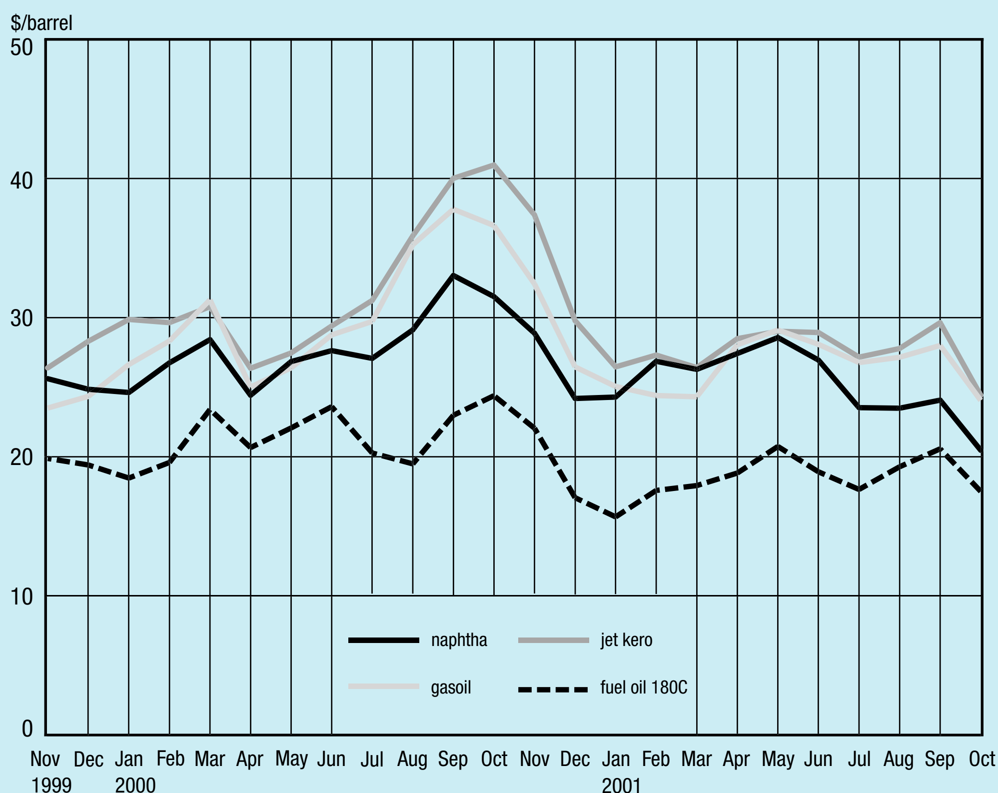


Table 8: Middle East— fob *($/b)*

1999	naphtha	gasoil	jet kero	fuel oil 180C
October	24.40	22.33	24.68	19.15
November	25.61	23.50	26.39	19.88
December	24.85	24.34	28.30	19.41
2000				
January	24.62	26.63	29.87	18.47
February	26.75	28.32	29.64	19.59
March	28.42	31.28	30.79	23.40
April	24.42	25.01	26.36	20.66
May	26.84	26.39	27.46	22.06
June	27.63	28.76	29.40	23.60
July	27.07	29.73	31.24	20.27
August	29.12	35.24	35.88	19.49
September	33.03	37.79	40.01	22.98
October	31.51	36.62	40.97	24.39
November	28.88	32.42	37.38	22.05
December	24.19	26.46	29.73	17.06
2001				
January	24.29	25.05	26.38	15.68
February	26.86	24.40	27.31	17.58
March	26.28	24.31	26.41	17.93
April	27.42	28.05	28.49	18.83
May	28.57	29.11	29.02	20.74
June	26.95	28.08	28.93	18.92
July	23.53	26.77	27.16	17.65
August	23.49	27.15	27.78	19.28
September	24.07	28.00	29.64	20.57
October	20.47	24.05	24.42	17.51

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 8: Middle East — fob



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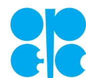

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UAE's $1.2 billion petrochemical project at Ruwais nears completion

Abu Dhabi — The $1.2 billion petrochemical project at Ruwais, near Abu Dhabi, is on schedule, with commercial production due to start in December and exports to follow in January 2002, a top official confirmed last month.

The Chief Executive Officer of the Abu Dhabi Polymers Company (known as Borouge), Joost Schrevens, said the petrochemical complex was almost ready to start producing.

"First products will come out of the units in December and exports are scheduled to start in January 2002," he was quoted by Dubai's English-language newspaper, *Gulf News*, as saying.

The complex consists of a 600,000 tonnes/year ethylene cracker unit and two Borstar bimodal polyethylene plants, which will have a combined production of 450,000 t/y.

At a recent board meeting held recently, the company decided that Middle Eastern markets would be better served in terms of exports than had been originally planned.

"We discovered the Middle Eastern markets have become more important and one-third of the production will go to these markets," Schrevens said, adding that the rest would be mainly exported to Asia and a small portion to Europe.

"By having our own plant in the Middle East, Borouge will be in a better position to sell directly to customers in the Middle East, the Indian sub-continent, China, south-east Asia, and Australia," added the CEO of the Singapore office of Borouge responsible for marketing, Teuvo Kulmala.

The plant at Ruwais will specialize in producing high-end, high-performance bimodal polyethylene using Borealis' proprietary Borstar process to meet the exacting needs of the pipe industry.

Borouge was set up in 1998 as a joint venture between the Abu Dhabi National Oil Company (ADNOC), with a 60 per cent stake, and the Copenhagen-based Borealis (40 per cent), Europe's second largest producer of polyolefins.

The complex at Ruwais is the UAE's first significant downstream petrochemical investment project and is the only Borstar bimodal polyethylene facility in the Middle East and Asia Pacific.

Norwegian delegation visits Nigeria for co-operation talks

Abuja — A four-member delegation from the Norwegian Agency for Development Co-operation (NORAD) held talks with Nigerian government officials in Abuja last month.

They discussed areas of co-operation and assistance that Norway could give to Nigeria, especially in the elimination of gas flaring.

The Nigerian Minister of State for the Environment, Dr Imeh Okopido, said the visit was a follow-up to the memorandum of understanding (MOU) signed in February last year between the two countries, when the Nigerian President, Olusegun Obasanjo, made a state visit to Oslo.

He noted that an international seminar on gas flaring, organized this year by the Royal Norwegian Ministry of International Development, was aimed at supporting efforts to end gas flaring and to maximize the benefits for poverty eradication.

The seminar selected Nigeria as a key beneficiary for pilot projects on natural gas utilization.

"Today, we are happy to note that the World Bank has accepted to take the global initiative on the flaring of gas … in close co-operation with the Norwegian Government and all interested parties," Okopido remarked, adding that Nigeria and Norway would also collaborate on air pollution control.

"The Ministry is seeking collaboration and support from the Government of Norway in organizing a national air quality training workshop," he observed.

The leader of the Norwegian delegation and Ambassador to Nigeria, Dag Nissien, said the MOU signed between the two countries addressed possible co-operation in good governance, industrial development, oil and gas, and technology transfer, as well as the environment, particularly related to the petroleum and oil and gas sectors.

He added that the memorandum had also been extended to encompass co-operation in the health sector.

Norway would soon sign an agreement with the United Nations Children's Fund (UNICEF) to assist in Nigeria's national immunization programme, Nissien said.

Iran sees 32 per cent rise in value of petrochemical exports

Tehran — Iran's exports of various petrochemical products during the first seven months of the current Iranian year (starting on March 21, 2001) fetched the country $530 million, according to a senior petrochemical industry official.

Quoted by the daily newspaper *Jomhouri-e Eslami*, the official, who declined to be named, commented: "The figure indicates an increase of 32 per cent, compared with the corresponding period the previous year."

He said the petrochemicals were mainly exported to Italy, Spain, the United Arab Emirates, Singapore, Japan, India, China, Turkey and Egypt.

The official predicted that by the end of the current Iranian year in March 2002, the country's exports of petrochemical products would be worth $900m.

He noted that cheap labour, as well as an abundant amount of raw materials, had provided the country with an opportunity to export various petrochemical products.

Algerian foreign exchange reserves reach $17.7bn

Algiers — Algeria's foreign exchange reserves reached $17.7 billion in October 2001, compared with $15.24bn in June and $11.70bn at the end of 2000, it was disclosed in the country's capital.

The country's Minister of Finance, Mourad Medelci, revealed the figures in a speech to Parliament on the main economic results realized by the country so far in 2001.

He said there had been a noticeable decline in Algeria's external debt, which stood at $22.5bn in 2001, compared with $25.2bn in 2000.

The government's budgetary objectives would be reached with a reduction in the deficit to about $325 million, instead of the $620m that was expected in the 2001 bill, he observed.

However, Medelci noted that, in spite of these positive results, estimates for 2001 indicated a rate of growth below the objective of 3.5 per cent set for the year.

The country's rate of inflation was also expected to rise beyond expectations, since it was moving upwards by about 3.1 per cent, compared with one per cent in 2000.

Medelci also outlined the 2002 finance bill, which was counting on a rise in budgetary receipts of $19bn, an increase of 3.8 per cent over 2001.

He noted that the rise would result from a nine per cent increase in petroleum taxation and a 5.5 per cent hike in ordinary taxation.

Saudi Arabia may post surplus for second year running

Dubai — Saudi Arabia is set to post its second consecutive budget surplus in 2001, while cash reserves have surged to their highest level in two decades.

The Kingdom has forecast a balanced budget for 2001, but experts expect a surplus, albeit smaller than last year's.

"There could be a balance between revenue and expenditure by the end of the year, but the more likely scenario is that there will be a surplus," a Saudi Arabian economist, Ihsan Bu Huleika, was quoted by the English-language newspaper, *Gulf News*, as saying.

"I think it will be a small surplus, unlike that recorded last year. The reason is that revenue will be lower than last year's earnings by around 10 per cent."

Bu Huleika ruled out a large increase in actual spending on the grounds that Riyadh was "seeking financial and economic stability in its reform programmes."

He commented: "I also don't see any need for overshooting spending because the government has projected high expenditure and there is little that requires overspending."

Buoyed by strong oil prices, Saudi Arabia boosted spending by around $5.0 billion in 2000, but a projected deficit of $7.5bn turned into a surplus of nearly $12bn.

This was a result of an increase of more than $20bn in public revenue after crude prices leapt to their highest average in 20 years.

Actual revenue was officially put at around $66bn in the year 2000 and experts believe they would decline to around $60bn in 2001.

This meant there could be a $3.0bn surplus if the government stuck to its level of spending, most of which was in current expenditure.

The previous year's surplus was the first since the end of the oil boom in the early 1980s. Such a development allowed the government to control its debt and at the same time boost cash reserves to more than $16bn at the end of August, compared with around $7.0bn at the end of 1998.

Forecasts by the local National Commercial Bank showed that Riyadh would also enjoy a current account surplus for the second year running, while it was likely the economy would grow by nearly five per cent in nominal terms, compared with 15 per cent the previous year.

The past three years were in sharp contrast to 1998, when Saudi Arabia and other major oil producers reeled under the collapse in oil prices because of lower global demand, mainly in Asia after the financial crisis in the region.

The Kingdom's revenues sank to around $34bn, one of their lowest levels ever recorded, and such a collapse opened the government's eyes to the fact that there would be no alternative than to restructure the economy.

"Despite the improvement in oil prices, I am sure the Kingdom is serious about reforms," Bu Huleika said.

"The government has sacrificed more than 5.0bn rials a year by cutting customs tariffs ... this underscores its commitment to reform programmes and the inevitability to manage the economic and fiscal policies in a way that will serve the national economy," he observed.

Arab states must co-ordinate efforts to boost petrochemical industries

Cairo — The Arab petrochemical industry may be hindered by the monopolization of technology by international companies through patent rights, which discourage technology transfer to developing countries, according to a recent report.

The study, by the Beirut-based Centre for Arab Unity Studies, said that Arab countries must co-ordinate their policies in the production of petrochemicals.

The Centre said similar projects must be merged and marketing techniques should be unified, in order for the industry to compete internationally.

The report noted that the petrochemical industry depended highly on developed technology, which was usually protected by patent rights, and, therefore, oil-producing countries were expected to pay very high prices to obtain that technology.

The payment of these high prices would negatively affect Arab countries when competing in international markets, the Kuwait News Agency quoted the study as saying.

According to the report, the monopoly by international companies over patents was becoming more pronounced as it was in line with the 1994 General Agreement on Tariffs and Trade (GATT), which protected intellectual rights.

Iran, Kuwait to forge closer co-operation in energy

Kuwait — Iran and Kuwait have expressed interest in promoting and enhancing the level of bilateral co-operation in energy and engineering technology.

The fifth session of the Iran-Kuwait Joint Economic Commission was told of Iran's willingness to provide Kuwait with technical and engineering services, a proposal that was accepted by the Kuwaiti delegation last month.

Iran indicated its interest to participate in the development of Kuwaiti water and sewage projects, as well as training Kuwaitis in aspects of water, electricity and sewage engineering.

The two countries also agreed to work together in the exchange of information and irrigation systems, the official Islamic Republic News Agency (IRNA) reported.

Earlier, the Iranian economic delegation, at a meeting with the Kuwaiti Chamber of Commerce and Industry, stressed the need for the state and private sectors on both sides to work together towards the promotion of trade co-operation.

The Iranian Deputy Minister of Commerce, Abdul-Hossein Vahaji, said the two sides hoped to address the problems raised at the talks since they affected the bilateral trade levels between the countries.

Algerian President in South Africa for joint commission meeting

Algiers — Algerian President, Abdelaziz Bouteflika, engaged in a four-day visit to South Africa last month, where he chaired a high-level joint commission with his South African counterpart, Thabo Mbeki.

The visit was intended to strengthen bilateral relations and increase co-operation over a wide range of issues between the countries, the South African Department of Foreign Affairs said in a statement.

Bouteflika was accompanied on his visit by nine ministers, including the Algerian Minister of Energy and Mines, Dr Chakib Khelil.

Several bilateral agreements were signed, coving co-operation in sectors including trade, science and technology, merchant shipping, air services, animal health, mining, energy and communications technology.

According to official sources in the Algerian capital, energy sector joint projects were among the main schemes to be examined by the two parties, including joint gas exploration in South Africa.

The schemes would fall within the Algeria-South Africa Energy Co-operation Agreement concluded by the Algerian state oil and gas company, Sonatrach, and the South African Central Energy Fund.

This accord followed the identification of partnership opportunities by Sonatrach and the South African firms, Mosgas and Soeker.

Planned projects were intended to cover the exploration, production, transformation and marketing of hydrocarbons, as well as joint schemes in petrochemicals and refining.

Algerian and South African firms have agreed in principle to jointly build a 900-km gas pipeline linking Kydu in Mozambique to Cape Town in South Africa.

The companies also envisage setting up a joint oil and gas firm to operate in Gabon, Chad, Angola, and Iraq, while it is intended that another subsidiary would market hydrocarbon products in South Africa.

SABIC net profit falls by 37 per cent to $501m

Riyadh — The Saudi Basic Industries Corporation (SABIC) announced a drop in net profit of 37 per cent to $501 million in the first nine months of 2001, which the company attributed to low product prices.

The 70 per cent government-owned company made a net profit of around $800m in the first nine months of 2000.

SABIC Managing Director, Muhammad Al-Madi, said the fall in profits was due to low prices for products — mainly petrochemicals, fertilizers, plastics and steel.

A company statement said that sales reached a value of $6.13 billion by the end of September, up from $5.07bn in the same period last year.

It also noted that total production had climbed to 26.3m tones, up from 20.6m t one year earlier.

Indonesian Parliament okays state budget for year 2002

Jakarta — Indonesia's House of Representatives has approved the government's state budget for 2002, which will be supported by projected state revenues of around $30 billion, it was revealed in the Indonesian capital last month.

Expenditure in the budget has been put at $34.4bn, resulting in an expected deficit of around $4.0bn, equal to 2.5 per cent of the country's gross domestic product (GDP).

The budget assumes an exchange rate of 9,000 rupiahs to the US dollar, lower than the original rate of 8,500 rupiahs.

Inflation in 2002 is forecast at a rate of nine per cent, compared with eight per cent listed previously, while the price of Indonesia's export crude is pegged at $22/barrel.

The government expects domestic economic growth of four per cent next year, down from the earlier estimate of five per cent.

It hopes to help cover the budget deficit with $65m in proceeds from the country's privatization programme, and $4.8bn from the sale of assets held under the Indonesian Bank Restructuring Agency.

The budget, first presented in the House of Representatives in September, was revised following the deepening recession worldwide after the terrorist attacks on the United States on September 11 last year.

Japanese exports to UAE decline in first half of 2001

Abu Dhabi — Japanese exports to the United Arab Emirates (UAE) declined by almost five per cent, or $1.22 billion, in the first half of 2001, compared with $1.28bn in the same period of 2000.

According to the Japanese Export Trade Organization (JETRO), overall trade with the UAE in the first six months grew by 0.26 per cent to a value of $8.3bn, compared with $8.29bn in the same period last year.

Reports carried by UAE daily newspapers quoted JETRO as saying: "This improvement is against the backdrop of a 5.82 per cent decline in Japan's total trade worldwide during the first six months."

Among Japanese exports, machinery and equipment showed a decline of 5.9 per cent. The only improvement in this sector was that of transport machinery, including passenger cars and motorcycles.

Japanese imports from the UAE in the first half rose of 2001 by just over one per cent to a value of $7.08bn, as opposed to $7.0bn during the corresponding period the previous year.

Oil constituted 98.3 per cent of Japan's imports from the UAE. Crude oil alone accounted for more than 76 per cent of the total trade.

The UAE remained Japan's largest supplier of crude oil, meeting some 26.6 per cent of the country's total crude oil imports.

The import of aluminium, another major item from the UAE, rose by 7.7 per cent to $95.7 million in the first half 2001, as opposed to $88.8m during the same period in 2000.

Algeria, Nigeria set up joint commission on co-operation

Algiers — Algeria and Nigeria have set up a joint commission to enhance bilateral co-operation between the two countries, it was announced last month.

The commission, to be co-chaired by the Algerian President, Abdelaziz Bouteflika, and his Nigerian counterpart, Olusegun Obasanjo, is scheduled to hold its first session in January 2002.

According to an official statement carried by the Algerian Press Service (APS), the commission would serve as an important avenue for strengthening Algeria-Nigeria relations.

It noted that a number of areas of co-operation and partnership had already been identified, while some projects were in an advanced stage of discussion.

These included the construction of a gas pipeline to link the two countries, as well as the extension of the trans-Saharan road to the western Nigerian city of Lagos, and a fibre-optic telecommunications link between the two countries.

Iran set to boost nation's power generating capacity

Abadan — The Iranian Minister of Energy, Habibollah Bitaraf, announced last month that 1,760 megawatts (mw) of power would be added to Iran's generating capacity by summer 2002.

Quoted by the official Islamic Republic News Agency (IRNA), he said the country's electricity supply would exceed demand next year and that blackouts would be minimized in the summer months.

The Minister expressed hope that the increased generation of power would make it possible for Iran to offer the excess output to neighbouring countries.

Foundation stone laid for fourth QAFCO expansion in Qatar

Doha — The Qatar Fertilizer Company (QAFCO) made a significant step towards becoming the world's largest single site producer of urea and ammonia, with the laying of the foundation stone for the QAFCO-4 project at Mesaieed last month.

The ceremony was conducted by the Qatari heir apparent, Sheikh Jassem Bin Hamad Al-Thani.

It is anticipated that the $535 million expansion project will be completed in January 2004. Production is to begin later that year.

QAFCO-4 comprises an ammonia plant and a urea unit with capacities of 2,000 tonnes/day and 3,200 t/d, respectively.

The ammonia plant will be the second-largest single stream plant in the world. Designed by German company, Krupp Uhde, it will condense ammonia as a liquid before sending it to the urea plant as feedstock.

The proposed urea plant will also be the world's second-largest single stream plant of its kind.

Although QAFCO-4 is technically independent, it will have a number of links with existing plants, to share resources and provide the utmost flexibility in operating. The natural gas required to run QAFCO-4 will be supplied by Qatar Petroleum.

The expansion project, on completion, will push QAFCO's production capacity to 2.0 million t/year of ammonia and 2.8m t/y of urea, thereby boosting ammonia output by 50 per cent and urea production by 65 per cent.

The Qatari Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah, said a private company would run the urea

formaldehyde condensate plant when QAFCO-4 went on stream in January 2004.

QAFCO will have a 70 per cent stake in the new plant. The remaining shares will be held by the Qatar Industrial Manufacturing Company (15 per cent), the Qatar-based United Development Company (10 per cent), and the Qatar Ladies Investment Company (five per cent).

Algerian President in Nigeria for talks on African initiative

Algiers — The Algerian President, Abdelaziz Bouteflika, was due to participate in a mini-summit of African leaders in Nigeria last month.

According to sources in Abuja, the summit would discuss the implementation of the African initiative that was adopted earlier this year by the Organization of African Unity (OAU).

The Presidents of Nigeria and South Africa, Olusegun Obasanjo and Thabo Mbeki, who, with Bouteflika, are the other two initiators of the new African plan, were due to attend the summit, along with the President of Senegal, Abdoulaye Wade.

The African initiative aims at developing trade exchanges, consolidating democratic ties, and setting out a basis for sound economic management on the continent.

The plan has received the support of a number of international institutions, including the World Bank, the International Monetary Fund, the Group of Eight industrialized countries, and the European Union, to which it has been submitted.

Iran's GDP growth averaged 4.1 per cent in 1997–2000

Tehran — Average growth in Iran's gross domestic product (GDP) amounted to around 4.1 per cent in the period 1997–2000, according to the Macroeconomic Department of the Management and Planning Organization (MPO).

The MPO said in its economic report for the year 2000, released last month, that Iran's GDP rose to a value of 52 billion rials.

The nation's economic growth rate fluctuated in the period with its highest rate standing at 5.9 per cent in 2000, and the lowest at 2.8 per cent in 1999.

The MPO report noted that increased oil revenues and the impact on the economy, as well as an improvement in capital accumulation, were the reasons for the improved economic growth rate in the period under review.

It said the service sector gained a 54 per cent share in the country's GDP — the highest percentage, compared with other sectors.

The value-added of the service sector in the period was 4.6 per cent, on average.

The industry sector's share in the GDP followed an upward trend, standing at about 21 per cent in the year 2000.

Qatari foreign trade up by 51.1 per cent last year

Doha — Qatar's foreign trade increased by 51.1 per cent in 2000, according to an economic survey conducted by the Qatar Central Bank (QCB).

The bank said the country's foreign trade in 2000 increased by a value of almost $5.0 billion over 1999 figures.

The higher volume of trade was due to an increase in exports and a fall in the value of imports, the survey noted.

Qatari exports during 2000 increased by 58.2 per cent to a value of $11.43bn, while imports fell by over 30 per cent to $3.02bn.

The bank said the ratio of foreign trade to the country's gross domestic product (GDP) increased to 89.1 per cent last year, compared with 79.7 per cent in 1999.

Of the commodity imports, machinery and transport equipment continued to lead, accounting for 44.8 per cent of total Qatari imports.

Manufactured goods maintained their second ranking, accounting for 20.9 per cent of total imports.

The report noted that the import of foodstuffs and live animals, which accounted for 10.2 per cent of total imports, fell to fourth position in 2000, from third place the year before.

It pointed out that the structure of the geographic distribution of Qatar's imports changed considerably last year, with Japan ranked first, accounting for some 11 per cent of total Qatari imports.

Japan's performance, which saw the country move up from second place in 1999, was at the cost of the United Kingdom, the top exporter to Qatar during that year. In 2000, the UK slid to fourth position.

Germany accounted for 8.2 per cent of total Qatari imports in 2000, securing second place. The United Arab Emirates was the fifth-largest exporter to Qatar, Italy the sixth and Saudi Arabia the seventh, the survey noted.

Italian firm to participate in South Pars petrochemical plan

Tehran — Iran's National Petrochemical Company (NPC) has commissioned Italy's Snamprogetti to construct a large acetylene monomer production unit in the country, according to the English-language *Iran Daily* newspaper.

The newspaper quoted the Executive Director of the South Pars Petrochemical Project, Abbas Peivandi, as saying that the Italian firm would invest $196 million in the scheme, $122.3m of which would be in foreign exchange and the rest in Iranian rials.

He stated that the South Pars special economic zone was capable of producing 600,000 tonnes of acetylene monomer annually. The project would be completed by the summer of 2004.

The NPC was considering the use of a non-American

technical certificate for the construction of the ethyl benzene unit, which used acetylene monomer as its main feed, he said.

Peivandi noted that, at present, the private sector was operating an acetylene monomer production unit at Garmsar, Semnan, which had a capacity of 30,000 tonnes/year.

Acetylene monomer is a precursor of polystyrene, which is used in tyre and related industries.

The *Middle East Economic Digest* wrote in its latest issue that besides those plans, Snamprogetti and Iran's Moshaverin Sazeh Company were co-operating in two other projects.

These schemes comprised the construction of a carbon monoxide unit at Imam Khomeini port and a urea granule production unit at the Razi petrochemical complex.

Obasanjo urges developed world to increase UN contributions

Paris — Nigerian President, Olusegun Obasanjo, last month urged the international community to review their current budget policies and to contribute more to organizations like the United Nations Educational, Scientific and Cultural Organization (UNESCO) and to cancel the debt of African countries.

Speaking at the opening of the 31st session of the UNESCO General Conference in the French capital, the Nigerian leader particularly encouraged the world's richest nations to take a fresh look at how much they allocated to development through bodies like UNESCO.

He appealed to "our fellow member countries, especially the industrialized nations, to help change this rather counterproductive budgetary policy."

Obasanjo also called for greater efforts to be made in the area of education, noting that "the eradication of poverty cannot be contemplated without dealing with the scourge of illiteracy and a systematic way of raising the level of knowledge of the populace at large."

For Africa, he criticized the reduction in development aid, especially Official Development Assistance (ODA), which had been drastically cut by the developed nations.

"Developing countries feel deserted by the dramatic drop in ODA," he said, and appealed for a target of 0.5 per cent of gross domestic product (GDP) to be channelled towards development aid in the next five years.

While this was below the 0.7 per cent of GDP the UN recommended, it would be far higher than many industrialized countries currently contributed, he noted.

Paradoxically, the United States, the richest economy in the world, was the lowest ODA contributor in percentage terms, the President observed.

"Let me plead, once again, that African countries should be relieved from their debt burden that impedes national development and the provision of education and other social services," Obasanjo stated.

While recognizing that there had been some progress on debt relief, he said "the total eradication of the burden" was necessary to give a chance of survival to countries in Africa.

France, Venezuela sign co-operation agreements

Paris — Venezuelan President, Hugo Chávez, signed two co-operation agreements with the French Government relating to the prevention of natural disasters and to increased co-operation in building rail infrastructure in Venezuela, according to the French Prime Minister's office.

The accords were signed last month with the French Prime Minister, Lionel Jospin, during Chávez's three-day visit to France.

Agreements were also signed concerning forestry co-operation. Chávez was expected to sign further accords with the French Minister of Defence, Alain Richard.

During the visit, the Venezuelan leader also met with the French President, Jacques Chirac, to discuss international oil markets, as well as with TotalFinaElf Chairman, Thierry Demarest.

Chávez said after the talks that the French oil company intended to invest "several billion dollars" in Venezuela's oil and gas sector over the next five years.

Additional meetings were held with officials from the French metals and mining company, Pechiney.

Chávez planned to tour several European countries — Italy, Belgium, Austria and Portugal — after the visit to France, and he was also due to visit fellow OPEC Member Algeria.

Foreign firms vie for desalination projects in Saudi Arabia

Riyadh — Several foreign companies are competing to participate in Saudi Arabia's water desalination industry, which is set to require investment of $40 billion over the next 20 years, it was reported last month.

According to the English-language daily, *Arab News*, Saudi Arabian firms were mainly playing the role of agency or marketer for the multinationals to enter the local market.

Companies from Japan, Korea and the United States were particularly keen to enter the industry, the newspaper noted.

The report pointed out that a permanent committee, appointed by the Kingdom's Supreme Economic Council (SEC), was the authority responsible for receiving and scrutinizing offers from both domestic and foreign firms.

Over 20 quotations from Saudi, Japanese and American companies had so far been received by the committee.

The government was also studying an action plan to expedite the participation of the private sector in the construction of desalination plants.

A ministerial team comprising the Ministries of Agriculture and Water, Finance and National Economy, and Planning, as well as the Saline Water Conversion Corporation, had submitted a report to the SEC on the matter after studying the offers and meeting with Saudi Arabian businessmen and representatives from foreign firms.

OPEC Fund extends loans worth $61m in October

In October, the OPEC Fund extended nine agreements for loans totalling $61.14 million to Côte d'Ivoire, Egypt, Ethiopia, Korea, Mali, Nicaragua, the Philippines, Syria and Turkmenistan. They will help finance projects in the health, education, water supply and sewerage and transportation sectors. Details can be found below.

No 66/2001
Vienna, Austria, October 2, 2001

OPEC Fund and Tunisia sign agreement to protect investment

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and the Republic of Tunisia. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialled by HE Dr Afif Hendaoui, Ambassador of the Republic of Tunisia to the Republic of Austria, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a new financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. This agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

Tunisia has a population of 9.4 million people and a per capita income estimated at $2,100 in 1999. The country's gross domestic product (GDP) stood at $20.9 billion during that year, of which 59 per cent was contributed by the services sector, 28 per cent by industry and 13 per cent by agriculture. Since the late 1980s, Tunisia has embarked on a series of extensive economic reforms, illustrated by its strong performance in the 1990s with a real GDP growth of close to four per cent per year. Since the launch of the country's privatization programme in 1987, a substantial number of small-and medium-size enterprises have been privatized either in full or in part, and efforts are continuing to create a hospitable enabling environment for the development of the country's private sector.

OPEC Fund for International Development, Parkring 8, PO Box 995, 1011 Vienna, Austria. Tel: +43 1 515640; fax: +43 1 513 9238; tx: 1-31734 fund a; cable: opecfund; e-mail: info@opecfund.org; Web site: http://www.opecfund.org.

No 67/2001
Vienna, Austria, October 3, 2001

OPEC Fund and Eritrea sign agreement to protect investment

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and the State of Eritrea. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialled by HE Berhane Abrehe, Minister of Finance of the State of Eritrea, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a new financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. This agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

Eritrea is a country of some four million people with a gross domestic product estimated at $648.6 million in 1999. Although Eritrea's income per capita of $200 is less than half the average for sub-Saharan Africa, its economic outlook is promising due to sound management and relatively diversified production in agriculture, manufacturing and services. The Government sees the private sector as the primary engine of growth, and has sought to create an effective enabling environment for business.

No 68/2001
Vienna, Austria, October 3, 2001

Fund supports arsenic contamination research in Bangladesh

The OPEC Fund for International Development has approved a $49,000 research grant in support of a project to provide a long-term solution for combating chronic arsenic poisoning of Bangladesh's water supplies.

Established by scientists at Harvard Medical School and MIT, and in collaboration with the Dhaka University Hospital in Bangladesh, aims are to provide, as rapidly as possible, the affected populations with safe drinking water.

While it has long been known that arsenic taken in high doses is acutely poisonous, its cancerous effects from ingestion at sub-acute levels have only recently become understood. In Bangladesh, an estimated 30 million people are currently facing this danger.

Although arsenic has always been present in the country's groundwater supply, concentrations were generally believed not high enough to cause harm. However, it has been discovered that 20 per cent of the 11m wells drilled over the past 15 years possess dangerous levels of arsenic.

Harvard and MIT have been working to address this crisis through a three-pronged attack on the problem. Two of these involve research into the nature and causes of the contamination, with the third offering a more immediate solution in response to the urgency and severity of the problem.

The OPEC Fund grant will therefore co-finance locating and bringing test equipment to Bangladesh for precise measurement of arsenic in wells, as well as testing for the presence of coliform bacteria in replacement water. Harvard will send medically trained personnel to Dhaka and surrounding villages to teach the people how to use the devices and will conduct regular blood testing. This will be done in the form of a pilot programme, after which its successes can then be adopted on a wider scale.

No 69/2001
Vienna, Austria, October 3, 2001

OPEC Fund supports community library and resource centre in Ghana

The OPEC Fund for International development has approved a grant of $50,000 in support of an initiative to establish a network of Community Libraries and Resource Centres (CLRCs) in rural areas of Ghana. The scheme is the brainchild of the Ghana-based, non-profit NGO, Community-Based Libraries and Information Technology (CBLIT).

CBLIT's main objectives are to assist with the educational process by making reading materials available online and establishing libraries; providing children with a comfortable environment in which to read, complete homework assignments and receive mentorship; utilizing information technology as a means for eliminating communities' isolation; and, assisting with the empowerment of women through helping boost their knowledge base.

Under the current initiative, CBLIT will set up a pilot CLRC in the town of Apirede, some 40 miles from the capital Accra. The Centre will house a library, an information technology facility and a multipurpose room for social functions. Its establishment will facilitate learning for children and adults, while generating revenue to defray some of the centre's operating costs.

In order to demonstrate its support, the community has already donated three acres of land, architectural plans, books and other items.

The Centre will be equipped with a wide array of books and online resource materials that will encompass the needs of schoolchildren, teachers and adults. Upon successful completion of the pilot project, plans are to replicate it in other rural areas of the country.

The OPEC Fund's grant represents a contribution to help cover the costs of setting up the pilot centre, including its construction, and the provision of furniture, equipment and computer hardware.

No 70/2001
Vienna, Austria, October 10, 2001

OPEC Fund supports education sector in Côte d'Ivoire with $10m loan

The OPEC Fund for International Development has signed a $10 million loan agreement with the Republic of Côte d'Ivoire in support of an ongoing initiative to expand the country's educational system and reduce gender and regional inequalities in enrollment levels. Once completed, more than 10,000 additional places will be provided for primary school children and around 800 for secondary pupils.

Côte d'Ivoire's economic difficulties have considerably constrained expansion of the education sector. As a result, schools remain inadequate in number and learning materials are scarce and often inappropriate in relation to market needs. Such deficiencies have perpetuated low completion rates, high degrees of repetition and generally low levels of learning. The lack of boarding facilities has acted as a disincentive for the attendance of girls, especially those living in remote rural areas.

The proposed project will benefit children, particularly girls between the ages of six and 11. Activities include the construction of 67 primary schools (46 in rural areas and 21 in urban districts), complete with ancillary facilities such as administrative offices, storage rooms and latrine blocks. Each of the 201 classrooms will be provided with furniture, didactic materials and equipment. In addition, the project will finance the construction of two, 12-classroom secondary colleges, one in Bodokro and an all-girl establishment with boarding facilities in Gagnoa. Some of the newly constructed schools will be used in a pilot programme for the teaching of mother tongues (native languages), and over 2,600 pedagogical kits will be distributed to schools being constructed under a previous project, which was also supported by the OPEC Fund.

By making education more accessible, and by providing students with a comfortable and healthy learning environment, the project is expected to increase the

quality of instruction, stimulate enrollment and reduce absenteeism, thereby contributing to the country's social and economic progress.

This is the second loan the OPEC Fund has extended to Côte d'Ivoire towards improvement of its education sector. The earlier loan helped finance the construction of 66 primary schools and a secondary college in the Abidjan and Bouaké regions.

The agreement was signed in Vienna by HE Amani Michel N'Guessan, Minister of National Education of the Republic of Côte d'Ivoire, and by HE Dr Saleh Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Second basic education improvement.
Sector:
Education.
OPEC Fund loan:
$10m
Lending terms:
Interest rate of 1.5 per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Republic of Côte d'Ivoire.
Executing agency:
Ministry of National Education.
Implementation period:
Three years.
Appraising agency:
OPEC Fund.
Loan administrator:
OPEC Fund.
Co-financier:
Government of Côte d'Ivoire.
Total cost:
$11.11m
Project description:
The project comprises the following components:
— constructing 201 primary school classrooms and two 12-classroom colleges;
— supplying school furniture, learning materials and equipment;
— providing institutional development support;
— implementing a pilot programme in the teaching of mother tongues; and
— supporting the project implementation unit.

No 71/2001
Vienna, Austria, October 10, 2001

Ethiopia gets $4m loan from OPEC Fund for airport project

The OPEC Fund for International Development has signed a $4 million loan agreement with the Federal Democratic Republic of Ethiopia towards a project to modernize Addis Ababa's International Airport. Once completed, the newly-upgraded facility will help strengthen the country's position as an important transportation centre, and boost revenues from the expected increase in tourism, business and trade.

Ethiopia's landlocked location and underdeveloped road infrastructure has made air travel a vital mode of transport. The Addis Ababa International Airport, which is situated on the southern outskirts of the city, serves as a major hub for East Africa. However, as it was originally built in 1962, the facility requires upgrading to accommodate increased passenger and cargo traffic.

Addis Ababa's airport expansion programme has been underway since 1997. With a new 3,800-m long runway and five taxiways almost completed, and other important infrastructure in the process of installation, considerable headway has been made. However, additional funding is now needed to finance outstanding components. These include completion of a 40,000-sq m international passenger terminal and adjacent aircraft parking apron, along with the installation of all services and facilities, car parks, lighting and roads.

Also envisaged is an extensive baggage handling system, consisting of conveyors, x-ray screening and detection equipment, to provide a faster, more efficient air cargo service. Scheduled for completion at the end of March 2002, the upgraded facility will be able to accommodate, safely and efficiently, both present and forecasted passenger traffic counts and allow for future expansion when necessary.

This is the second loan the OPEC Fund has approved for the Addis Ababa International Airport expansion project. Previous loans also include one for balance of payments support, and eight others that helped finance projects in the transportation, agriculture, national development banks and education sectors. Ethiopia has also received five technical assistance grants in the areas of agriculture and education and three emergency grants to help alleviate food shortages.

The agreement was signed in Vienna by Dr Waktasu Negeri Yadeta, Chargé d' Affaires ad interim of the Diplomatic Mission of the Federal Democratic Republic of Ethiopia to Austria, and by HE Dr Saleh Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Addis Ababa Airport II.
Sector:
Transportation.
OPEC Fund loan:
$4m
Lending terms:
Interest rate of one per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
The Federal Democratic Republic of Ethiopia.
Executing agency:
The Ethiopian Civil Aviation Authority/Ministry of Transport and Communications.
Implementation period:
Completion scheduled for the end of March 2002.
Appraising agency:
Kuwait Fund for Arab Economic Development (Kuwait Fund).
Loan administrator:
Kuwait Fund.
Co-financiers:
Kuwait Fund; Arab Bank for Economic Development in Africa; Government of Ethiopia.
Total cost:
$22.07m

Project description:

The project comprises the following:
— completion of new air terminal and aircraft parking apron, including the installation of all services and utilities, as well as construction of car parks, roads and lighting systems;
— installation of baggage handling system including conveyors, x-ray screening equipment and trace element detection equipment; and
— consultancy services.

No 72/2001
Vienna, Austria, October 10, 2001

Korea DPR to pursue road rehabilitation with $4.74m Fund loan

The OPEC Fund for International Development has signed a $4.74 million loan agreement with the Democratic People's Republic of Korea to help finance rehabilitation of the Sinhung-Songgwan road. Once completed, the movement of people and goods will be greatly facilitated.

Korea DPR's rugged terrain and harsh winters allow for only around 15 per cent of the land to be cultivated. Most of this lies in South Hwanghae Province, where the bulk of the country's rice, maize and other crops is grown. Despite the region's strong productive capacity, however, Korea still imports much of its food, a situation that has evolved, in part, because of the poor condition of the country's 72,000-km road network, only a fraction of which is paved. As a vital food-growing area, South Hwanghae depends heavily on road transportation for the movement of agricultural inputs and produce. The Songgwan-Sinhung highway is a key corridor within the province, providing links to two major seaports, as well as to the capital city Pyongyang, and outlying food-deficit regions. However, a lack of periodic maintenance and a shortage of funding, combined with flooding and other natural disasters, has led to the road's severe deterioration.

Under the project, five segments of this 42.8-km long road will be upgraded accordingly, based upon the results of a survey and design study that will be conducted on each section, taking into account topography, pavement condition and drainage capability, as well as current and projected vehicle loads. Safety barriers and drainage works in flood-prone areas will be installed, and the implementation of a maintenance programme will insure the rehabilitated road is kept in optimal condition.

The newly renovated road will provide a more efficient and less expensive means of transport, providing farmers with improved access to inputs and marketplaces and giving a much-needed boost to incomes. The road will also help strengthen food security by facilitating the distribution of produce to food-deficit regions. In addition, remote populations will find it easier to reach important services such as schools, hospitals and workplaces.

Korea DPR has already benefited from three other project loans in the agriculture sector. In addition, the country has received one emergency grant to aid flood victims.

The agreement was signed in Vienna by HE Kim Gwan Sop, Ambassador and Permanent Representative of the Democratic People's Republic of Korea to the United Nations and other International Organizations in Vienna, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Sinhung-Songgwan road.

Sector:
Transportation.

OPEC Fund loan:
$4.74m

Lending terms:
Interest rate of 1.5 per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.

Borrower:
Democratic People's Republic of Korea.

Executing agency:
Roads Department, Ministry of Land and Environment Protection.

Implementation period:
Two years.

Appraising agency:
OPEC Fund.

Loan administrator:
OPEC Fund.

Co-financier:
Government of Korea DPR.

Total cost:
$7.52m

Project description:

The project comprises the following:
— rehabilitation of five sections of a 42.8-km stretch of the Sinhung-Songgwan road;
— construction of safety barriers and drainage works; and
— provision of spare parts for construction equipment and maintenance programme.

No 73/2001
Vienna, Austria, October 10, 2001

Mali benefits from $9m OPEC Fund loan for road rehabilitation

A $9 million loan agreement was signed between the OPEC Fund for International Development and the Republic of Mali to help finance rehabilitation of the Didiéni-Goumbou-Nara road, a relatively basic track that passes through Koulikoro and Kayes, two remote, rural regions. Once completed, the transport of inputs, agricultural goods and people will be facilitated, and the area's opportunity for economic integration with neighboring areas will be greatly improved.

Mali, a landlocked Sahelian country, has two very distinct seasons, fluctuating between long drought periods and torrential downpours. These environmental challenges, along with a scarcity of arable land, place many obstacles in the way of Mali's inhabitants, three-quarters of whom depend on agriculture for their livelihoods. Possessing only one railway line, the country relies heavily on its road network for the movement of produce. However, less than one-fifth of Mali's 14,500-km system is paved and, during the wet months, many routes are rendered impassable. Particularly problematic is the badly damaged Didiéni-Goumbou-Nara earth road,

which has become so deteriorated that travel is becoming impossible for the surrounding villages, isolating them from marketplaces, social services, and income generating activities, thereby hindering economic and social development among the area's one-half million strong population.

Under the project, the 176-km road will be upgraded to a seven-metre wide all-weather road with a 1.5-m shoulder on either side. To prevent flooding, the route will be elevated on a raised embankment, and 110 culverts and a series of drainage systems will be installed. Complementing the scheme is the provision of road markings and signs.

The newly-restored road will enable previously-isolated villages to have easier access to market centres, health and education facilities and employment opportunities. Household incomes will rise, and the region's inhabitants will be able to enjoy a far better standard of living.

The OPEC Fund has previously approved 27 other loans for Mali, including seven for balance of payments support, two to finance commodity imports programmes, one for HIPC debt relief and 17 project loans in the agriculture, transportation, education and energy sectors. Fund grants also went to help Mali finance its subscription to the Common Fund for Commodities, as well as build a solar energy regional centre in Bamako, and acquire equipment to deal with the effects of drought.

The agreement was signed in Vienna by HE Soumaïla Cissé, Minister of Equipment, Land Rehabilitation, Environment and Urban Development of the Republic of Mali, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Didiéni-Goumbou-Nara road rehabilitation.

Sector:
Transportation.

OPEC Fund loan:
$9m

Lending terms:
Interest rate of one per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.

Borrower:
Republic of Mali.

Executing agency:
National Office of Public Works, under the aegis of the Ministry of Equipment, Land Rehabilitation, Environment and Urbanism.

Implementation period:
27 months.

Appraising agency:
OPEC Fund.

Loan administrator:
OPEC Fund.

Co-financier:
Government of Mali.

Total cost:
$10.44m

Project description:
The project will comprise the following:
— rehabilitation of 176-km stretch of road to 7-m wide, with a 1.5-m shoulder on either side;
— drainage and ancillary works; and
— road markings and road signs.

No 74/2001
Vienna, Austria, October 10, 2001

Nicaragua receives $5m loan from OPEC Fund for road rehabilitation

The OPEC Fund for International Development has signed a $5 million loan agreement with the Republic of Nicaragua to co-finance the upgrading of the Pan-American Highway, an important corridor that traverses the country linking it with Costa Rica to the south and Honduras in the north. The project supports an ongoing government initiative to improve Nicaragua's entire transportation sector, primarily to facilitate the movement of goods for export and give the economy a much-needed impetus.

Nicaragua is heavily dependent on its extensive road network, which is the main mode of transport for most of the population. Unfortunately, years of civil unrest and economic instability have led to severe deterioration of the transportation infrastructure. Within its rehabilitation programme, Government has placed the highest priority on upgrading the Pan-American Highway, which is in urgent need of repair. Heavy vehicle loads have accelerated its worsening condition, making the movement of agricultural goods difficult and costly. To make matters worse, the damage sustained by the network's roads and bridges in 1998 from Hurricane Mitch has left many outlying regions isolated from the main commercial centres.

Six sections (totalling 259 km) of the Northern Pan-American Highway, as well as portions of the southern stretch are targeted for rehabilitation. A 2-3 inch deep asphalt layer will be laid along the entire length and the more severely damaged surfaces re-based. In order to withstand flooding, a system of ditches and drains will be integrated into the road design. Bridges will also be built new or repaired. Additionally, the project will support a monitoring and maintenance scheme to ensure continued safe and efficient driving conditions.

This initiative will benefit thousands of Nicaragua's impoverished rural population, who will enjoy easier and cheaper transportation of goods and improved access to marketing centres, thus allowing them to increase their level of economic activity. Social services and places of employment will also become more accessible, leading to a better quality of life.

The OPEC Fund has approved 12 other loans to Nicaragua, of which four were for balance of payments support, three for commodity imports programmes and five for projects in the transportation, agriculture, education, and water supply and sewerage sectors. Fund grants also went to provide emergency assistance to Nicaragua, as well as to finance a water supply and environmental sanitation programme and technical assistance schemes in the energy sector. In addition, the Fund has also approved the delivery of debt relief to the country under the Heavily Indebted Poor Countries initiative.

The agreement was signed in Vienna by Professor Dr Alberto José Altamirano-Lacayo, Chargé d'Affaires ad interim at the Embassy of the Republic of Nicaragua in Austria, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Pan-American highway rehabilitation.
Sector:
Transportation
OPEC Fund loan:
$5m
Lending terms:
Interest rate of one per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Republic of Nicaragua.
Executing agencies:
Ministry of Transportation and Infrastructure; Road Maintenance Fund.
Implementation period:
Three years
Appraising agency:
Inter-American Development Bank (IDB).
Loan administrator:
IDB.
Co-financiers:
IDB; Government of Nicaragua.
Total cost:
$81.6m
Project description:
The project comprises the following:
— upgrading and rehabilitation of northern and southern portions of the Pan-American Highway;
— rebuilding/repairing of bridges;
— implementation of road monitoring and maintenance programme; and
— construction of drains and ditches.

No 75/2001
Vienna, Austria, October 10, 2001

Philippines receives $7m OPEC Fund loan for education sector

The OPEC Fund for International Development has signed a $7 million loan agreement with the Republic of the Philippines to help strengthen the technical education and skills development (TESD) system, one of the three major education subsectors. Designed to assist with the improvement of existing programmes, this initiative will enable the country's disadvantaged populations to attain the specialized skills and training needed to secure better-paying jobs.

Although the economy of the Philippines is relatively stable and unemployment remains low, over one-third of the inhabitants still live in poverty. This is due in part to the limited access rural and disadvantaged populations have to the higher educational training necessary for acquiring more financially rewarding jobs. Teaching facilities across both public and private sectors are lacking up-to-date materials and qualified staff.

Additionally, the TESD system is unable to keep pace with modern technology, so the relevance of coursework is rapidly becoming obsolete. Most students are enrolled in private institutions, which play the largest role in producing a skilled workforce. However, these tend to be located only in larger urban areas, excluding the majority of the rural population. Training centres in remote areas are inadequate and curriculum is limited, especially for women, who comprise the greatest number of enrollees. The sector also lacks an accreditation programme that enables students to transfer classes and other skills from outside the scope of the TESD system.

A multi-pronged approach will be used to reform the existing TESD system in order to produce a framework capable of generating highly-skilled workers across all populations. Throughout the entire sector, training centres will be upgraded and equipped with modern instructional materials and computers, and 1,300 teachers will be offered staff development programmes.

A scholarship fund will be established, targeting special groups such as women and poor/ethnic minorities in rural areas, benefiting approximately 40,000 trainees over a five-year period. Needy students will be eligible for student loans, ultimately assisting at least 12,000 participants. Repayments will be kept in a revolving fund to continue helping other applicants, and an accreditation programme will be integrated into the scheme.

Once implemented, thousands of disadvantaged people will be able to acquire the diverse and advanced skills necessary to obtain better employment, enabling many, perhaps for the first time, to achieve self-reliance and a brighter future.

This is the tenth loan made by the OPEC Fund to the Philippines. Nine earlier loans consist of project loans in the agriculture, multi-sectoral, transportation and energy sectors. The country has also been the recipient of one research grant and two technical assistance grants in the area of energy.

The agreement was signed in Vienna by HE Victor G Garcia III, Ambassador of the Republic of the Philippines to Austria, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Technical education and skills development.
Sector:
Education.
OPEC Fund loan:
$7m
Lending terms:
Interest rate of two per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Republic of the Philippines.
Executing agency:
Technical Education and Skills Development Authority.
Implementation period:
Five years.
Appraising agency:
Asian Development Bank (AsDB).
Loan administrator:
AsDB.
Co-financiers:
AsDB; Danida (Denmark); Nordic Development Fund; Government of the Philippines.
Total cost:
$84.77m
Project description:
The project will comprise the following:
— upgrading of existing and construction of new educational facilities;
— provision of educational materials and equipment;

— implementation of a staff development programme;
— consultancy services; and
— establishment of financial services and scholarship fund.

No 76/2001
Vienna, Austria, October 10, 2001

OPEC Fund provides $6.2m loan to Syria for hospital project

The OPEC Fund for International Development has signed an agreement with the Syrian Arab Republic for a loan of $6.2 million towards establishing a new educational hospital at Tishreen University in the city of Lattakia. Once completed, the facility will bring a wide array of health care services to some 800,000 people living in Syria's West Coast region, and enhance clinical training opportunities for the University's medical students.

In the past 25 years, Syria has made impressive strides in its health care sector. Life expectancy is higher, infant mortality rates have dropped considerably, and maternal mortality rates are relatively low. However, along with the country's increased urbanization, the incidence of infectious disease and injuries is also on the rise. And, since the percentage of people over the age of 60 is growing, and likewise, age-related illnesses, meeting health care needs is becoming an area of growing concern, particularly since the elderly population is expected to more than double over the next 25 years. Available medical care in rural regions is inadequate, and the incidence of communicable diseases is taking its toll on children under seven. Although the physician/patient ratio has improved substantially in recent years, there are still large disparities among regions.

Construction of the hospital falls in line with the Syrian government's strategy to provide modern services and low-cost coverage to rural regions. The new complex comprises a 14-storey main tower, in addition to a 102,000-sq m area designated for an outpatient clinic, capable of handling 1,500-2,000 patients per day, a parking lot and a residential building. Advanced diagnostic equipment will be purchased, and specialized wards and research facilities established. Bed capacity will be increased to 660, with the capability of being further expanded to 800. The hospital will be staffed with some 120 doctors and support staff and strong emphasis will be placed on providing patients with preventative health care, as well as family planning services.

Once the new facility is operational, not only will needy communities have the opportunity to access comprehensive health care, perhaps for the first time, in up-to-date facilities, but also numerous medical students will receive valuable training and preparation for working in a clinical setting.

The OPEC Fund has previously extended five project loans to Syria in the agricultural and water supply and sewerage sectors. The country has also benefited from four technical assistance grants in the areas of energy conservation and agriculture.

The agreement was signed by HE Safwan Ghanem, Ambassador of the Syrian Arab Republic to Austria, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Tishreen University educational hospital.
Sector:
Health.
OPEC Fund loan:
$6.2m
Lending terms:
Interest rate of two per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Syrian Arab Republic.
Executing agency:
Tishreen University.
Implementation period:
Five years.
Appraising agency:
Islamic Development Bank (IsDB).
Loan administrator:
OPEC Fund.
Co-financiers:
IsDB; government of Japan; government of Syria.
Total cost:
$110m
Project description:
The project comprises the following:
— construction of general administration building, teaching and training facilities and out-patient and residential buildings;
— purchase of medical supplies and equipment; and
— supervisory services.

No 77/2001
Vienna, Austria, October 10, 2001

Turkmenistan gets $5.2m loan for water supply project

The OPEC Fund for International Development has signed a $5.2 million loan agreement with the Republic of Turkmenistan in support of a scheme to boost the availability and quality of drinking water for the 400,000-strong population of the Balkan Velayat (district), a westerly region bordering the Caspian Sea.

Turkmenistan, a land characterized by its arid, desert terrain, has the lowest number of available water sources in Central Asia. Supplies come primarily from the man-made Karakum canal, which feeds into the Amu Darya River, which in turn joins the Aral Sea. Over-use of the river for irrigation has caused serious depletion of the sea, reducing its volume by almost 75 per cent, leading to salination and desertification.

Agricultural pesticides and chemicals have rendered groundwater undrinkable, and an outdated infrastructure has caused losses of over one-half of the water supply. Approximately 50 per cent of the drinking water falls below hygienic standards. Conditions are particularly serious in the Balkan district, where rationing is frequent and the occurrence of waterborne diseases is high. Balkan's water supplies come from the Karakum Canal and numerous wells in the Yaskhan area. These sources are becoming overtaxed, a

situation worsening due to population increases.

Under this initiative, a wide assortment of activities will be implemented. Geared towards improving, rehabilitating and expanding urban and rural water systems, work will range from upgrading of the entire transmission network, distribution centres and wells, to the provision of pipelines and the construction of wastewater pumping stations.

Some 147 wells will be drilled, supplementing groundwater sources by an additional 35,000 cubic metres/day. Since the quality of this water is high, purification will be unnecessary. Additionally, a 40-km main transmission line to the city of Nebitdag will be installed. Another key component entails halting damaging environmental practices, thus helping insure the project's ongoing success.

This is the second time the OPEC Fund has extended development assistance to Turkmenistan. The first loan helped finance the establishment of a medical diagnostic centre in the Turkmenabat district.

The agreement was signed in Vienna by HE Vladimir Kadyrov, Ambassador of the Republic of Turkmenistan to Austria, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Balkan Velayat water supply.
Sector:
Water supply and sewerage.
OPEC Fund loan:
$5.2m
Lending terms:
Interest rate of 1.75 per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Republic of Turkmenistan.
Executing agency:
Committee of Purified Water Supply.
Implementation period:
Four years.
Appraising agency:
Islamic Development Bank (IsDB).
Loan administrator:
IsDB.
Co-financiers:
IsDB; government of Turkmenistan.
Total cost:
$31.81m
Project description:
The project comprises the following:
— drilling of 147 fresh, salt water and control wells in the Yaskhan area;
— installation of collection and intermediary pipelines and one 40-km main water transmission line;
— construction of water reservoirs and four pumping stations; and
— consultancy services.

No 78/2001
Vienna, Austria, October 10, 2001

Egypt receives $10m OPEC Fund loan for education sector

The OPEC Fund for International Development has signed a $10 million loan agreement with the Arab Republic of Egypt to help strengthen its technical education system. Designed to assist with the improvement of existing programmes, this initiative will enable the country's disadvantaged populations to attain the specialized skills and training needed to secure better-paying jobs.

Although Egypt has made great strides in expanding its educational system, the sector's efficiency remains low. Dropout and repetition rates are rising, with only half of all secondary school graduates continuing on to post-secondary technical schools. This is due in part to the limited access rural and disadvantaged populations, particularly women, have to the advanced training necessary for acquiring more financially rewarding jobs. As a result, unemployment rates are high, with the greatest percentage occurring in the 15-30 age group. Teaching facilities are inadequate, and vary from crudely-built structures in rural areas, to more modern but seriously overcrowded buildings in urban centres. Additionally, up-to-date materials and qualified staff are scarce, and the secondary educational system is unable to keep pace with modern technology, so the relevance of coursework is rapidly becoming obsolete.

A multi-pronged approach will be used to reform the existing technical education system in order to produce a framework capable of generating highly-skilled workers across all population groups. In 27 governates throughout Egypt, primarily those in rural regions, 33 five-year secondary technical industrial schools (STISs) will be upgraded and equipped with modern instructional materials. Three new multipurpose training centres will be constructed and provided with extra workshops and laboratories, and some 340 existing workshops will receive new equipment.

Once completed, approximately 40,000 technical students, 1,000 student teachers and 6,000 school heads and administrators across all levels will have access to quality training each year, and be able to acquire the diverse and advanced skills necessary to obtain better employment, thereby enabling many to achieve a higher standard of living and a more self-reliant future.

This is the fourth loan made by the OPEC Fund to Egypt. Earlier loans consist of one for balance of payments support, one line of credit to the Industrial Development Bank of Egypt and one project loan in the health sector. The country has also benefited from two research grants and four technical assistance grants in the agriculture and education sectors.

The agreement was signed in Vienna by HE Sameh Hassan Shoukry, Ambassador of the Arab Republic of Egypt to Austria, and by HE Dr Saleh A Al-Omair, Chairman of the Governing Board of the OPEC Fund.

Data summary

Project:
Industrial secondary schools, phase II.
Sector:
Education.
OPEC Fund loan:
$10m
Lending terms:
Interest rate of two per cent per annum, with an annual service charge of one per cent on amounts withdrawn

and outstanding; maturity of 20 years, including a grace period of five years.

Borrower:
Arab Republic of Egypt.

Executing agency:
Project Implementation Unit, Ministry of Education.

Implementation period:
Five years.

Appraising agency:
African Development Bank (AfDB).

Loan administrator:
AfDB.

Co-financiers:
AfDB; Arab Fund for Economic and Social Development; government of Egypt.

Total cost:
$52.74m

Project description:
The project comprises the following:
— rehabilitation of 33 five-year STISs;
— re-equipping 340 workshops;
— construction of three multipurpose training centres;
— provision of pedagogical materials;
— staff training programmes; and
— consultancy services.

No 79/2001
Vienna, Austria, October 10, 2001

Loans totalling $61.14m extended by the OPEC Fund

Nine agreements for loans totalling $61.14 million have been signed between the OPEC Fund for International Development and nine developing countries in Africa, Asia and the Caribbean. The loans were extended to Côte d'Ivoire, Egypt, Ethiopia, Korea, Mali, Nicaragua, the Philippines, Syria and Turkmenistan. They will help finance projects in the health, education, water supply and sewerage and transportation sectors.

All nine projects will be co-financed by the concerned governments and by a number of international development institutions, including OPEC aid agencies such as the Kuwait Fund for Arab Economic Development, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development and the Islamic Development Bank. Other contributors include the African Development Fund, the Inter-American Development Bank, the Asian Development Bank, Danida (Denmark), the Nordic Development Fund and the Government of Japan.

The OPEC Fund loans carry interest at rates ranging from one per cent to two per cent. All loans have a maturity of 20 years and include a grace period of five years.

As of the end of August 2001, cumulative lending of the OPEC Fund, for project and programme financing, balance of payments support and HIPC debt relief, stood at $4.75 billion. A further $96.8m had been extended in support of private sector operations. Total commitments, inclusive of grants and contributions to other international institutions, had reached $6.07bn and benefited 108 countries. Total disbursements had amounted to $4.0bn.

No 80/2001
Vienna, Austria, October 10, 2001

OPEC Fund and Lao PDR sign agreement to protect investment

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and Lao PDR. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialled by HE Soukanh Mahalath, Minister of Finance of the Lao People's Democratic Republic, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

In 1999, Laos' population was estimated at 5.3 million and income per capita stood at $290. During the same year, gross domestic product (GDP) at market prices amounted to $1.5 billion, and the GDP growth rate reached 7.4 per cent. Laos' key economic sector is agriculture, contributing to 53 per cent of GDP and employing over 89 per cent of the labor force. Services account for 25 per cent of GDP followed by industry with 22 per cent. Laos also offers some competitive advantages in certain private sector development activities due largely to its relatively low labor and production costs, its natural resource base and low tax base. Since the introduction of reforms in 1986, the government has transformed the economy from a centrally planned to a market-oriented system. The structural reforms and sound management initiated under the reforms have fostered a steady movement towards macroeconomic stability, production growth, the emergence of the private sector, and increased foreign direct investment and trade flows.

No 81/2001
Vienna, Austria, October 17, 2001

OPEC Fund receives Venezuelan President Hugo Chávez

The President of the Bolivarian Republic of Venezuela, HE Hugo Chávez Frías has paid a courtesy call on the OPEC Fund for International Development. Accom-

panied by an entourage of high-ranking ministers, the President was received by OPEC Fund Director-General, HE Dr Y Seyyid Abdulai, and other senior officials of the Fund. Although the Fund has received heads of state of beneficiary countries on a number of occasions in the past, it is the first time that a head of state of a member country has visited its premises.

In his welcoming statement, Dr Abdulai gratefully acknowledged President Chávez's recognition of, and allegiance to, the cause of OPEC and, in particular, the work of the OPEC Fund. The Director-General recalled the President's "untiring efforts" in organizing and hosting the hugely successful II Summit of OPEC Heads of State, which took place in the Venezuelan capital, Caracas, in September 2000.

"The meeting clearly met the set challenge of revitalizing our Organization and reaffirming the commitment to development made by the generation of leaders before us," he said. Referring to the ties between Venezuela and the OPEC Fund, Dr Abdulai noted, with pleasure, the deeply rooted longevity of the relationship. Praising Venezuela for its "unflinching" dedication to the Fund, he expressed the hope that such support would continue.

In his own address, President Chávez thanked the Director-General for his warm words of welcome and reiterated his personal interest in the development cooperation activities of the OPEC Fund. "The Fund may be modest in size, but its achievements are great and of immense importance to millions of poor people around the world," he said. The President urged fellow member countries to provide more support to the institution: "As members of the OPEC Fund, we have a responsibility to strengthen and enlarge it," he asserted. It was the duty of OPEC member countries, he continued, "to help build a better world and seek justice and peace." The President concluded his address by paying tribute to the efforts of Fund management and staff, who he said were "deserving of recognition" for their work.

As host to the historic II OPEC Summit, President Chávez was responsible for bringing together, for the first time in 25 years, the Heads of State and Government of OPEC Member Countries. The event was a resounding success, uniting and strengthening the Organization, and instilling in it a new sense of purpose. Among its many resolutions, the resulting, multi-paragraph Caracas Declaration, in addition to addressing oil and energy issues, also examined the subject of development co-operation, and designated the eradication of poverty an "overriding global priority."

President Chávez was in the middle of a 17-day official tour, involving visits to four OPEC member states (Algeria, the Kingdom of Saudi Arabia, IR Iran and the GSP Libyan AJ) seven European countries (Switzerland, France, Italy, Belgium, Austria, Portugal and Great Britain), and Russia. The President's entourage included HE Luis Alfonso Davila, Minister of Foreign Affairs; HE Jorge Giordani, Minister of Planning and Development; HE Alvaro Silva Calderon, Minister of Energy and Mines; HE Maria Lourdes Urbaneja, Minister of Health and Social Development and HE Dios Dado Cabello, Minister of the Office of the President. According to Mr Davila, the purpose of the tour was to discuss issues of bilateral relations and to review existing accords with the various countries, in the areas of energy, science and technology, economy, culture, politics and commerce.

October

Secretary General's diary

The *Seventh Conference of the Parties (COP7), the 15th Sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) & Subsidiary Body for Implementation (SBI)* were organized by the UNFCCC and held in Marrakesh, Morocco, October 29–November 9, 2001.

Secretariat missions

A conference on *Delivering Kyoto: Could Europe Do It?* was organized by the Royal Institute of International Affairs (RIIA), and held in London, UK, October 1–2, 2001.

OAPEC's *8th Ordinary Meeting on the Environment* was held in Cairo, Egypt, on October 3–4, 2001.

A conference on the *Accelerating Market Liberalization in the EU* was organized by CEPMLP, University of Dundee, Scotland, and held in Brussels, Belgium, October 4–5, 2001.

RIIA's Workshop on Asian Markets was held in London, UK, October 11–12, 2001.

The *7th Annual Middle East Gas Summit* was organized by IBC Conferences, and held in Muscat, Oman, October 16–17, 2001.

A *Technical Meeting with Xprodate* was organized by Xprodate, Norway, and held in Karmsund, Norway, October 31–November 2, 2001.

OPEC Meetings

The *118th (Extraordinary) Meeting of the Conference* was held at the OPEC Secretariat, Vienna, Austria, on November 14, 2001.

The *119th Meeting of the Conference* will be held at the OPEC Secretariat, Vienna, Austria, on March 15, 2002.

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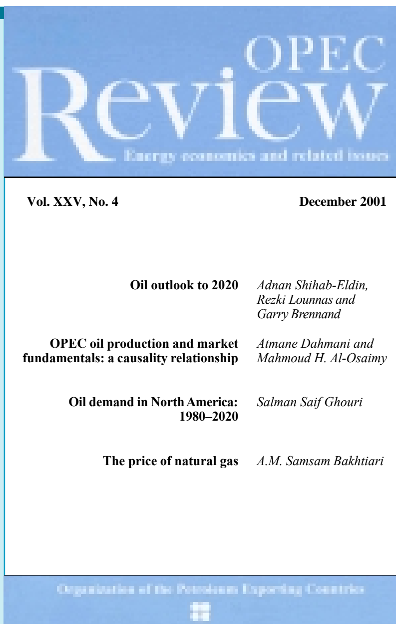

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People wishing to submit a paper for publication should contact the Editor-in-Chief of the OPEC Review, Farouk U Muhammed, at the Public Relations and Information Department, OPEC Secretariat, Obere Donaustrasse 93, A-1020 Vienna, Austria.

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